




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 284</h2> <h3>The application of scaling to generation credits in the CDCM</h3> <p>12 October 2016</p> <p>Standard Change</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>DCP 284 seeks to amend the calculation of credits for embedded generation to more closely reflect the benefits they bring to Distribution Network Operators by including an element of scaling.</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 284.</p>		
	<p>The Workgroup recommends that this Change Proposal should proceed to Consultation.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 2 to dcusa@electralink.co.uk by 27 February 2017</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: Distribution Network Operators (DNOs), Distributed Generation, Suppliers</p>	
	<p>Impacted Clauses: Schedule 16 (CDCM), Schedule 20 (Production of the Annual Review Pack)</p>	

Commented [DT1]: Updated to current Work Plan estimation however further update may be required.

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Timetable		telephone	
The timetable for the progression of the CP is as follows:			
Change Proposal timetable			
Change Proposal timetable:			
Activity	Date		
Initial Assessment Report Approved by Panel	19 October 2016		
Consultation issued to Parties	6 February 2017		
Change Report issued to Panel	17 May 2017		
Change Report issued for Voting	19 May 2017		
Party Voting Ends	9 June 2017		
Change Declaration Issued to Parties	13 June 2017		
Change Declaration issued to Authority	13 June 2017		
Authority Decision	18 July 2017		
Proposed Implementation Date	01 April 2019		

Commented [DT2]: Updated to current Work Plan estimation however further update may be required.

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.

Why?

- 1.2 DCP 284 has been raised by MVV Environment Service Ltd. and is seeking to address the issue of whether scaling or some element of scaling should be applied to credits for embedded generation within the CDCM. Scaling is an alternative word used to mean revenue matching. Revenue matching takes the pre-scaled tariffs and amends them to match each DNO's allowed revenue. The proposer suggests that the application of scaling when determining credits under the CDCM could improve the cost reflectivity of generation credits for embedded generators. The proposer believes that some costs are omitted from the yard stick tariffs that are used to derive generation credits and these costs could be reduced through the presence of embedded generation. The proposer therefore believes these costs are captured through scaling and the scaling elements should therefore be included in generation credits. More cost reflective credits for generators will place incentives on embedded generation that reflect the benefits they bring to network operators.

How?

- 1.3 The proposed solution is to apply a percentage of scaling when calculating credits for embedded generators in the CDCM.

2 Governance

Justification for Part 1 Matter

- 2.1 DCP 284 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.
- 2.2 This issue is considered a Part 1 Matter as it affects the level of charges for embedded generation and therefore impacts on competition for embedded generation as specified under DCUSA clause 9.4.2 (A).

Requested Next Steps

Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution for DCP 284.

3 Why Change?

Background of DCP 284

- 3.1 Under the CDCM, generation credits reflect demand charges at voltage levels above the voltage of connection, except for the application of scaling. It is the proposers view that during the development of the CDCM, scaling was excluded from the derivation of credits as the costs included within scaling were not seen to be avoided through the presence of embedded generation.
- 3.2 The recent DCUSA CP (DCP228¹) that has been approved by the Authority amends the way in which scaling is applied to demand charges.
- 3.3 The DCP 228 change report provides the following comment on scaling:

"DCP 228 is intended to be clearer in explaining that the shortfall or excess of revenue recovered from pre-scaled yardstick tariffs is a natural consequence of the incremental design of the CDCM. As the accompanying spreadsheet (Attachment 5) demonstrates, the CDCM recovers significantly more in peak charges than DNOs expect to spend on network reinforcement for the foreseeable future. This is because the CDCM provides incremental cost signals rather than total cost signals. Similarly, there are DNO costs which are not included in the CDCM (such as replacement costs and a portion of indirect costs), however these are not 'unidentified' as the DCP 123 form suggested, but rather they are intentionally excluded from the CDCM for the purpose of deriving the desired incremental cost signals. This CP is therefore clear in its intent that scaling should not be used to allocate any cost not included within the CDCM, but should rather be applied in a way which maintains the incremental cost signals produced by the pre-scaled tariffs."
- 3.4 It is the proposers view that this CP considers the costs associated with the replacement of assets within scaling which, although it may not be an incremental cost for demand customers, is potentially an area of saving for DNOs through the connection of embedded generation.
- 3.5 It is also the proposers view that DNOs replace assets as they reach the end of their useful life. If embedded generation is installed, then the potential benefit to the DNO is that the asset may not need to be replaced as it is no longer required or the asset can be replaced with a smaller capacity asset which is therefore cheaper. The degree to which this occurs will vary depending on the type of generation, the degree to which it can be relied upon by the DNO and the arrangement of the network to which the generator is connected.

