

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	Question 1: Do you agree with the proposer's view that there is a defect in the logic in the way that discounts are calculated and applied to determine LDNO tariffs?	Working Group Comments
British Gas	Non-confidential	Yes (we are the proposer).	Noted
Anonymous	Anonymous	<p>We do not consider that the Proposer has established the existence of a defect.</p> <p>The Second Consultation expresses the Proposer's view that the CDCM <i>"will not produce LDNO discounts which are reflective of a reasonable allocation of total costs"</i> (paragraph 3.13). But Ofgem has previously decided that the current methodology is in fact <i>"consistent with the view held by Ofgem that ... the charges should be based on a reasonable allocation of total costs to the elements of the DNOs business that are being undertaken by the IDNO"</i>.<sup>1</sup> Additionally, DNOs have previously concluded that <i>"The [CDCM] sets charges on the basis of costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business"</i>.<sup>2</sup></p> <p>At no point does the proposer explain why the allocation of total costs produced by the CDCM is not reasonable. The closest thing to an explanation is the Proposer's statement that <i>"the p/kWh calculated by the incremental cost approach is [not] identical to the PCDM p/kWh revenue allocation"</i> (paragraph 3.13). But this is assumed throughout the Second Consultation to be (or result in) a distortion, with no explanation as to <u>why</u> this result should be regarded as unreasonable.</p> <p>Similarly, the <i>"Why?"</i> for the Second Consultation states that <i>"[DCP 266] achieves a better allocation of revenues between an LDNO and the host DNO because it would be based on an allocation of total costs"</i> (paragraph 1.3). But Ofgem considers that the existing approach already is based on an allocation of total costs - at no point does the Proposer explain why DCP 266 should be preferred to the existing mechanism, which Ofgem considers already meets the criteria set out by the Proposer itself.</p>	<p>The Working Group note that the respondent disagreed with the view of the Proposer that there is a defect and questioned whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p> <p>All Change Proposals are measured against the relevant DCUSA Objectives and as such the Working Group's view and comments received in response to the consultation will be reflected in the Change Report.</p>

<sup>1</sup> Para 2.70, Electricity distribution structure of charges project: DNOs' proposals for a common methodology at lower voltages – Ofgem, 28 September 2009 ("CDCM Consultation").

<sup>2</sup> Para 217, Report on the Draft Common Distribution Charging Methodology (Energy Networks Association, August 2009)

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		<p>The need for this justification has been evident since the July 2016 Working Group, at which at least one member of the Working Group explicitly <i>“questioned whether the logical defect exists”</i>. Three months later, minute 4.1 of the Working Group’s 31 October 2016 meeting records the Working Group’s decision to refer to the purported issue as a <i>“perceived defect”</i> in light of the fact that no evidence had been provided. The Working Group also noted that <i>“the Proposer’s views should be clarified throughout the consultation ... most of the background information is the view of the proposer not the Working Group.”</i></p> <p>We consider that if not only the Proposer, but also the Working Group, are still unable to articulate the case for change nearly three years later (and following the First Consultation, and responses to it), then the proposal should be withdrawn – particularly given the competing workstreams addressed in Question 5 below</p>	The Working Group noted this and agreed that they will address this point when commenting on responses to question 5.
<b>Energy Assets Networks ('EAN')</b>	<b>Non-confidential</b>	EAN disagrees with the proposer’s view that there is a defect in the logic in the way discounts are calculated and applied to determine LDNO tariffs.	Noted
<b>ESP Electricity ('ESPE')</b>	<b>Non-confidential</b>	ESPE does not agree that there is a defect in the logic regarding how the discounts are calculated and applied in the first place. Nor have we seen any convincing evidence presented to support this claim.	Noted
<b>Leep Utilities</b>	<b>Non-confidential</b>	No – the PDCM & CDCM methodologies are different. They were designed & approved as being calculated on different bases by Ofgem and there is no explanation or justification given for altering the status quo, other than their being different.	The Working Group recognises that they (the CDCM and PCDM) are different and highlight that what DCP 266 attempts to do is reconcile the differences.
<b>Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc</b>	<b>Non-confidential</b>	Yes.	Noted
<b>SP Distribution and SP Manweb</b>	<b>Non-confidential</b>	Yes.	Noted

