

DCUSA Consultation	At what stage is this document in the process?
<h1 style="color: green;">DCP 293</h1> <h2 style="color: green;">Charging Methodology Cut-off Date</h2> <p style="color: green;"><i>Raised on the 14 February 2017 as a Standard Change</i></p>	01 – Change Proposal
	02 – Consultation
	03 – Change Report
	04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>DCP 293 seeks to formalise an existing “gentleman’s agreement” that exists so that charging related DCPs are completed in time to enable the calculation of charges. This will be achieved by establishing a formal cut-off date for the finalisation of the charging methodologies at 17 months prior to the date that the methodology would become effective. Establishing this cut-off date will provide a 2-month time window for DCUSA to provide charging models, DNOs to test the new models and then to calculate, test and approve revised charges.</p> <p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 293.</p>	
 	<p>The Workgroup recommends that this Change Proposal should:</p> <ul style="list-style-type: none"> • proceed to Consultation <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 10 July 2017.</p> <p>DCP 293 has been designated as a Part 1 Matter and a standard change.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>
	<p>Impacted Parties: DNOs, IDNOs and Suppliers</p>
	<p>Impacted Clauses: Section 1C, Schedule 16, 17, 18, 20 and the PCDM schedule which is due to be introduced through the implementation of DCP 234 on 1 April 2018.</p>

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Timetable		
The timetable for the progression of the CP is as follows:		
Change Proposal timetable		
Activity	Date	
Initial Assessment Report Approved by Panel	15 February 2017	
Consultation issued to Parties	26 June 2017	
Change Report issued to Panel	09 August 2017	
Change Report issued for Voting	18 August 2017	
Party Voting Ends	8 September 2017	
Change Declaration Issued to Parties	12 September 2017	
Authority Decision	17 October 2017	
Implementation	01 October 2017	

1. Summary

What?

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This Change Proposal (CP) seeks to make a change to DCUSA that will formalise the implementation of charging methodology related DCPs. Currently there is no formal date that charging methodologies become final prior to the actual date that the methodology change becomes effective. DNOs rely on an unwritten “gentleman’s agreement” to complete DCPs in enough time to allow DNOs to calculate charges. (i.e. the implementation date). This lack of a formal date could cause a conflict with the DNOs obligation to provide 15 months notice of changes to charges, ahead of their implementation date. This conflict creates issues for DNOs to provide charges that are calculated and validated using the actual methodology that would be approved for use during the appropriate charging year, in a timely manner.
- 1.3 The change would enable DCUSA to confirm the final charging methodologies for the appropriate future charging year before DNOs have the obligation to provide notice to change charges for that year.
- 1.4 It would allow DCUSA sufficient time to obtain and test the full suite of charging models and then for DNOs to calculate, test and approve revised charges prior to the publication of these for the given charging year. The methodologies for the appropriate charging year would include all approved DCPs at the time of the cut-off date. Any DCPs approved after the cut-off date would not be implemented in that year and would be ‘rolled over’ to the next implementation date unless Ofgem decide to implement the process for an urgent change.

Why?

- 1.5 Currently there is an unnecessary risk, that due to short timeframes DNOs have insufficient time to understand the interaction of all the approved changes, test models and calculate charges before the 15-month notice period has to be provided. Appropriate time to enable delivery of tested

models and subsequent charge calculation time is necessary to ensure that robust error checking and approval processes can be undertaken.

- 1.6 If there is not sufficient time, then DNOs may not have enough time to adequately ensure that they are compliant with the revised methodologies and indeed may not be able to meet the price change notice periods. This has the risk of putting DNOs in breach of their licence obligations.

How?

- 1.7 This change would establish a cut-off date at which DCUSA will finalise and publish the charging methodologies and associated models which will be applicable to use for the calculation of charges in a forthcoming year. This cut-off date will be 17 months prior to the date that the changes to the methodology becomes effective. At that date, DCUSA would finalise the charging methodologies (Schedules 16, 17, 18, 20 and DCP 234 schedule) that will be effective for the relevant charging year.
- 1.8 Establishing this cut-off date will provide a 2-month window for DCUSA to provide the charging models, and for DNOs to test the new models and then calculate, test, approve and publish the revised charges.
- 1.9 This proposal would allow the development of Charging DCPs to continue, but any change to a charging methodology not approved (by the Authority for Part 1 and by DCUSA Parties for Part 2) or applied in that release of the methodology would not be included in that year's charge setting.

