

DCP 293 Collated Consultation responses

Company	Confidential/ Anonymous	1. Do you understand the intent of DCP 293?
EDF Energy	Non-confidential	Yes
ESP Electricity	Non-confidential	Yes.
Northern Powergrid	Non-confidential	Yes
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.
UK Power Networks	Non-confidential	Yes, UK Power Networks understand the intent of the DCP.
Western Power Distribution	Non-confidential	yes
Electricity North West Limited	Non-confidential	Yes
Company	Confidential/ Anonymous	2. Do you agree that without a formal charging methodology cut-off date, DNOs could find 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?
EDF Energy	Non-confidential	To date there have been no issues with the current process but this does rely on all parties working together. Formalising this process will safeguard DNOs ensuring that the models are fully tested and checked prior to the publication of charges.
ESP Electricity	Non-confidential	Yes, ESPE agrees that a sufficient period of time (subject to the provision of rationale for such activity – see ESPE’s response to question 3) from the publication of new models and the finalisation of adequately tested DNO charges is required.
Northern Powergrid	Non-confidential	Yes
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.
UK Power Networks	Non-confidential	Yes. DNOs do not get to see the ‘full and final’ charging schedules that form the charging methodology until they are part of a revised release of DCUSA. This release happens near to the date or on the date the charges apply from. This date is fifteen months after the charges were published. Currently DNOs rely on informal practises that could leave them exposed to not having enough time or enough understanding to properly test and calculate the charges correctly. Relying on informal practises is untenable as it could put DNOs in breach of licence obligations if a delay in delivery of the methodology and models provides for the wrong methodology being used to calculate charges when notice of the change in charges is provided.
Western Power Distribution	Non-confidential	Yes, this is possible although it hasn’t happened yet.
Electricity	Non-confidential	Yes, this is clearly a danger under current arrangements. In theory changes to the charging

North West Limited		<p>methodology could occur even during December affecting the charging year for which DNOs are actively setting charges for.</p> <p>DNO parties cannot rely on the change proposal voting process to reject changes that would give rise to such circumstances as they can be overruled by the Authority or outvoted by other DNOs facing different circumstances. Individual DNOs do not possess any form of veto over the decision to implement a change, or the date of implementation of a change.</p> <p>Although such catastrophic situations have been avoided previously by sensible compromise by DCUSA parties within working groups, a more formal timetable would ensure that DNOs have sufficient time available to produce charges. This would give certainty over the timetable of charge setting and in our view is consistent with the best practice in the design of any form of process.</p> <p>Producing the charges is not simply a case of populating the necessary spreadsheets. The inputs need to be produced first and the outputs need to be verified. DCUSA processes must be designed to support undertaking the price setting process to the highest possible standards as this is clearly in the interests of all parties and the industry as a whole.</p>
--------------------	--	---

Company	Confidential/ Anonymous	3. 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.
EDF Energy	Non-confidential	2 or 3 months for testing and checking seems ample time. The longer the DNOs have the less likely there are to be mistakes.
ESP Electricity	Non-confidential	<p>ESPE is unable to comment, as we do not have visibility of (1) the specific activities that DNOs would undertake during the proposed 2 or 3 month period (between DCUSA's publication of the models and the DNOs' release of new charges) and (2) the level of resources required to complete such activity in 2 or 3 months.</p> <p>ESPE supports as short a notice period as possible, appreciating that this must be balanced against additional cost to DNOs (e.g. increased level of resource) and the risk of published charges containing errors. The primary reason for requesting the shortest possible notice period is to enable changes that have been approved (as better facilitating the DCUSA Charging Objectives) to be</p>

		<p>implemented and reflected in DUoS charges as soon as reasonably practicable.</p> <p>The DCP document refers to a 2 month window as providing “sufficient time”. We kindly request the Working Group to consider providing further rationale in its report as to why 2 – 3 months is an appropriate window and why a shorter period of time (e.g. 1 month) is not sufficient for DCUSA and DNOs to complete the required activities.</p>
Northern Powergrid	Non-confidential	<p>A 2 month window should be sufficient, as the cut-off date will be 17 months prior to the date that, the changes to the methodology becomes effective. We do not believe that the current DCUSA modelling support contract which provides for a six week delivery time for the charging models should be a reason to extend the cut-off period further, this would need to be managed going forward.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>Given the changes to the modelling support consultant’s contract which provides a six-week delivery time for the charging models, a 3-month time window for changes would seem more appropriate as otherwise there would be insufficient time for the DNOs to test the new charging models and then to calculate, test, and to seek internal approval for the revised charges.</p>
UK Power Networks	Non-confidential	<p>We previously expected that a two-month time window would be sufficient to properly test and calculate charges. However, during the course of the working group we learned that there is potentially a six-week lead-time for models to be provided to DCUSA. These models need to be properly tested prior to the time required to calculate charges and the remaining two-weeks is not sufficient lead-time. We therefore support having a three-month cut-off window which would then allow for six-week modelling window and six-weeks for properly testing and calculating charges. Within this three- month window it will be possible to establish proper working processes, with realistic delivery timescales.</p>
Western Power Distribution	Non-confidential	<p>18 months would seem reasonable to allow for any new models to be created and tested.</p>