¹ DCP228 - [Revenue Matching in the CDCM](#)

- 3.6 DCP 284 was raised by MVV Environment Services Ltd and seeks to amend the calculation of credits for embedded generation to more closely reflect the benefits they bring to DNOs by including an element of scaling. It proposes to allocate an element of the scaling to generation by applying 50% of scaling as generation credits. The proposer however considers that this value should be determined by the working group after undertaking analysis in this area.

4 Code Specific Matters

Reference Documents

n/a.

5 Working Group Assessment

DCP 284 Working Group Assessment

- 5.1 The DCUSA Panel established a Working Group to assess DCP 284. This Working Group consists of DNO, Supplier, National Grid and Ofgem representatives. 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 The Working Group discussed whether scaling or some element of scaling should be applied to credits for embedded generation within the CDCM taking in to consideration the approaches taken in two previous CPs, DCP 123² and DCP 228.
- 5.3 The Working Group questioned the reasoning provided by the proposer within the CP form which is quoted below.
- *“The recent DCUSA change proposal (DCP228) that has been approved by the Authority amends the way in which scaling is applied to demand charges. This change proposal provided more detail on what costs are recovered via scaling.”*
 - *“The DCP 228 change report identified the costs that are recovered via scaling mainly comprise of asset replacement and a portion of indirect costs.”*
- 5.4 The Working Group considered that that the approach to DCP 228 was clear in its intent that scaling should not be used to allocate any cost not included within the CDCM, but should rather be applied in a way which maintains the incremental cost signals produced by the pre-scaled tariffs. The CDCM model was not a total cost model so the rationale set out in DCP 228 would not necessarily be applicable for this CP. It was also noted that DCP 123 had been rejected by Ofgem, partly because it was attempting to allocate costs through the scaling mechanism without demonstrating that scaling had been spread in a more cost reflective way.

² DCP 123 [Revenue Matching Methodology Change](#).

- 5.5 The Working Group considered any reasons behind why generation is excluded and demand included for scaling purposes. Members suggested that the yardstick costs are underlying cost signals and scaling was preserving those cost signals and as such there would be no impact on the network if generators were responding to those scaling elements.
- 5.1 The approach to scaling within the CDCM was discussed with Ofgem prior to the implementation of DCP 059³ in DCUSA on the 01 April 2010. During the development of the CDCM Ofgem had expressed a preference for scaling to be applied to generation in the same way as it is applied to demand. The method preferred by Ofgem was labelled as “Option B” and was defined as follows:
- Option B: A single adder is calculated, added to tariffs for demand users, and deducted from credits paid to generation users (or if the adder is greater than the credit, then a charge is made to the generator equal to the adder less the credit).*
- 5.2 However, the approach proposed by DNOs at the time was labelled as “Option C” and defined as follows:
- Option C: A single adder is calculated and used for demand, and no revenue reconciliation element is included in generation tariffs (credits paid to generators are equal to the yardstick avoided cost figure).*
- 5.3 The DNOs submitted a methodology to Ofgem based on Option C, as they saw this as a more appropriate methodology.
- 5.4 The Ofgem consultation document on the proposed CDCM considered whether scaling should apply to generation. The Working Group considered that the extracts shown below are relevant to this CP:

Ofgem consultation document on Electricity distribution structure of charges project: DNOs' proposals for a common methodology at lower voltages⁴

'2.60. We note that the revenue matching mechanism in the CDCM does not apply to generators. This means that charges/credits to generators remain at their pre-scaling level. Although it is difficult to identify precisely what the discrepancy represents, a shortfall to some extent covers non-incremental overhead costs. We see no obvious reason why DGs should be excluded from such cost.'