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<p><b>The Electricity Network company and Independent Power Networks Ltd</b></p>	<p><b>Non-confidential</b></p>	<p>In summary:</p> <ul style="list-style-type: none"> <li>• We do not agree with the proposer's view that there is a defect in the logic</li> <li>• The consultation has failed-as did consultation 1 – to illustrate the what the defect is and why it is a defect.</li> <li>• Notwithstanding whether there is a defect or not, we do not believe the consultation provides any evidence that the proposed approach (in its limited scope) offers a more cost reflective allocation of costs.</li> </ul> <p>We refer the working group to our response to the first consultation where we provide a substantive response. We do not think that the work carried out since the first consultation has addressed the principal concerns we raised in our response.</p> <p>Consultation 2 sets out (paragraph 3.5) that the DCP:</p> <p><i>“...seeks to change a perceived defect in the way the outputs of the prior steps are used to calculate the discount percentages that are applied to all-the-way tariffs in order to determine the LDNO tariffs.”</i></p> <p>However, we struggle to find any definitive explanation as to what the defect is and why. Whilst the illustration uses a single hypothetical example to show different outcomes between the current and the proposed approach, it does not justify why the current outcome is flawed and the proposed outcome is not.</p> <p>Paragraph 3.13 sets out <i>“The proposer believes that the reason that the expected outcome does not materialise is because of a a flawed mathematical logic”</i>. There is no explanation as to what the flaw in the mathematical logic and no justification as to why one outcome should be expected over another.</p> <p>Paragraph 3.13 goes on to say</p> <p><i>“A discount percentage calculated using only the total cost and revenue approach in the PCDM subsequently applied to an incremental cost tariff calculated in the CDCM will not produce LDNO discounts which are</i></p>	<p>Noted</p> <p>With respect to the comment “cost reflective allocation of cost”, the Working Group note that’s all Change Proposals are measured against the relevant DCUSA Objectives and as such the Working Group’s view and comments received in response to the consultation will be reflected in the Change Report.</p> <p>The Working Group note that the respondent disagreed with the view of the Proposer that there is a defect and questioned whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p>
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		<p><i>reflective of a reasonable allocation of total costs of the elements of the DNO's business that are being undertaken by the LDNO unless, by pure chance, the p/kWh calculated by the incremental cost approach is identical to the PCDM p/kWh revenue allocation".</i></p> <p>However, there is no analysis of what the "reasonable allocation" of costs is. The presumption is that in its entirety the PCDM does this. However, this is not the case. The purpose of the PCDM is to allocate the all-the-way tariff that a DNO charges between the IDNO and a DNO, such that the IDNO receives the same revenue from operating the last mile of distribution network that the DNO gets in operating an equivalent network. This approach benchmarks IDNO margins against the real margins of the DNO. We think it is wholly wrong to calculate IDNO margins in isolation of the CDCM.</p> <p>For the PCDM to be an effective cost allocation model in its own right we believe that a full Activity Based Cost (ABC) allocation model would be required. The Current PCDM does not do this. The costs used are out-dated (2007/8) and are allocated using dubious cost drivers: the total MEAV of the DNO distribution system and Capex cost drivers. (There is nothing to support that these deliver a reasonable allocation of costs). Even then not all costs are allocated (e.g. the MEAV driver is only applied to a subset of the activities).</p> <p>The consultation focuses on explaining the perceived "merits" of the DCP but fails to explain why the logic of the current approach is defective.</p> <p>Paragraph 3.18 recognises "<i>...the scope of the CP is limited to those additional PCDM inputs and does not include other various cost input values to the PCDM</i>". To have credibility in relying on the PCDM to determine the IDNO margin in its entirety, we believe the change proposal should have included a full review and development of how the total costs within the PCDM are allocated; i.e. the adoption of an Activity Based Cost (ABC) accounting approach.</p>	<p>The Working Group note that as was set out in the both the first and second consultation documents that the updating of the entire data set is out of scope of this Change Proposal, but this doesn't preclude any other Party raising a Change Proposal if necessary once the SCRs have been finalised.</p>
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		Whilst we believe that there are a number of defects in both the CDCM and PCDM, these relate to the way costs are allocated within the PCDM and not to the underlying logic. Whilst we could raise change proposals to progress our concerns, we have not done so because of Ofgem's SCRs on charging and that to raise such changes could conflict with the resources required for the SCRs and the eventual outcomes.	
<b>Western Power Distribution</b>	<b>Non-confidential</b>	No	Noted
<b>ENWL</b>	<b>Non-confidential</b>	<p>We are not in agreement with this view.</p> <p>We believe that the current methodology is entirely logically consistent with Ofgem's stated view in its October 2009 consultation document on the CDCM that: "2.70 Regarding the high level approach to IDNO charging, the <u>two separate allocation methods</u> are consistent with the view held by Ofgem that end user charges should, as far as is possible, provide end users with incremental cost signals, whilst for IDNO charging the charges should be <u>based on a reasonable allocation</u> of total costs to the elements of the DNOs business that are being undertaken by the IDNO." (our <u>emphasis added</u>)</p>	The Working Group note that the respondent disagreed with the view of the Proposer that there is a defect and questioned whether the solution results in a fair or unfair allocation of costs as compared to the status quo.
Working Group Conclusions:			

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>Question 2: Do you have any comments on the two interpretations set out under paragraph 4.37?</b>	<b>Working Group Comments</b>
<b>British Gas</b>	<b>Non-confidential</b>	The second interpretation is the more logical and persuasive interpretation.	The Working Group noted this respondent was supportive of the second interpretation