<p>Electricity North West Limited</p>	<p>Non-confidential</p>	<p>No, such a period is not sufficient in itself. However, DNOs are actively engaged in the DCUSA change process and therefore are able to anticipate upcoming changes and plan on a contingency basis. DNOs can also influence the implementation date of changes that would require a longer lead time (perhaps in the case of changes to EDCM power-flow modelling where system changes might be required) except where over-ruled by the Authority.</p> <p>Under these circumstances, a 3 month time window would be sufficient in the case of almost all anticipated situations and would represent a significant improvement over the current arrangements.</p> <p>The production of charges is a process that involves the collection of numerous inputs which may be subject to changes in definition as a result of the implementation of change proposals. DNOs are therefore required to put in place processes and plans across numerous functional areas that ensure these inputs are delivered to the required standard.</p> <p>Furthermore, stakeholders are entitled to hold the expectation that DNO operate as efficiently as possible, but also fulfil their licence and other obligations under all circumstances. In the context of the charge setting process this means that ideally DNOs operate with as little resource as possible. Unlike on our distribution networks, DNOs do not maintain a high level of redundant price-setting capacity to be used in the event of unforeseen circumstances as in most cases this would be very wasteful. In the event of an unforeseen illness or other such event it is desirable that DCUDA processes maintain at least a minimal level of contingency in the form of time as this is the most efficient way to structure the charge setting process. Alternative solutions to address the conflicting needs to operate efficiently but ensure delivery would be more expensive (more people) or impractical (bring in short-term resource to complete the process).</p> <p>At the end of the process our customers and regulators rightly expect DNOs to apply world-class levels of verification and assurance to the charging calculations prior to issuing final charges. From the ENW perspective we take this responsibility very seriously. This is a process that includes involvement at the most senior level of the organisation as well as including numerous automated assessment, manual testing, peer review and challenge procedures. Further to this there are numerous documents and supporting schedules that need to be supplied along with the charges themselves, which can only be produced once we have the charges confirmed.</p> <p>In summary, DNOs engaged in charge setting face three key challenges; a range of complex inputs requiring advance planning and the necessary systems in place, the need to operate efficiently yet</p>
---------------------------------------	-------------------------	--

		<p>ensure delivery, and the requirement to apply the highest standards of verification and assurance.</p> <p>In addition to these considerations there are also the requirements for the modelling consultant to develop the final charging models, and for industry groups to develop common charging related documents and schedules following the release of these models (for example, the template for the DNO Annual Review packs). The nature of such exercises is that they cannot be run in parallel efficiently as this would involve unnecessary duplication of work, and so the working group should consider sequential sequence of events and time involved when developing their proposal further.</p> <p>Under these circumstances we consider that this change is long overdue and would represent a considerable improvement to current processes. Given the complexity of the end-to-end charge setting process and number of steps involved we would suggest that 3 months would be an appropriate time window.</p>
--	--	---

Company	Confidential/ Anonymous	4. Do you have any comments on the proposed legal text for DCP 293?
EDF Energy	Non-confidential	No apart from the preference for number of days rather than months
ESP Electricity	Non-confidential	<p>14.2 Typo – space required between “1April”</p> <p>14.5.2 To remove any ambiguity relating to whether at the start or end of the period of notice, it may be worth specifying “at the date [2 or 3] months prior to <i>the start of the requisite period of notice...</i>”</p>
Northern Powergrid	Non-confidential	None
Southern Electric Power Distribution plc and Scottish Hydro	Non-confidential	No.