Following the consultation Ofgem produced a decision document, one aspect of which, was how scaling would be applied. Ofgem recommended that this should be taken forward under open governance.

Ofgem decision document on Electricity distribution structure of charges project: the common distribution charging methodology at lower voltages⁵

³ DCP059 - [Implementation of Common Distribution Charging Methodology \(CDCM\)](#)

⁴ [Ofgem's consultation document on Electricity distribution structure of charges project: DNOs' proposals for a common methodology at lower voltages](#)

⁵ [Ofgem's decision document on Electricity distribution structure of charges project: the common distribution charging methodology at lower voltages](#)

'2.37. A bottom-up charging methodology requires a mechanism to scale charges to match the recovered revenue from the model with the permitted price control revenue. The DNOs decided to exclude generators from the revenue matching process, meaning charges/credits to generators remain at their pre-scaling level.'

'2.38. The proposal does not provide any justification for the decision to exclude generators from scaling and we would expect this matter to be addressed through open governance arrangements. We see no obvious reason why DGs should be excluded from this mechanism.'

- 5.5 There were two differing views within the Working Group regarding the purpose of scaling, with some members believing that scaling is a means of taking the cost signals derived from the pre-scaled tariffs and maintaining them whilst ensuring the DNO targets allowed revenue, and others believing that scaling was the means by which certain costs which are not included in the underlying inputs to the CDCM are recovered.
- 5.6 To support the former view there is a belief (as set out in DCP 228) that scaling was not used to allocate specific costs, but was rather a means of maintaining the cost signals generated by pre-scaled tariffs whilst ensuring the DNO recovers their allowed revenue. That is, the costs included in the DNOs 500MW model, service models and direct/indirect costs are used to generate a set of pre-scaled tariffs with the desired differentials between tariff elements. Scaling is then a means of maintaining this differential between tariff elements whilst enabling the DNO to target allowed revenue. As such, scaling is not a means of allocating costs, and it is not a true representation of scaling to analyse which costs are included in the underlying inputs and conclude that the remainder of costs are allocated by scaling; rather the underlying inputs are intentionally used (and certain elements intentionally excluded) to provide the appropriate cost signal, which scaling then seeks to maintain.

- Do you accept this interpretation of **scaling**?
- Should it be in a positive or negative manner?

Commented [DT3]: Andrew Enzor to provide a paragraph giving the three options for scaling under the 'alternative' point of view.

- 5.7 The proposer's view is that the CDCM model uses scaling to recover the additional costs that are not recovered through the yardstick tariffs and that these costs can be identified. The proposer notes that the CDCM model produces tariffs based on a range of inputs. The inputs that relate to costs can be split into two categories:
- Forward looking costs – these are the DNOs forecast of the costs likely to be incurred in the applicable charging year. This includes direct cost, indirect costs, network rates and transmission exit charges (tables 1055 and 1059) and are used to derive operational incremental cost signals.
 - 500MW model costs – these costs represent the hypothetical cost of building new network. This is based on a 500MW model which determines the hypothetical cost of building a distribution network capable of a 500MW maximum demand (table 1020) and are used to derive re-inforcement incremental cost signals.

In summary these could be considered as non-capital and capital costs.

5.8 The proposer notes that the non-capital costs are recovered directly via the yardstick tariffs and this can be seen in the CDCM "M-Rev" tab (table 3902) which shows how much revenue is recovered from tariffs separated by cost category. The proposer therefore asserts that these cost elements are recovered within the yardstick tariffs and therefore are not part of scaling. The only exception is the 40% of indirect costs which is excluded from this calculation and therefore must be recovered within the scaling element.

5.9 The proposer notes that the capital cost element from the 500MW model is not a forecast cost for the charging year. Rather it is the cost of a hypothetical model which is deemed to be representative of the capital expenditure of the DNO. The actual DNOs capital expenditure is normally more, but in some cases it is less and that is why negative scaling results in some DNO areas. The proposer therefore asserts that the scaling element of the tariffs can be considered to consist of:

- The difference between the actual capital cost of the DNO (on an annualised basis) and the hypothetical cost of building new network from the 500MW model (which may be positive or negative)
- 40% of indirect costs (as identified in 5.6 above)
- Other costs such as incentive schemes and cost true ups from previous years.