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<p><b>Anonymous</b></p>	<p><b>Anonymous</b></p> <p>It is alarming that the Working Group turned its mind to <i>“what revenues a party which is providing substitute services in place of a dominant party should be entitled”</i> (paragraph 4.36). This illustrates a fundamental misunderstanding of the purpose of the CDCM and of competition law, which is reflected in the fact that neither interpretation is an accurate reflection of the law.</p> <p>The CDCM is a methodology <i>“for determining certain of the Use of System Charges of the DNO Parties that are to be recovered pursuant to ... Section 2B [Distributor to Distributor/OTSO Relationships]”</i> of DCUSA. It is a methodology for calculating the charges made by DNOs to LDNOs at the network boundary. It uses terms such as <i>“Revenue to Share”</i> to make it easier to conceptualise the allocation of the all-the-way (“ATW”) price between the DNO and the LDNO, but it is a methodology for calculating DNO boundary charges. The question of LDNOs’ entitlement to revenue is reserved to Ofgem under the LDNOs’ price control.</p> <p>We expect that the Working Group’s interpretations are based on a mis-recollection or a misunderstanding of the margin squeeze test set out in the cases beginning with <u>C-280/08 P, Deutsche Telekom v Commission [2010] ECR I-955</u>.</p> <p>These cases establish a <u>minimum</u> margin in circumstances where (as here) a dominant undertaking provides an indispensable input on an upstream market (ie. distribution of electricity to the DNO’s network boundary with the LDNO) and competes on the downstream market (with the LDNO, to build, own and operate the network extension).</p> <p>The test is that the differential between the dominant undertaking’s input price on the upstream market (the boundary charge) and the retail price on the downstream market (the ATW charge) must be <u>at least</u> enough to allow a reasonably efficient competitor to operate profitably on the downstream market; as a minimum, the DNO’s own downstream operation must be able to operate profitably on the downstream market if taken as a standalone economic entity.</p> <p>It is entirely inappropriate – both in terms of the purpose of the CDCM, and as a matter of competition law – for the Working Group to take it upon themselves to decide <i>“what revenues a party which is providing substitute services in place of a dominant party should be entitled”</i>, except to the</p>	<p>The Working Group note that their consideration of revenue entitlements was a conceptual aid used following its review of responses to the first consultation, where respondents’ voiced concerns around the implications to competition as a result of DCP 266. The Working Group does not have any control over IDNO revenues as these are governed/controlled by Ofgem.</p> <p>The Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266 with respect to competition law. The Working Group agreed that prior to issuing the following questions to the DCUSA Ltd lawyers, that it should first be confirmed if the questions are suitable enough for them to be able to provide their legal opinion:</p> <p><b>Q1 - What are the competition law implications of this CP?</b></p> <ul style="list-style-type: none"> <li>• The group has received the following responses to their second consultation that presents the following legal arguments and case law:</li> <li>• [Legal Arguments]</li> <li>• [Case Law Sighted]</li> </ul>
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		<p>extent necessary for DNOs to satisfy themselves that their pricing allows the <u>minimum</u> margin necessary to avoid an unlawful margin squeeze.</p> <p>By misapplying the question and seeking to set an allowed revenue/margin for their downstream competitors, DNOs are at risk of infringing section 18 of the Competition Act 1998. The fact that implementation of DCP 266 would require Ofgem approval provides no shelter from the DNOs' competition obligations.<sup>3</sup> On the contrary, and as previously noted, DNOs have a "special responsibility" in competition law to pro-actively avoid abuses of dominance,<sup>4</sup> which in a potential margin squeeze scenario such as this, includes a positive obligation to adjust its own pricing methodology to avoid the margin squeeze.<sup>5</sup></p>	<p><b>ACTION: ElectraLink to add the legal arguments and case law sighted by respondents</b></p> <p><b>Q2 - Would this change proposal, if approved and implemented, put parties in breach of competition law?</b></p> <p><b>ACTION: ElectraLink to finalise legal advice request and circulate to Working Group for approval. Following this, a discussion with Peter Waymont should be had to seek approval to request such advice/opinion and a call to Gowling WLG to confirm they'd be comfortable with and able to provide such advice/opinion based on the questions proposed by the group.</b></p>
<b>Energy Assets Networks ('EAN')</b>	<b>Non-confidential</b>	<p>EAN believes the second interpretation is an unnecessary extension of the first and adds superfluous complexity.</p> <p>The interpretations do not alleviate concerns on the impact of the modification on competition and hence these concerns are maintained. The modification would effectively bypass stringent revenue controls (RIIO/RPC) and provide unintentional benefits to networks.</p>	<p>As noted against the Anonymous response above, the Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266 with respect to competition law. In doing so it will provide the legal arguments and case law sighted by respondents.</p>

<sup>3</sup> C-280/08 P, Deutsche Telekom v Commission [2010] ECR I-955

<sup>4</sup> Case 322/81, Nederlandsche Banden-Industrie-Michelin v Commission [1983] ECR 3461

<sup>5</sup> C-280/08 P, Deutsche Telekom v Commission [2010] ECR I-955]



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ESP Electricity ('ESPE')	Non-confidential	<p>ESPE has concerns regarding the impact of the modification on competition but not within the two interpretations offered by the group. It is difficult to understand how these are arguments about Competition Law/policy. It is also not clear whether the working group received external advice to support these positions. Generally, attendees at DCUSA working groups have special expertise in charging methodology principles and design; not Competition Law.</p> <p>The revenues to which an LDNO is entitled are set by Ofgem. This modification and in particular this discussion cited in the consultation effectively bypasses this important process. We do not agree that a DCUSA working group is an appropriate forum to discuss and recommend changes to the approach by which LDNO allowed revenues are determined. The consultation material highlights that this is not a straightforward change, and that it will have a significant impact on LDNOs; the change, although technical, will fundamentally change the allocation method. However, flaws in the CDCM will continue to have a detrimental impact on LDNOs, and these cannot be addresses whilst the Access SCR is underway.</p>	<p>As noted against the Anonymous response above, the Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266 with respect to competition law. In doing so it will provide the legal arguments and case law sighted by respondents.</p> <p>It is noted that the derivation of the all-the-way tariffs in CDCM will not have an impact on LDNO margins except in the instance where discounts are capped at 100%</p>
Leep Utilities	Non-confidential	<p>The second interpretation is a better analogue. DNOs have greater economies of scale than IDNOs, especially with respect to corporate &amp; back office services, so an interpretation that notionally segments the DNO, providing costs more analogous to the IDNO experience is more appropriate.</p>	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>Both of the interpretations set out in the consultation document represent reasonable approaches for the allocation of revenue between DNOs and LDNOs. In particular, we do not think that the implementation of an approach aligned to either interpretation could reasonably be considered an abuse of a DNO's dominant position.</p> <p>As this change is a part one matter, a final decision on its implementation will be made by Ofgem. We expect that part of Ofgem's decision making process will include an assessment of the compatibility of the proposals with competition law.</p>	Noted