Electric Power Distribution plc		
UK Power Networks	Non-confidential	UK Power Networks are comfortable that the legal text enables the provision of the methodology cut-off. The proposed legal text also has provision to enable Ofgem to fast-track urgent changes, if it was ever felt that a change should be implemented sooner.
Western Power Distribution	Non-confidential	none
Electricity North West Limited	Non-confidential	<p>14.2.1 We're not sure what the intention of including this here is. If the intention is to include a clause that requires all change implementation dates for charging to be on April 1 then this is sensible but would be better placed in a separate paragraph to 14.2. At present it seems that a change to charging methodology with an implementation date of, say, 2nd April could be proposed and that such a change would be exempt from the provisions of 14.2.</p> <p>14.2 includes a provision for changes to be implemented earlier if the Authority has directed, in accordance with Clause 19.1B. This is a sensible provision, and it may make sense for a similar provision for DCUSA parties to be able to override the notice period requirement if this is agreed by all DNO parties. Legal text change could perhaps be the extra clause below:</p> <p><i>14.2.3 such Change Proposal was accepted following a Voting Procedure in which any [DNO Party or DNO Parties] did not vote to either accept the proposed variation, or did not vote to accept the proposed implementation date.</i></p> <p>14.2.2 would need ",and" adding to the end if the change above was made.</p> <p>This amendment would mean that in the case of change proposals where <u>all</u> DNOs voted and <u>all</u> DNOs accepted the change and date then implementation could be implemented irrespective of the 2 or 3 month window. Otherwise there could be circumstances where it is possible and desirable to implement a change within the 2 or 3 month period, but DCUSA parties would need to ask the Authority to direct it be implemented.</p> <p>14.2.2 We're not sure the use of the term "less than" in relation to a date is correct. Please see the</p>

		<p>proposed amendments below.</p> <p><i>14.2.2 the date on which such Change Proposal was accepted in accordance with Clause 13 occurred on a date later less than [2 or 3] months prior to the requisite period of notice in accordance with Clause 19.1.1,</i></p> <p>And similarly in the paragraph lower down...</p> <p><i>then the implementation date for such Change Proposal shall be deemed to be the next 1 April to occur that is greater later than [2 or 3] months plus the requisite period of notice</i></p> <p>14.3 We are not sure the word "other" needs to be added to this clause. Further, this section may be easier to follow if the new paragraph 14.2 is added after 14.3 and 14.4.</p> <p>The Implementation Date clause at the beginning of each charging related schedule highlights an issue around the operation of DCUSA. There is a long standing convention that charges published in December relating to a future year include all accepted change proposals with implementation dates up to the start of the future year. In effect DNOs issue charges based on the methodology including changes not yet implemented. This practice ensures that there is no need to reissue charges on each 1 April to take account of the changes implemented on that date. The wording of the clause below suggests to me that this would not be the case and that these future changes only be used for the calculation of charges after the implementation date. I suggest simply removing the words as below to clarify the application of this clause.</p> <p><i>This Schedule ZZ, version x, is to be implemented on, and consequently used for the calculation of charges which will become effective from, dd mmm yyyy or until superseded by a later revised version.</i></p> <p>This still continues the current ambiguous situation around DCUSA charging methodology changes where they are in effect implemented immediately but applied only to charges applicable to the agreed implementation date or later. Each December DNOs issue charges calculated on a basis that does not align with the methodology set out in the current DCUSA document. This convention works effectively from a practical point of view but it is not as clear from a legal viewpoint.</p>
--	--	---

Company	Confidential/	5. Which DCUSA General Objectives does the CP better facilitate? Please provide
---------	---------------	--

	Anonymous	supporting comments.
EDF Energy	Non-confidential	Click or tap here to enter text.
ESP Electricity	Non-confidential	<p>ESPE agrees with the proposer’s view of the positive impacts of this DCP, noting that where a longer period of time than required is proposed (and implemented) it would unnecessarily reduce the:</p> <ul style="list-style-type: none"> • efficiency in the implementation and administration of the DCUSA Schedules 16-20 (a negative impact on General Objective 4); and <p>speed at which the Charging Methodologies result in charges which reflect the costs incurred by DNO Parties (a negative impact on Charging Objective 3).</p>
Northern Powergrid	Non-confidential	<p>We agree with the working group that Charging Objectives 3 and 4 are better facilitated.</p> <p>This change will help to ensure that robust change control, validation and approval takes place prior to issuing notice of revised charges. The change will also remove a potential anomaly where DNOs could be placed into a situation outside of their control where they would breach their DCUSA obligations.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We agree with the Working Group that none of the DCUSA General Objectives are better facilitated.</p> <p>However, for the avoidance of doubt, we agree with the views set out in the Change Proposal that the CP better facilitates a number of DCUSA Charging Objectives.</p>
UK Power Networks	Non-confidential	<p>DCUSA general objectives 3 will be better facilitated with the implementation of this CP. Without this change DNOs could be placed in a position of being in breach of their licence obligations. This would happen if the time to properly test and calculate charges was too short or even after the time that the charging change notice is required. In that event DNOs could produce charges that do not comply with the final methodology that would only be published in its final form when the charges become active.</p>