Commented [DT4]: Cross reference paragraph number

Do you support the view of the proposer on how scaling is applied?

5.10 The scaling overview below has been provided by the proposer and provides an analysis of what cost components are recovered directly from the yardstick tariffs in the CDCM model and those elements recovered via scaling. This includes the proposers view on why there are differences between the 500MW model and the actual capital expenditure (on an annualised basis) which is recovered from scaling.

Scaling Overview

5.11 The tables below show how much revenue is recovered through scaling and how much is recovered through the different cost components of the final tariff. It should be noted that the operating cost component consists of network costs, direct costs and 60% of the indirect costs.

Table 1 - Breakdown of costs for 2016/17

DNO	Allowed Revenue (£m)	Costs recovered through charges (£m)			
		Operating costs	Transmission Exit charge	Asset Costs	Scaling
ENWL	£430.0	£112.7	£18.3	£166.4	£132.6

Commented [DT5]: Re-number the remaining tables in the consultation document due to some tables being deleted during the review conducted by the Working Group.

Commented [DT6]: Create a merged row above the columns labelled 'Operating costs' and 'Transmission Exit charge' which is to be titled 'Non-capital'. In the same new row, a title is to be added above the column labelled 'Asset Costs' which will be labelled 'Capital'.

NPG Northeast	£283.9	£76.6	£10.8	£69.4	£127.1
NPG Yorkshire	£357.7	£103.7	£13.6	£97.4	£143.0
SPEN SPD	£385.4	£120.9	£24.1	£90.6	£149.8
SPEN SPM	£314.9	£109.0	£19.1	£106.9	£79.9
SSEN SEPD	£548.8	£153.5	£15.9	£211.9	£167.5
SSEN SHEPD	£236.8	£93.8	£14.1	£40.3	£88.8
UKPN EPN	£545.8	£190.9	£37.4	£278.0	£39.4
UKPN LPN	£412.3	£128.1	£35.8	£306.2	-£57.9
UKPN SPN	£378.7	£114.4	£17.6	£155.8	£90.8
WPD EastM	£453.5	£127.6	£11.1	£140.1	£174.8
WPD SWales	£220.4	£71.3	£11.2	£41.0	£96.9
WPD SWest	£331.0	£101.0	£8.7	£53.1	£168.2
WPD WestM	£479.3	£121.6	£11.6	£128.8	£217.3

Scaling components

5.12 There have been a number of DCUSA change proposals that looked at how scaling is applied and what cost elements are recovered within scaling. The proposers view, as stated in 5.11 above, is that scaling recovers 40% of indirect costs and the difference between the actual DNO capital expenditure (on an annualised basis) and the capital expenditure assumed within the hypothetical 500MW model.

Commented [DT7]: Andy Pace to construct a paragraph for inclusion in this section of the document relating to replacement.

Indirect Costs

5.13 Indirect costs are split using an indirect cost proportion of 60%. This means that 60% of the total indirect costs within the CDCM are allocated and form part of the operating costs component of the tariff. Consequently, the 40% of indirects is not recovered elsewhere, so the proposer asserts that it must be recovered within the scaling element. The tables below show the residual element of scaling that is left, once 40% of the indirect costs are removed. The table also shows the ratio of the residual scaling to the original scaling.