2 Governance

Justification for Part 1 Matter

- 2.1 DCP 293 has been designated as a Part 1 Matter as the proposed change impacts the change control arrangements under DCUSA.
- 2.2 This change will affect the deadline within which changes can be developed and as such the proposer believes that it is appropriate that the Authority ultimately make the decision on this change.

Requested Next Steps

- 2.3 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution for DCP 293.

3 Why Change?

Background of DCP 293

- 3.1 Since the CDCM was introduced in 2010 and the EDCM in 2012 there have been a significant number of charging Change Proposals submitted, each of these take time to move through the open governance process, and as the majority are Part 1 Matters ultimately require the approval of the Authority.
- 3.2 Each year, DCUSA Parties are faced with a challenge to ensure that a known and understood methodology and a full set of compliant and fully tested charging models are available to the DNOs for charge setting, enabling them to calculate and publish final charges at the end of each December. Currently DNOs are reliant on changes being approved within a reasonable time frame in advance of the end of the year so that a consolidated set of charging models can be obtained by the DCUSA Panel and tested prior to being used for charge setting. Since 2015 this has become even more important as charges are now set 15 months in advance and published as final rather than indicative.
- 3.3 If there is insufficient time to implement the revised methodologies (or indeed if methodologies are approved after the notice period) then DNOs would be faced with breaching licence obligations.
- 3.4 In order to avoid this situation in future, it is proposed that a change to the DCUSA timeline for charging related DCPs be made, to ensure there is sufficient time once approval by the Authority is granted, for DCUSA to confirm the charging methodology and make any changes to the charging model(s) as necessary to include any approved DCPs.
- 3.5 Currently charging related changes are developed throughout the year with no timescale or deadline before which they need to be approved by the Authority, prior to their use in the calculation of Distribution Use of System (DUoS) Charges.

4 Code Specific Matters

Reference Documents

n/a

5 Working Group Assessment

DCP 293 Working Group Assessment

- 5.1 The DCUSA Panel established a Working Group to assess DCP 293. This Working Group consists of DNO and Supplier representatives and an Ofgem observer. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 5.2 DCUSA has a requirement for DNOs to provide 15 months' notice of changes to DUoS charges. This requires DNOs to have complete and final versions of the charging methodologies and a

complete and final suite of fully tested charging models (CDCM, EDCM, PCDM and ARP) for the relevant charging year prior to initiating the calculation and validation of revised charges.

5.3 DCP 293 was raised by UK Power Networks to establish a cut-off date for the finalisation of the charging methodologies at 17 months prior to the date that the methodology would become effective. Establishing this cut-off date would provide a 2-month time window for DCUSA to provide charging models and DNOs to test the new charging models and then to calculate, test, approve and publish revised charges. However, given the changes to the DCUSA modelling support contract which provides for a six week delivery time for the charging models, the Working Group considered that a 18 month notification period may be more appropriate as otherwise there would be insufficient time for the DNOs to set prices.

5.4 The Working Group are interested in Parties views on whether a 17 notification period (2-month time window) or 18 month notification period (3-month time window) for changes to the charging methodologies would be appropriate.

5.5 The DCUSA Panel directed that the Working Group was to undertake a review the DCP 164 Authority decision letter and to address the concerns raised by Ofgem in the letter. The Working Group examined the three reasons given by Ofgem for not approving DCP 164¹. These reasons are set out below:

