

DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to dcusa@electralink.co.uk for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

- PART A – Mandatory for all Change Proposals
- PART B – Mandatory for Non Charging Methodologies Proposals
- PART C – Mandatory for Charging Methodologies Proposals
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PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	DCP 279
Date of submission	29 July 2016
Attachments	[See Guidance Note 1]
Originator Details	
Company Name	Electricity North West Limited
Originator Name	Andrew Sherry
Category	DNO
Email Address	andrew.sherry@enwl.co.uk
Phone Number	0843 311 4328
Change Proposal Details	
CP Title	Linking Credit Cover to the Annual Iteration Process
Impacted parties	IDNOs, Suppliers,
Impacted Clause(s)	Schedule 1, clauses 2.3 (The User's Credit Allowance) and 10.1 (Definitions)
Part 1 / Part 2 Matter	Part 2
Provide your rationale why you consider this change is a Part 1 or Part 2 Matter	This change proposal is a Part 2 Matter as it is only correcting the calculation on how parties' credit cover is calculated, following a change to the calculation of Regulatory Asset Value (RAV) in RIIO-ED1.
Related Change Proposals	n/a
Change Proposal Intent	
<p>This change proposal has been submitted in order 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. 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. Each Distribution Licence will convert the published RAV into current price base and use this figure for the Credit Allowance calculation.</p>	
Business Justification and Market Benefits	
<p>This change proposal clarifies, for the benefit of all parties, the correct reference for determining the Regulatory Asset Value for each DNO each regulatory year. The current definitions are out-of-date as they refer to the arrangements in DPCR5 and the aim of the change proposal is to remove the potential for error and replace with transparent, clearly referenced definitions that allow any party to</p>	

trace the value in Ofgem's published Annual Iteration Process materials.

Proposed Solution and Draft Legal Text

The proposed solution involves redrafting clauses 2.3 and 10.1 as follows:

2.3 The User's Credit Allowance (CA here below) shall be calculated according to the following formula:

$$CA = RAV \times 2\% \times CAF$$

where:

RAV

is the closing balance for the Regulatory Asset Value as published in the ~~Company~~ **Authority's Direction issued under the Special Conditions of the Electricity Distribution Licence for the Annual Iteration Process each year for the RHO-ED1 Price Control Financial Model. It will be determined during the Annual Iteration Process, but inflated, using the retail prices index (RPI), from 2012-13 prices to bring it up to the current years prices** at a price control review information (or, where no Regulatory Asset Value is published, shall be a value to be determined by the Authority as a suitable replacement following

CAF

is the Credit Allowance Factor (which is to be expressed as a percentage determined pursuant to Paragraph 2.4 or 2.5).

10.1

Regulatory Asset Value (RAV)

has the meaning given to that term in the Authority's **ED1 Price Control Financial Handbook** decision document published on **3 February 2015** ~~7 December 2009~~ under reference number **144/09**.

Extract from ED1 Price Control Financial Handbook

RAV - Regulatory Asset Value

A financial balance representing expenditure by the licensee that has been capitalised under regulatory rules. The licensee receives a return and depreciation on its RAV in its price control allowed revenues.

Proposed Implementation Date

November 2016 Release

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
SEC	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input checked="" type="checkbox"/>

If other please specify

Consideration of Wider Industry Impacts

None

Environmental Impact

None

Confidentiality

None

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA General Objectives

General Objectives:

Please tick the relevant boxes. [See Guidance Note 9]

- 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.

Detailed rationale for better facilitation of the DCUSA Objectives identified above

General Objective 4 is better facilitated 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.

PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS

Charging Methodology Change Proposals should only be assessed against the DCUSA Charging Methodology Objectives and the General Change Proposals should be assessed on DCUSA General Objectives.

Only Change Proposals impacted by both Charging and General objectives are to be assessed on both General and Charging Objectives.

DCUSA Charging Objectives

Please tick the relevant boxes. [See Guidance Note 11]

Charging Objectives:

- 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
- 2 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)
- 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 incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business
- 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
- 5 that compliance by each DNO Party with the Charging Methodologies facilitates 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.

Detailed rationale for better facilitation of the DCUSA Objectives identified above

[See Guidance Note 10]

Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Guidelines for Working Group Members and Working Group Terms of Reference are available on the DCUSA Website and provide more information about the progression of the Change Process. www.dcusa.co.uk

Ref	Data Field	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Part 1 / Part 2 Matter	A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions. The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes in to consideration the deadlines for publishing indicative tariffs.</p> <ul style="list-style-type: none"> • Submission of Company indicative tariffs is 31 December of each year. • Final tariffs are published on 1 April of each year. <p>Please select an implementation date that provides sufficient time for the change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected within the December indicative tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Consideration of Wider Industry Impacts	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the

		proposed variation being made. Please see Ofgem Guidance .
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem.
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Detailed Rationale for DCUSA Objectives	Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.