Table 3 - Residual Scaling for 2016/17 (£m)

DNO	Scaling	40% of Indirects	Residual Scaling	Percentage
ENWL	£132.6	£39.0	£93.6	71%
NPG Northeast	£127.1	£30.5	£96.6	76%
NPG Yorkshire	£143.0	£35.3	£107.8	75%
SPEN SPD	£149.8	£42.8	£107.0	71%

SPEN SPM	£79.9	£43.8	£36.1	45%
SSEN SEPD	£167.5	£42.7	£124.8	75%
SSEN SHEPD	£88.8	£23.3	£65.5	74%
UKPN EPN	£39.4	£67.5	-£28.1	-71%
UKPN LPN	-£57.9	£49.3	-£107.2	-185%
UKPN SPN	£90.8	£43.7	£47.2	52%
WPD EastM	£174.8	£44.2	£130.5	75%
WPD SWales	£96.9	£24.6	£72.3	75%
WPD SWest	£168.2	£39.0	£129.2	77%
WPD WestM	£217.3	£45.2	£172.1	79%
Total	£1,618.3	£571.0	£1,047.3	65%

5.14 It can be observed from the residual scaling in 2016 /17 that two of the UKPN areas have negative scaling once 40% of the indirect costs have been removed. The proportion of the residual scaling to the original scaling for most DNOs falls in the range of 45% to 79%. The reason for negative values for one DNO is the difference between 500MW model and actual capital expenditure.

Residual scaling

5.15 The proposer has put forward the suggestion that the residual scaling recovers the difference between the asset costs in the hypothetical model and the actual asset cost of the DNO. There are several reasons why this difference occurs and the proposer believes that the key reasons are as follows:

- The 500MW model is a hypothetical model and does not fully reflect the inefficiencies within the actual DNO network. These inefficiencies will arise due to the DNOs' network evolving over a long period with customers changing their consumption patterns and impacting on locational powerflows.
- The CDCM model assumes a 40-year depreciation period. In reality there will be a range of depreciation timeframes for existing assets. In particular underground cables can remain in use for over 40 years, and at the other extreme, automation assets that are currently being implemented as part of the move to smart networks are likely to have a much shorter lifespan than 40 years
- The existing DNO network is built based on the design standards that were appropriate at the time of construction. This compares with the 500MW model which is constructed based upon the most up to date design practices

- Ofgem have identified that there is a lack of commonality within the 500MW model and a DCUSA change proposal⁶ was brought forward to address this issue. However, the proposed solution was too complex and rejected by Ofgem.

Commented [DT8]: Review Ofgem document and confirm main reason for rejection.

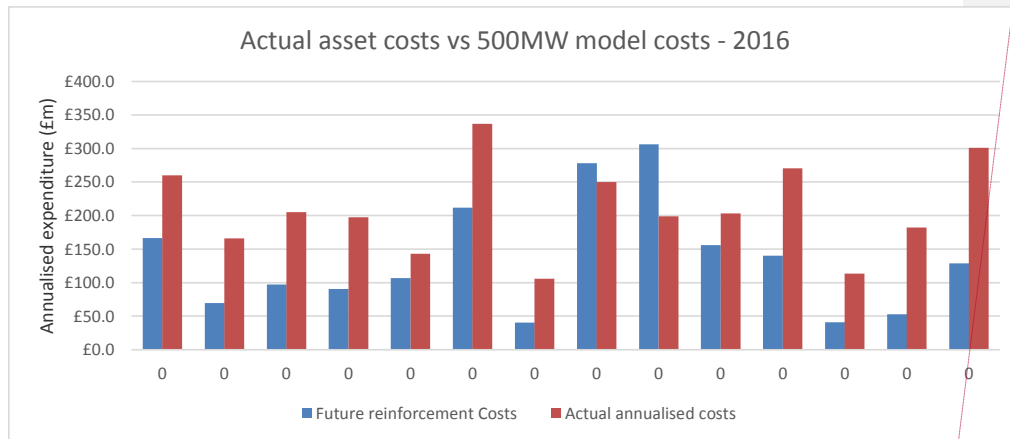
Residual scaling and embedded generation

5.16 DCP 284 raises the issue of whether scaling should apply to generation credits within the CDCM.

The proposer recognises that indirect costs do not vary with demand and are not avoidable by embedded generators. The proposer is therefore questioning whether the residual scaling should form part of the credits for embedded generation.

Commented [DT9]: Andy Pace to provide some text on the rationale associated to indirect costs in paragraph 5.16 of the draft consultation. Working Group to add question related to this information.

5.17 The CDCM model can be used to derive a comparison of forecast annualised capex based on the historical values (i.e. derived from the allowed revenue) and the future annualised capex based on the 500MW model. The graphs below show a comparison of these two data sets for 2016 and 2017.