Western Power Distribution	Non-confidential	It better facilitates number 2 – effective competition. The change allows for greater certainty surrounding the timing of the implementation of changes and this certainty should be beneficial for competition.
Electricity North West Limited	Non-confidential	<p>In terms of General Objectives this change proposal supports:</p> <p><i>3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences</i></p> <p>The certainty over the charge-setting timetable provided by this proposal facilitates planning and development of processes to fulfil Licence obligations relating to charging.</p> <p><i>4 The promotion of efficiency in the implementation and administration of the DCUSA</i></p> <p>The proposal will ensure that DNOs are not required to invest in unnecessary levels of resource to ensure charges can be set in an unnecessarily short time scale, and so further promotes efficiency.</p> <p>For Charging Objectives:</p> <p><i>1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence.</i></p> <p>The certainty over the charge-setting timetable provided by this proposal facilitates planning and development of processes to fulfil Licence obligations relating to charging.</p> <p><i>2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences).</i></p> <p>This proposal mitigates against the risk of errors in the setting charges due to potentially dangerously short time scales in the current process. Such errors could cause distortion in competition if charges were set incorrectly.</p> <p><i>3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs</i></p>

		<p><i>incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business</i></p> <p>This proposal mitigates against the risk of errors in the setting of charges due to potentially dangerously short time scales in the current process. Such errors could cause charges to be issued that are not cost reflective.</p> <p><i>4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business</i></p> <p>An appropriate timetable for the charge-setting process ensures that there is sufficient time to properly gather up-to-date input data, which ensures that the charges reflect the latest developments in the DNO Party's Distribution Business.</p>
--	--	--

Company	Confidential/ Anonymous	6. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
EDF Energy	Non-confidential	No
ESP Electricity	Non-confidential	No.
Northern Powergrid	Non-confidential	None that we are aware of.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We are not aware of any relevant wider industry developments.
UK Power	Non-confidential	UK Power Networks are not aware of any developments that would impact this change.

Networks		
Western Power Distribution	Non-confidential	no
Electricity North West Limited	Non-confidential	<p>There are a number of change proposals currently under development which are running to challenging implementation plans that are aiming to deliver changes in time for the December 2017 charge-setting process. Given this situation the proposed implementation date could impact changes already under way, and an implementation date for the next year's charge-setting process may need to be considered for this change.</p> <p>Such change proposals are:</p> <p>DCP 291 'Application of Generation Credits to EDCM Customers'</p> <p>DCP 283 'The calculation of generation credits in the CDCM'</p> <p>DCP 274 'The application of export capacity charges in the EDCM'</p> <p>DCP 243 Work Plan 'Treatment of Customer Contributions in the CDCM'</p> <p>And possibly:</p> <p>DCP 266 'The calculation and application of IDNO discounts'</p>

Company	Confidential/ Anonymous	7. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?
EDF Energy	Non-confidential	No
ESP Electricity	Non-confidential	As referenced above, a solution that requires only a 1 month window should be considered.
Northern Powergrid	Non-confidential	None that we are aware of.

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We are not aware of any alternative solutions. However, we are aware of the potential impact of this CP on other progressing DCPs.
UK Power Networks	Non-confidential	UK Power Networks are not aware of any alternative solutions or unintended consequences.
Western Power Distribution	Non-confidential	no
Electricity North West Limited	Non-confidential	None, other than some issues identified in the response to the legal text.

Company	Confidential/ Anonymous	8. The proposed implementation date for DCP 293 is 01 October 2017. Do you agree with the proposed implementation date?
EDF Energy	Non-confidential	Yes
ESP Electricity	Non-confidential	Yes.
Northern Powergrid	Non-confidential	Yes
Southern Electric Power Distribution plc and Scottish Hydro	Non-confidential	Yes. However, we note that the timetable in the consultation document is not consistent with this date as it says that the Authority decision date is anticipated as 17 th October 2017.

Electric Power Distribution plc		
UK Power Networks	Non-confidential	UK Power Networks agree with the proposed implementation date.
Western Power Distribution	Non-confidential	yes
Electricity North West Limited	Non-confidential	Yes, we agree with this implementation date although if this is not possible due to the current volume of change proposals already progressing and not able to meet the required revised deadline, then later implementation would be acceptable as this change provides long term benefits to the charge setting process.