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<b>SP Distribution and SP Manweb</b>	<b>Non-confidential</b>	We agree with the working group's second interpretation which aligns with DCP266s solution.	The Working Group noted this respondent was supportive of the second interpretation
<b>The Electricity Network company and Independent Power Networks Ltd</b>	<b>Non-confidential</b>	<p>We do not agree that either of the interpretations is correct under the principles of competition law.</p> <p>We have previously provided the working group with our view of the correct interpretation based on competition law. Such interpretations are readily available in competition law guidance or in case law for the working group to gain an 'independent' understanding. We are not sure why the working group seeks to develop a cut down or different interpretation of the margins that an IDNO is entitled to under competition law when such guidance already exists. We believe that this may be down to the difficulty within the working group of understanding the concept of a notional business – a concept used in competition law.</p>	As noted against the Anonymous response above, the Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266 with respect to competition law. In doing so it will provide the legal arguments and case law sighted by respondents.
<b>Western Power Distribution</b>	<b>Non-confidential</b>	<b>No</b>	Noted
<b>ENWL</b>		<p>We believe the most important considerations in relation to this point are the requirements of competition law. It is our view that the potential for 'margin squeeze' is the most relevant competition law concern in the consideration of this change. It is our understanding that margin squeeze occurs if the 'as-efficient competitor' test fails. This test compares the integrated firm's retail price, <math>p</math>, to its upstream price, <math>a</math>, and its own downstream costs, <math>c</math>, and is satisfied when <math>p \geq c + a</math>.</p> <p><math>p</math> would be the all-the-way tariff, <math>a</math> would be the IDNO tariff, and <math>c</math> the notional downstream cost of the DNO.</p> <p>In the particular case of IDNOs competing with DNOs this situation is somewhat complicated the possibility of IDNOs competing at all voltage levels of the distribution network. Hence there is a requirement to ensure that sufficient margin is available to as efficient competitors at all levels of the distribution network.</p>	As noted against the Anonymous response above, the Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266 with respect to competition law. In doing so it will provide the legal arguments and case law sighted by respondents.

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		<p>There is also difficulty in reconciling end user prices based on forward looking cost signals, with the total cost view used in the allocation of this charge.</p> <p>On balance, we do not believe either interpretation set out under para 4.37 is entirely correct. The consideration of notional revenue is not relevant to the test for margin squeeze which is based on retail price (all-the-way tariff), upstream price (the IDNO tariff), and the downstream cost of the integrated firm (DNO). It is in the consideration of cost only that it is necessary to consider the split between notional upstream and downstream businesses of the integrated firm.</p>	
<b>Working Group Conclusions:</b>			

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>Question 3: Do you have any comments on the proposed solution and do you believe it addresses the defect identified?</b>  <b>Are there any alternative solutions that should be considered?</b>	<b>Working Group Comments</b>
<b>British Gas</b>	<b>Non-confidential</b>	We support the solution and believe it addresses the defect.	Noted
<b>Anonymous</b>	<b>Anonymous</b>	We are unable to assess the effectiveness of DCP 266 as a solution for the purported defect: the proposer has not articulated a defect in the existing CDCM.	The Working Group note that this is in line with their response to question 1, which is a that the respondent disagrees with the view of the Proposer that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.
<b>Energy Assets Networks ('EAN')</b>	<b>Non-confidential</b>	EAN is not convinced there is a defect to address and the evidence presented has failed to persuade.	The Working Group note that this is in line with their response to question 1, which is a that the respondent disagrees with the view of the Proposer

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		<p>Stop-gap solutions have been introduced in the design of this DCP to resolve flaws however these expose the inadequacy of the proposed methodology. The number of IDNO network tariffs capped at 100% has increased by hundreds, and certain percentage of total revenues have been excluded based purely on the choice of wording (thereby ignoring the composition of the service itself). Inherently, these measures make clear the proposed methodology has fundamental flaws.</p> <p>This modification, whilst initially raised prior to major Ofgem initiatives, now proceeds in tandem and there appears to be no cross communication. The work of TCR and Forward charges is being pre-empted here – if both lead to contrasting outputs it is not clear which would take precedent.</p> <p>For these reasons EAN do not see any alternative solutions to this modification.</p>	<p>that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p> <p>The Working Group points out that paragraphs 4.24 to 4.26 of the consultation document shows that there is a large decrease in the numbers of customers being impacted by the tariffs being capped at 100% under both the original and updated solutions.</p> <p>The Working Group disagrees with the comment <i>“certain percentage of total revenues have been excluded based purely on the choice of wording ”</i>, as it was a feature of the original solution proposed in the first consultation and related to what was classed as an incentive or not. This was explained in paragraphs 4.13 and 4.14 of the consultation document.</p> <p>With respect to the concerns raised around interactions with Ofgem initiatives, the Working Group note that all information related to this CP will be provided to Ofgem by 13 August 2019 and this looks to be before any decisions made on the SCRs and could be accounted for in that process.</p>
ESP Electricity ('ESPE')	Non-confidential	<p>We do not believe nor have we seen any convincing evidence to think there is a defect in the first place. To summarise our position the modification:</p>	<p>The Working Group note that this is in line with their response to question 1, which is a that the respondent</p>