Commented [DT10]: Andy Pace to provide new graph updating DNO label from SSEPD to SSEN name. The graph heading will also need to be updated.

5.18 This graph shows a large difference in the residual scaling elements and the forecast capex using the 500MW model. In most cases the former is higher, except for the UKPN London and Eastern areas. Based on this data, forecast annual capex from the 500MW model is £1.9bn compared to the total residual scaling of £2.9bn in 2016, a reduction of 35%.

5.19 The proposer believes that the 500MW model is not reflective of the costs offset by embedded generation and that using the current level of capex by including scaling within the credits for embedded generation is more representative for the following reasons:

- Using actual annualised capex captures the reality of each DNOs network and any inefficiencies that may exist due to how the network has evolved over a long period of time.

⁶ [DCP133 – 500MW network common model for the CDCM](#)

- Historical totex used as a proxy for capex across DPCR5 and RIIO-ED1 is fairly constant as shown in the table below and DNOs are not expecting a large reduction in capex across RIIO-ED1 compared to DPCR5.
- The large variation across the DNOs between forecast and actual capex (particularly with some DNOs forecasting higher future capex within their 500MW model) implies some inconsistency in the 500MW model across the DNOs.
- Future capex may be lower than the current ongoing capex in part due to the presence of embedded generation. It is therefore appropriate to reward embedded generation based on current capex, to ensure future savings are captured.
- Is the current level of capex or the 500MW model a better indication of the avoided cost of embedded generation?

Table 5 - Ofgem final determination – Average annual DPCR5 and RIIO-ED1 costs by DNO (2012-13 prices)

DNO	DPCR5 totex (based on 4yrs actual)	DPCR5 totex (based on 4yrs actual, 1y forecast)	Slow-track final determinations allowance post IQI*	Difference (RIIO-ED1 allowance minus DPCR5 5yrs)	
	£m	£m	£m	£m	%
ENWL	240	244	228	-15	-6%
NPgN	160	163	158	-5	-3%
NPgY	210	221	212	-10	-4%
WMID	270	275	259	-16	-6%
EMID	262	262	260	-1	0%
SWALES	124	125	135	10	8%
SWEST	179	182	212	29	16%
LPN	209	220	221	1	0%
SPN	226	228	215	-13	-6%
EPN	340	344	317	-27	-8%
SPD	194	198	190	-8	-4%
SPMW	227	239	208	-30	-13%
SSEH	123	125	140	15	12%
SSES	271	283	292	9	3%
Total	3,035	3,108	3,048	-61	-2%
Total excl WPD	2,201	2,265	2,182	-83	-4%

Proposed level of scaling

The proposer is suggesting that the amount of scaling that should be included in the calculation of CDCM credits for eligible embedded generators should be set at **65%**. This value is derived as a simple average of the residual scaling as a proportion of the total scaling using the values shown in the tables 3 and table 4 above.

An alternative approach suggested by a WG member was to consider DNO specific values that vary year on year to reflect the diversity between different DNO regions.

5.20 The Working Group developed this consultation document to gather information and feedback from market participants. The Working Group is interested in parties' views on the following questions:

Commented [JL11]: Add table numbers to all of the ones above and then refer to the two tables in question within this sentence to ease understanding as to where the value has come from.
Also if the proportion of the residual scaling to the original scaling for most DNOs falls in the range of 67% to 79% (picked up from a sentence earlier) should you not consider removing outliers that have a significant effect on the outcome of the value selected.

Commented [JL12R11]: First part complete, second for discussion by the WG

Commented [DT13]: Move the below questions to relevant sections throughout the main body of the document.



- Do you believe scaling should be applied to generation? If it is applied, should it be a positive or negative application?
- Do you agree with the definition of residual scaling provided in paragraphs 5.15 to 5.17?
- Is the current level of capex or the 500MW model a better indication of the avoided cost of embedded generation?
- Do you support the view of the proposer on how scaling is applied?
- What level of scaling as generation credits should be applied?
 - 50% of scaling (in line with the initial proposal); 65% scaling in line with the Proposers assessment;
 - 0% (in line with the current DCUSA); or
 - DNO specific values.
 - If another value, please indicate the value and provide your rationale for this.

