DCUSA

DCUSA Change Declaration

At what stage is this document in the process?

DCP 279

Linking Credit Cover to the Annual Iteration Process

Raised on the 29 July 2016 as a Standard change

Stage
01 – Change Proposal
02 – Consultation
03 – Change Report
04 – Change Declaration

Purpose of Change Proposal

DCP 279 seeks to update those clauses in DCUSA Schedule 1 (Credit Cover) that refer to the 'Regulatory Asset Value (RAV)' as the new price control, RIIO-ED1, redefines the calculation of a DNO's Regulatory Asset Value.

✅	DCUSA Parties voted on the Change Report and recommend: • that the change solution is accepted • that the implementation date is accepted
❌	The DCUSA Parties determined that this Change Proposal should be implemented. DCUSA Parties voted to accept the implementation of • DCP 279 The DCUSA Parties consolidated votes are provided as Attachment 1.
❗	Impacted Parties: DNOs, IDNOs and Suppliers
❗	Impacted Clauses: Schedule 1 Cover

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DCUSA Final Change Report

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Any questions?

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Timeline

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	25 August 2016
Change Report Approved by Panel	29 November 2016
Change Report issued for Voting	30 November 2016
Party Voting Closes	21 December 2016
Change Declaration Issued to Parties	23 December 2016
Implementation	Next Release following Approval[1]

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[1] 23 February 2017

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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   This CP has been raised by ENWL to update those clauses in DCUSA Schedule 1 (Credit Cover) that refer to the 'Regulatory Asset Value (RAV)' as the new price control, RIIO-ED1, redefines the calculation of a DNO's Regulatory Asset Value to enable Party credit limit calculations to be based on a current and appropriate method, which can be consistently applied.

How?

1.3   By amending Clauses 2.3 and 10.1 in Schedule 1 Cover.

2   Governance

Justification for Part 2 Matter

2.1   DCP 279 has been classed as a Part 2 Matter therefore, Authority consent is not required.

2.2   This CP has been designated as a Part 2 Matter as this proposal is a housekeeping change to align with the RIIO ED1 Price Control.

Requested Next Steps

2.3   DCUSA Parties voted that DCP 279 be accepted.

3   Why Change?

Background of DCP 279

3.1   Schedule 1 of DCUSA contains the provisions relating to use of system financial credit limits between Parties and associated credit security cover arrangements. The Schedule uses Regulatory Asset Value (RAV) as the basis for key credit calculations.

3.2   The RIIO (Revenue = Incentives +-Innovation + Outputs) - ED1 price control set incentives for providing a sustainable energy sector, deliver key outputs and innovation for the benefit of consumers and how the DNOs earn their associated revenue from the 01 April 2015 to 31 March 2023.

3.3 The RIIO-ED1 price control redefined the calculation of a DNO's Regulatory Asset Value (RAV). Schedule 1 Credit Cover currently contains a definition of RAV which is aligned with the previous price control, Electricity Distribution Price Control Review 5 (DPCR5) which ran from 01 April 2010 to 31 March 2015. This CP has been raised to amend this definition to align with RIIO-ED1 arrangements.

4   Solution

DCP 279 Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess DCP 279. The Working Group met on one occasion and was comprised of DNO and Supplier representatives. An open invitation was issued to all DCUSA Parties and persons who have previously expressed interest in DCUSA Working Groups. Under DCUSA there is a continuous open invitation to any experts in the relevant subject matter who wish to join this Working Group.

4.2 The Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4.3 DCP 279 has been raised by ENWL to update those clauses in DCUSA Schedule 1 (Credit Cover) that refer to the *'Regulatory Asset Value (RAV)'* as the new price control, RIIO-ED1, redefines the calculation of a DNO's Regulatory Asset Value.

4.4 Under Part C of licence condition 4A of the Electricity Distribution Licence, Ofgem is required to publish the Financial Models it will use for the Annual Iteration Process in November of each regulatory year. The published Financial Model defines the Regulatory Asset Value in 2012/13 prices for the forthcoming year. DCP 279 proposes a basis which would enable each Distribution Licensee to convert the published RAV into the current price base and use this figure for the Credit Allowance calculations.