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		<p>Has the effect of altering revenues set by price control for an industry party without a clear theory of why the costs should be allocated.</p> <p>Pre-empt a number of major initiatives Ofgem are currently conducting under the TCR and Access and Forward Looking Charges SCR.</p> <p>The data sources are inconsistent and without rationale.</p> <p>Why should 2008 data continue to be used when looking to improve the reflectivity of the methodology?</p> <p>The PCDM uses data from several different data sources to create “drivers” within the PCDM used for allocating costs. Some of these outdated fields are the RRP Data from 2007/08 DPCR5 Data from 2010-2015</p> <p>Intractable design issues:</p> <p>Developments in the model appear to be inconsistent. Introducing a cap to limit a significant number of IDNO network tariffs at 100% does not appear to be a good outcome, and suggests the proposed change will create further issues, rather than solve any. It is our view that a model that creates over-recovery by IDNOs that needs to be capped by rule and not calculation is unlikely to be cost reflective.</p> <p>Scope for inaccurate cost allocation. One example of this is excluding a percentage of total revenue solely based on whether the field has “incentive” or “penalty” within the name is not an accurate depiction of the level of service than IDNOs provide, or a fair allocation of costs within the PCDM</p> <p>We do not see any alternative solutions to this modification.</p>	<p>disagrees with the view of the Proposer that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p> <p>With respect to the concerns raised around interactions with Ofgem initiatives, the Working Group note that all information related to this CP will be provided to Ofgem by 13 August 2019 and this looks to be before any decisions made on the SCRs and could be accounted for in that process.</p> <p>The Working Group note that as was set out in the both the first and second consultation documents that the updating of the entire data set is out of scope of this Change Proposal, but this doesn’t preclude any other Party raising a Change Proposal if necessary once the SCRs have been finalised.</p> <p>The Working Group don’t believe that the implementation of this CP will lead to a material change to the price control revenues of a DNO, and the same applies to the IDNOs relative price control revenues (gross revenues). The IDNOs net revenue (that which follows payment to the host DNO) will change and this will be dependent upon the portfolio of customers held by the IDNO.</p>
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			The Working Group disagrees with the comment in respect of “Scope for inaccurate cost allocation” in which the respondent states; “excluding a percentage of total revenue solely based on whether the field has “incentive” or “penalty” within the name”. This is due to the fact that this element was a feature of the original solution proposed in the first consultation and related to what was classed as an incentive or not. This was explained in paragraphs 4.13 and 4.14 of the consultation document.
<b>Leep Utilities</b>	<b>Non-confidential</b>	The circularity & scaling of the proposal does not suggest that this is an ideal solution, even if it is accepted that the current solution is not optimal, why move to another solution that has its own, different set of issues.	The Working Group noted that the scaling method was always a core component of this CP to enact the solution to use ‘money of the day’ instead of in 07/08 prices.
<b>Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc</b>	<b>Non-confidential</b>	We welcome the developments made to the solution since the first consultation. We think it does address the defect and have no further comments at this stage.	Noted
<b>SP Distribution and SP Manweb</b>	<b>Non-confidential</b>	The solution has been refined to address the stepped changes in both revenue not shared and units distributed both identified in the previous consultation. The modified solution rectifies the defect identified and addresses the volatility created by the original proposal.	Noted

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<b>The Electricity Network company and Independent Power Networks Ltd</b>	<b>Non-confidential</b>	<p>We refer the working group to our response to consultation 1. The question is predicated on the presumption that the defect exists. As stated in our response to question 1, we do not believe that the DCP, nor this or the previous) consultation has clearly demonstrated what the defect is.</p> <p>We believe the intent of the CP is flawed and that its limited scope restricts the development of alternative solutions solution proposed. The delays between the first consultation and this second consultation, largely to develop complex models causes significant concerns that should the change be successful, it will be implemented correctly.</p> <p>We understand that there are errors in modelling the impacts for the first consultation.</p>	<p>The Working Group note that this is in line with their response to question 1, which is a that the respondent disagrees with the view of the Proposer that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p>
<b>Western Power Distribution</b>	<b>Non-confidential</b>	<p>The original method discounts the same % for the all demand customers connected at the same voltage levels.</p> <p>The new method leads to the IDNO discount being the same in p/kwh for all demand customers connected at the same voltage level irrespective of customer type. It assumes that the DUoS p/kwh for an IDNO should be the same for a Domestic customer and a small office.</p>	<p>Noted</p>
<b>ENWL</b>		<p>As stated previously (Q1) we do not agree that a logical defect exists.</p> <p>Furthermore, we are concerned that the proposed solution distorts competition in the distribution of electricity, particularly at higher voltage levels.</p> <p>In cases where the PCDM cost is higher than the CDCM tariff the higher voltage tariffs need to be capped. This applies to 26.9% of tariffs under the proposed change and includes tariffs applied to voltage levels as low as HV plus level.</p> <p>Previously only a small number of tariffs were capped at 100% and this capping applied only at 132kV or above, and affected only two DNO areas. Hence, under the current methodology the potential impact of tariff capping is limited but under the proposed change it is much greater.</p>	<p>The Working Group note that this is in line with their response to question 1, which is a that the respondent disagrees with the view of the Proposer that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p> <p>As noted against the Anonymous response to question 2, the Working Group agreed that it would be beneficial to seek legal opinion on if there are any implications of DCP 266</p>