Commented [JL14]: Due to some paragraph re-ordering residual scaling is now only para 17. Sense check this para number once the main document sections have been agreed

6 Relevant Objectives

Assessment Against the DCUSA Objectives

6.1 The Proposer considers that the following DCUSA Objectives are better facilitated by DCP 284.

Impact of the Change Proposal on the Relevant Objectives:

Relevant Objective	Identified impact
Charging Objective Two - that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and 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)	Positive
Charging Objective Three - 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 incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.	Positive

6.2 Charging Objective Two is better facilitated by DCP 284 because more cost reflective tariffs will provide a more accurate price signal which will result in a more efficient dispatch of plant and the siting of plant within the distribution network. Both of these will result in the promotion of effective competition in generation.

6.3 Charging Objective Three is better facilitated by DCP 284 because it increases the cost reflectivity of tariffs within the CDCM by awarding credits to embedded generators that more closely reflect the benefits they bring to DNOs and thereby encourages the development of efficient, co-ordinated

and economical distribution networks.

7 Impacts & Other Considerations

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

7.1 The Working Group does not consider there to be any cross-code impact.

Consumer Impacts

7.2 Consumer impacts will be assessed following feedback from parties. There may be multiple solutions which may potentially increase or decrease the level of credits to embedded generators which could result in a small increase or decrease in cost to demand customers.

Environmental Impacts

7.3 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 284 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

7.4 Ofgem has been fully engaged throughout the development of DCP 284 as a member of the Working Group.

8 Implementation

8.1 The proposed implementation date for DCP 284 is 01/04/2019. Respondents are invited to consider whether they require any further lead time to comply with this change.

9 Legal Text

9.1 It was identified by the proposer that paragraphs 89 to 95 of schedule 16 of the DCUSA will need to be amended to implement this change. No proposed legal text was provided within the initial CP as the implementation of DCP 228 amends the same paragraphs within the DCUSA. The Working Group note that legal text will be drafted after a review of the consultation responses, to determine the solution of this CP.

9.2 The Working Group identified that the CP will also affect the Annual Review Pack (ARP), however will only impact paragraph 1.1 of schedule 20 of the DCUSA.

10 Consultation Questions

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

Question Number	Question
1	Do you understand the intent of the CP?
2	Are you supportive of the principles of the CP?
3	Do you believe scaling should be applied to generation? If it is applied, should it be a neutral, positive or negative application?
4	Do you agree with the definition of residual scaling provided in paragraphs 5.15 to 5.17?
5	Is the current level of capex or the 500MW model a better indication of the avoided cost of embedded generation?
6	Do you support the view of the proposer on how scaling is applied?
7	Do you agree with the proposer's point of view or the alternative point of view set out in section 5?
8	<ul style="list-style-type: none"> What level of scaling as generation credits should be applied? <ul style="list-style-type: none"> 50% of scaling (in line with the initial proposal); 62.5% scaling in line with the Working Groups assessment; 0% (in line with the current DCUSA); or another value. <p>If another value, please provide your rationale for this.</p>
9	Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.
10	Are you supportive of the proposed implementation date of 1 April 2019?
11	
12	Do you have any other comments on DCP 284?
13	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
14	Are there any alternative solutions or unintended consequences that should be considered by the Working Group?

Commented [DT15]: ElectraLink to complete a general tidy up of the consultation document checking that the references to table numbers and paragraphs align to the correct items

Commented [JL16]: Due to paragraph reordering this should now refer to para 5.17. sense check the para once the document is agreed.

Commented [JL17]: If this is the status quo then we need not have a reference to alternative point of view. This may be amended yet



10.2 Responses should be submitted using Attachment 2 to dcusa@electralink.co.uk no later than **27 February 2017**.

Commented [DT18]: Updated to current Work Plan estimation however further update may be required.

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
- Attachment 2 – Consultation Response Form
- Attachment 3 – DCP 284 Change Proposal