- *“For the current year, this proposal would prevent implementation from 1 April 2014 of further possible policy modifications. There are a number of live modifications which could not realistically be submitted to us and approved before 30 September 2013. This could prevent potentially beneficial changes currently being developed from being made. There is insufficient notice to those working on these proposed modifications of this effective deadline for them to react and process in a way that would achieve a decision on those proposed modifications in time.”*
- *“More generally (i.e. in all years), the proposal would produce a timetable that we would not be able to amend (under normal circumstances) even where we think such amendment would facilitate a modification that would better facilitate general and/or charging objectives and reflect our duties, including our principal objective. The proposal also prevents us from moving the timetable established here so that the start date is slightly earlier or later reflecting progress of modifications in the particular year.”*
- *“Finally, there is a risk that a fixed, once a year timeframe for modelling changes will lead to modifications being developed just before the effective deadline, potentially causing rushed development and placing pressure on the assessment process.”*

5.6 The Working Group agreed that since DCP 164 was rejected in 2013, the industry has moved forward and it is now time to review this process. The Working Group have addressed these points by:

¹ DCP 164 'Review of the Change Process for Use of System Methodology Changes'

- Adding legal text to Section 1C Clause 14 to introduce a robust notice period for legal text changes to the charging methodologies rather than referencing changes to the charging models and the obligations in the licence as per the DCP 164 draft legal text;
- Including in the implementation date clause the ability for the Authority to direct in accordance with clause 19.1B for a shorter price change notice period of 40 days, which would enable a reduced cut-off date of approximately 3 and a half months or 4 and a half months to enable urgent beneficial changes to be made.
- Agreeing that since the introduction of DCP 178 ‘Notification Period for Change to Use of System Charges’, there has been no evidence that changes have been “developed just before the effective deadline, potentially causing rushed development and placing pressure on the assessment process”. As a result, the legal text proposes that where a decision has not been made on a CP within the implementation window, it will be progressed under the next implementation window available. Under Ofgem’s code governance review, it was noted code administrators will be designated as code managers and will have the option to set timetables for changes.

6 Legal Text

- 6.1 The DCP 293 draft legal text acts as Attachment 2 to this consultation.
- 6.2 The draft legal text amends Section 1C Clause 14 and introduces a robust notice period for legal text changes to the charging methodologies rather than referencing changes to the charging models and the obligations under Licence Condition 14.12C.

7 Relevant Objectives

Assessment Against the DCUSA Objectives

- 7.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. The Working Group is interested in parties views on which of the following DCUSA General Objectives are better facilitated by this change and why.

DCUSA General Objectives:
General Objective 1 - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
General Objective 2 - The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity
General Objective 3 - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

General Objective 4 - The promotion of efficiency in the implementation and administration of the DCUSA

General Objective 5 - Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

8 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

8.1 Not applicable.

Consumer Impacts

8.2 Not applicable.

Environmental Impacts

8.3 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 293 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Engagement with the Authority

8.4 Ofgem has been fully engaged throughout the development of DCP 293 as an observer on the Working Group.

9 Implementation

9.1 The proposed implementation date for DCP 293 is 01 October 2017. Respondents are invited to consider whether they require any lead time to comply with this change.

10 Consultation Questions

10.1 The Working Group is seeking industry views on the following consultation questions:

Number	Questions
1	Do you understand the intent of DCP 293?
2	Do you agree that without a formal charging methodology cut-off date, DNOs could find

	<p>themselves in the 'catch-22' position of having implementation timescales that are too short to properly undertake the revised calculation of charges and which could consequently put DNOs in breach of an approved methodology?</p>
3	<p>Do you consider a cut-off date providing either a 2 or 3 month time window for changes to the charging methodologies ahead of the 15 month price change notification period sufficient? Please provide any rationale.</p>
4	<p>Do you have any comments on the proposed legal text for DCP 293?</p>
5	<p>Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.</p> <ol style="list-style-type: none"> 1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences 4. The promotion of efficiency in the implementation and administration of this Agreement 5. Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
6	<p>Are you aware of any wider industry developments that may impact upon or be impacted by this CP?</p>
7	<p>Are there any alternative solutions or unintended consequences that should be considered by the Working Group?</p>
8	<p>The proposed implementation date for DCP 293 is 01 October 2017. Do you agree with the proposed implementation date?</p>

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **10 July 2017**.

10.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

Attachments

- Attachment 1 – DCP 293 Consultation Response Form
- Attachment 2 – DCP 293 Draft Legal Text
- Attachment 3 – DCP 293 Change Proposal