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p>The effect of capping at voltage levels below the highest level is that no additional margin can be earned by a competitor entering the market at voltage levels above that point.</p> <p>For example, a 100% discount cap applies to the HV plus:LV Network Non-Domestic Non-CT tariff in the LPN network area. No extra revenue can be earned by an IDNO connecting to the DNO network at higher voltage levels, even at 0000.</p> <p>It is our view that such a structure of tariffs would be a form of margin squeeze because the notional cost of the upstream business is certainly greater than zero but the margin available to a competitor business entering the upstream market would be zero.</p> <p>We are of the opinion that as the existence of the margin squeeze would make market penetration more difficult for competitors this could constitute anticompetitive behaviour under the relevant law.</p> <p>We recognise that the working group has correctly identified that there are few IDNOs currently providing services that would be affected by the issue we have raised regarding the 100% tariff cap. However, it is our understanding that even potential anticompetitive effects in pricing conduct may be sufficient to breach competition law.</p> <p>We accept that issues of competition law are complex, and that we have not sought any legal opinion in this matter. We would therefore advise the working group to obtain expert legal opinion on this matter, and broader competition law concerns, before proceeding further with this change.</p>	<p>with respect to competition law. In doing so it will provide the legal arguments and case law sighted by respondents.</p> <p><b>ACTION: ElectraLink to include the arguments set out in this response as per the above</b></p>
Working Group Conclusions:			



## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	<p><b>Question 4: Do you consider that the proposal better facilitates the DCUSA Charging Objectives?</b></p> <p><b>If so, please detail which Charging Objectives are better facilitated by DCP 266 and provide your rationale.</b></p> <p><b>If not, please detail which Charging Objectives are not better facilitated by DCP 266 and provide your rationale.</b></p>	Working Group Comments
British Gas	Non-confidential	<p>Yes, we believe that DCUSA Charging Objective 2 will be better facilitated. DCP 266 achieves a better allocation of revenues between an LDNO and the host DNO because it is based on an allocation of total costs which is not affected by the incremental cost allocation approach applied in the CDCM. This should ensure an LDNO is able to receive the same margin as the host DNO's <i>notional</i> downstream business, and so promote competition in the distribution of electricity.</p> <p>DCP266 will also promote competition in the distribution of electricity by improving the predictability and reducing the level volatility observed in the absolute level of discount (p/kWh) received by LDNOs, as has been demonstrated by the Working Group analysis. LDNO discounts will be less affected by the volatility of all-the-way tariffs caused by the annual update to CDCM inputs and will also be protected from changes to the methodology for all-the-way CDCM tariffs.</p>	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.
Anonymous	Anonymous	<p>The Second Consultation states that <i>"The Proposer believes that DCUSA Charging Objective 2 will be better facilitated"</i><sup>6</sup> for the following reasons:</p> <ul style="list-style-type: none"> <li><i>"by reducing or removing the current distortion in the absolute level of total avoided cost discount received by LDNOs".</i></li> </ul> <p>We agree that removal of a distortion could better facilitate competition. But the nature of the alleged defect / distortion has not been articulated since the issue was first raised in 2016. The Second Consultation describes the operation of the current CDCM and the impact of DCP 266, but at no point has the proposer stated why it considers the current approach does</p>	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.

<sup>6</sup> References to the DCUSA Charging Objectives are references to the Applicable Charging Methodology Objectives in SLC 22A (Part B) of the electricity distribution licence.