4.5 This CP clarifies, for the benefit of all parties, the correct reference for determining the Regulatory Asset Value for each DNO in each regulatory year. The current definitions are out-of-date as they refer to the arrangements in DPCR5 and the aim of the CP is to remove the potential for error and replace with transparent, clearly referenced definitions that allow any party to trace the value in Ofgem's published Annual Iteration Process materials.

4.6 The proposal defines the Regulatory Asset Value (RAV) as the opening RAV in the ED1 Price Control Financial Model adjusted to take account of the change in Retail Price Index values from 2012-13 to the current year. The RPI data should be available in sufficient time to enable publication of adjusted RAV values for the start of each financial year.

Working Group Conclusions

4.7   The Working Group considers that this CP correctly reflects the definition of RAV in the RIIO ED1 Price Control and aligns it with the financial models the Authority will use for the Annual Iteration Process.

5   Relevant Objectives

Assessment Against the DCUSA Objectives

5.1   For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.

5.2   The Working Group considers that DCUSA General Objective 4 is better facilitated by DCP 279. The reasoning against the objective is set out in the table below:

DCUSA General Objective Four - The promotion of efficiency in the implementation and administration of this Agreement.
This proposal better facilitates General Objective 4 as this change brings this agreement up to date in respect of determining the Regulated Asset Value and linking in Ofgem's Annual Iteration Process.

6   Impacts & Other Considerations

6.1   This is a housekeeping change to correctly reflect the definition of RAV in the RIIO ED1 Price Control and align it with the financial models the Authority will use for the Annual Iteration Process. It impacts both Distributors and Suppliers as it clarifies how to calculate the RAV thus ensuring its consistent application.

How to calculate RAV in the context of Schedule 1 Credit Cover?

6.2   This section sets out the approach to be taken when calculating RAV for the purposes of Credit Cover calculations:

   (a)   Download the RIIO ED1 Financial Model for the Annual Iteration Process from the Ofgem website;

   (b)   Refer to the *'SavedResults'* worksheet;

   (c)   Select the table section for the specific DNO;

   (d)   Obtain the *'opening asset value before transfers'* (expressed in 2012-13 values) for the relevant year from line 4 of the table;

(e) Obtain the required RPI values from the Office of National Statistics website;

(f) Calculate the RPI adjustment factor to index the *'opening asset value before transfers'* to values valid to the specific year, following the formulae as set out.

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

6.3   No impacts identified.

Consumer Impacts

6.4   No impacts identified.

Environmental Impacts

6.5   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 279 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

7   Implementation

7.1   The proposed implementation date for DCP 279 is the first DCUSA release following approval on the 23 February 2017.

8   Legal Text

8.1   The proposed legal text has been reviewed by the DCUSA Legal Advisor and acts as Attachment 2.

8.2   The main elements of the legal text are:

- Amendments to Schedule 1 Credit Cover Clause 2.3 so that:

  o   In the User's Credit Allowance calculation that the RAV aligns with the redefined DNO's RAV calculation in the new price control, RIIO-ED1; and

  o   to clarify the formula to be used to determine the RAV.

- The RAV definition contained in Schedule 1 Clause 10 has been deleted.

8.3   The DCP 279 Working Group has considered the Legal Text and is satisfied that it meets the intent of the CP.

9 Voting

9.1 DCP 279 was issued to DCUSA Parties for Voting on 30/11/16.

DCP 279 – Recommendation

Part 2 Matter

Change Solution – Accept

9.2 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the proposal was more than 65% of the total number of Groups in that Party Category which voted; and

- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the proposal was more than 65%.

Implementation Date – Accept

9.3 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the implementation date was more than 65% of the total number of Groups in that Party Category which voted; and

- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 65%.

10 Recommendations

DCUSA Parties Recommendation

DCUSA Parties recommend:

- that DCP 279 should be implemented

- that DCP 279 better facilitates the Relevant Objectives

Attachments

- Attachment 1 - Consolidated Votes

- Attachment 2 - DCP 279 Proposed Legal Text

- Attachment 3 - DCP 279 Change Proposal