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p>not result in a reasonable allocation of total cost - contrary to Ofgem's and the DNOs' decision that it does. It would be unreasonable for the Working Group to conclude that DCUSA Charging Objective 2 is better facilitated by removal of a defect that: (a) has not been shown to exist; (b) if it does exist, has not been shown to have a distortionary effect on competition.</p> <ul style="list-style-type: none"> <li>• <i>"by ensuring that the p/kWh discounts received by LDNOs remains aligned with the absolute level of avoided costs calculated in the PCDM, this change will promote competition in the distribution of electricity".</i></li> </ul> <p>No reason is given as to why this change would promote competition per se; we therefore assume that this relates back to the removal of the alleged defect. Again, it would be unreasonable for the Working Group to conclude that DCUSA Charging Objective 2 is better facilitated by removal of a defect that: (a) has not been shown to exist; (b) if it does exist, has not been shown to have a distortionary effect on competition. If this does not relate back to removal of the alleged defect, some explanation needs to be provided as to why this change, by itself, would promote competition.</p> <ul style="list-style-type: none"> <li>• <i>"The Proposer believes the absolute level of discount (p/kWh) received by LDNOs [under DCP 266] is also likely to be more stable and predictable since it will be protected from the impact of any changes to the methodology for all-the-way CDCM tariffs, which will also promote competition in the distribution of electricity".</i></li> </ul> <p>This suggests that the one benefit that does not rely on the existence of a defect is merely <i>"likely"</i>. We do not consider that a <i>"likely"</i> increase in stability and predictability is sufficient to justify the Proposer's claim that DCP 266 will promote competition.</p>	
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## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p>We also note that the Working Group does not consider the proposal better facilitates DCUSA Charging Objective 3 – ie. it does not consider (or at least there was no consensus) that DCP 266 improves upon the status quo in relation to the cost reflectivity of boundary charges. We therefore have significant doubts regarding the Proposer’s assertion that DCP 266 will provide a better allocation of costs between the DNO and LDNO (and therefore, in the Proposer’s view, enhance competition) given that this view does not appear to be shared by a majority of the Working Group that developed the proposal.</p>	
<b>Energy Assets Networks ('EAN')</b>	<b>Non-confidential</b>	<p>Compared to the current methodology EAN does not agree that the DCUSA Charging Objectives are better facilitated by the implementation of DCP266 and are instead negatively impacted.</p> <p><u>Objective 2 – Negatively Impacted</u></p> <p>DCP266 would ignore PCDM incentive revenues allowed by Ofgem in relation to the costs of the DNO’s core business of distributing electricity, thereby creating distortion.</p> <p>DCP266 would lead to excessive differences between IDNO and DNO charges for the same service and create unfair market conditions for both parties. Customers would negatively be impacted by their options thereby degrading the competitiveness of the market.</p> <p>DCP266 would unduly impact charging arrangements to a significant extent, creating market volatility and erosion of stability. Financing costs of LDNOs would be raised unjustifiably and create unnecessary uncertainty in investments.</p> <p><u>DCUSA Charging Objective 3 – Negatively Impacted</u></p> <p>The choice of data sources within DCP266 is inconsistent as certain items are derived from older sources. This difference may create unintentional skewing as each dataset reflects the time period it relates to and the associated technological, societal, and socioeconomic factors. Although the current methodology utilises an outdated dataset it is consistent in that method and hence these factors are normalised within the values.</p>	<p>The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.</p>

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p>DCP266 would drastically increase the circumstance in which the discount percentage 100% cap is applied by a factor of approximately 20.</p> <p><u>DCUSA Charging Objective 4 – Negatively Impacted</u></p> <p>DCP266 would create an additional problem which does not exist in the current methodology. Due to its sensitivity to user volumes forecasts for existing tariffs which possess inherent difficulty would create undue uncertainties. For newer tariffs a volatility would be introduced.</p> <p><u>DCUSA Charging Objective 6 – Negatively Impacted</u></p> <p>DCP266 creates needless complexity and makes performing adequate analysis of the models difficult. The full impacts and effects may not have been sufficiently scoped which will undoubtedly have a disproportionate impact on new entrants.</p>	
<b>ESP Electricity ('ESPE')</b>	<b>Non-confidential</b>	<p>ESPE believes that DCP266 does not facilitate any of the DCUSA Charging Objectives better than the current methodology. Due to the flaws in the proposed methodology detailed in the above answers, ESPE believes that several of the DCUSA Charging Objectives would actually be negatively impacted by the implementation of this change proposal.</p> <p><u>DCUSA Charging Objective 2 – Negatively Impacted</u></p> <p>DCP266 would negatively impact the facilitation of competition in the distribution of electricity because of several key points:</p> <ul style="list-style-type: none"> <li>- The implementation of the change would exclude significant amounts of incentive revenues from the PCDM. This is distortionary because these revenues are allowed by Ofgem to cover the costs of, and provide a return on, the DNOs' core business of distributing electricity;</li> <li>- The impact of the change would cause volatility in the market and create an unjustified shock to charging arrangements, thereby unduly raising the financing costs of LDNOs who compete in the distribution of electricity. Effective competition in the distribution of electricity requires a stable and predictable regulatory and charging regime, as new entrants need to establish business models and undertake sunk investments in distribution systems and IT and management systems. DCP 266 would create undue</li> </ul>	<p>The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.</p>

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p>uncertainty and make the financing of competing distribution businesses harder;</p> <ul style="list-style-type: none"> <li>- The change to the methodology would allow for substantially excessive LDNO discounts to some scenarios (e.g. for LV Network Non-Domestic Non-CT end users on LDNO distribution systems within London), which would lead to DNOs being unable to compete fairly for such connections;</li> <li>- Implementing the change would enable offering DNO use of system credits to DNO-connected generators that an LDNO with an EHV boundary would be unable to match.</li> </ul> <p><u>DCUSA Charging Objective 3 – Negatively Impacted</u></p> <p>The current approved methodology is a cost-based allocation of revenues between distributors who are working together to provide the all-the-way service. It is based on a coherent (albeit outdated) dataset and was approved by Ofgem on that basis.</p> <p>DCP 266 would cause cost reflectivity within the charging methodology to be negatively impacted because of several key points:</p> <ul style="list-style-type: none"> <li>- By cherry-picking data sources, the change would allow for recent data to be used for some items such as transmission exit charges, whilst retaining the dated dataset for other items;</li> <li>- The implementation of this change would wrongly exclude certain incentive revenue amounts, that were chosen without appropriate analysis, from the Method M allocation;</li> <li>- DCP266 would significantly increase the range of circumstances in which the non-cost-reflective 100% cap on discount percentages needs to be applied (from 2% of tariffs to 35% of tariffs);</li> <li>- By applying zero charges to LDNOs in circumstances it is not cost reflective for the DNO to not receive a percentage of the charges where the DNO clearly provides a substantial, costly and valuable service (e.g. LDNO HV: LV Network Non-Domestic Non-CT in London).</li> </ul>	
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## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		<p><u>DCUSA Charging Objective 4 – Negatively Impacted</u></p> <p>DCP 266 would make the charging methodology for LDNOs highly sensitive to the details of end user volume forecasts for newer tariffs as well as tariffs where forecasting volumes is difficult; due to the level of uncertainty and sensitivity introduced, we believe it's likely that this objective will be negatively impacted. This problem does not affect the current approved methodology in respect of LDNO discounts.</p> <p><u>DCUSA Charging Objective 6 – Negatively Impacted</u></p> <p>The DCP 266 consultation document, impact assessment and models are complex. ESPE has found it difficult to analyse the data and understand the behaviour of the new models, and cannot be sure we fully understand all impacts of the proposed methodology. There might be other inefficiencies, unintended effects, or undesirable impacts, which we have not yet identified. This complexity has a disproportionate impact on new entrant businesses.</p>	
<b>Leep Utilities</b>	<b>Non-confidential</b>	<p>Per Objective 2, implementation may distort or restrict competition in distribution.</p> <p>By reducing the revenue available, the IDNO space will be less appealing to new entrants and reduce the ability of existing parties to seek investment and invest in new networks, making them less able to compete with the incumbent DNO.</p> <p>DNOs will continue to receive their allowed revenue whilst their smaller, less-established, competitor – the IDNO – sees their revenue decline.</p>	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.
<b>Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc</b>	<b>Non-confidential</b>	<p>Yes, we consider that charging objectives two and three are better facilitated by this change.</p>	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

		The change will result in the margin available to an IDNO reflecting an appropriate allocation of revenues between the DNO and IDNO based entirely on the analysis of DNO costs carried out in the PCDM. In so doing, we consider that competition in the distribution of electricity will be improved (charging objective two), and that the DNO charges to IDNOs will more accurately reflect the costs incurred by the DNO in its distribution business (charging objective three).	
<b>SP Distribution and SP Manweb</b>	<b>Non-confidential</b>	Yes, objective two would be better facilitated by aligning the LDNO discount received to the LDNO revenue allocation for the relevant network level.  The will also be a reduction in the volatility of the LDNO discounts on a p/kwh basis by aligning the discounts more closely to the all-the-way tariff, and limiting the CDCM inputs influencing the discounts to only the unit and allowed revenue forecast, thus facilitating competition.	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.
<b>The Electricity Network company and Independent Power Networks Ltd</b>	<b>Non-confidential</b>	No. Please see our comments to Q1 above and our comments to Consultation 1	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.
<b>Western Power Distribution</b>	<b>Non-confidential</b>	No. WPD do not believe the charging objectives are better facilitated.	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.
<b>ENWL</b>	<b>Non-confidential</b>	It is our view that the proposed solution may potentially restrict competition in the distribution of electricity, and therefore DCUSA Charging Objective 2 is adversely impacted by this change.	The DCUSA Objectives will be reviewed by the Working Group following the legal advice being sought and provided and when drafting the change report the Working Groups views (for and against) will be added at this point.



## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

### Working Group Conclusions:

Company	Confidential/ Anonymous	Question 5: If DCP 266 were to be approved are you supportive of the proposed implementation date of 01 April 2021?	Working Group Comments
British Gas	Non-confidential	Yes.	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2021
Anonymous	Anonymous	<p>No. The proposed implementation date falls within the timetable for the ongoing Access and Forward Looking Charges Significant Code Review (“SCR”), which includes <i>“a wide-ranging review of Distribution Use of System Charges”</i>; this explicitly includes the CDCM.<sup>7</sup></p> <p>Paragraphs 4.13 and 4.16 of the Second Consultation illustrate the consequences of industry-level changes not being aligned. Given the <i>“wide-ranging”</i> nature of the SCR, we consider that proceeding with DCP 266 in isolation unnecessarily increases the risk of misalignment (and we note that significant code reviews are intended to avoid exactly this kind of issue).</p> <p>We consider that if DCP 266 is to be progressed in any form, it should be as part of the SCR. This would give the proposer additional time to better articulate the case for change, although we note that three years have already elapsed without the defect (or other benefit) of DCP 266 being clearly expressed.</p>	The Working Group noted that this respondent suggests that it is subsumed with the ongoing work related to the SCR.
Energy Assets Networks ('EAN')	Non-confidential	EAN is not supportive of the proposed implementation date. Due to this DCPs complexity and Ofgem’s review of charging arrangements the earliest implementation date would be 1 <sup>st</sup> April 2023.	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2023.

<sup>7</sup> Paragraphs 3.1-3.10, Annex 1 (Details of Decision on the Scope of the Review), Electricity Network Access and ForwardLooking Charging Review – Significant Code Review launch statement and decision on the wider review (Ofgem, 18 December 2018).

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

<b>ESP Electricity ('ESPE')</b>	<b>Non-confidential</b>	No. ESPE is not supportive of the proposed implementation date. As this change proposal has such a significant effect on methodology and is highly complex, we believe the earliest date plausible would be 1 April 2023. However, we believe this may need to be revised in light of any changes implemented as a result of the TCR, Access and Forward Looking Charges SCR, and RIIO-ED2.	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2023.
<b>Leep Utilities</b>	<b>Non-confidential</b>	NA	-
<b>Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc</b>	<b>Non-confidential</b>	Yes, albeit we recognise that this date will be challenging given the need for Ofgem authorisation by September 30 <sup>th</sup> 2019.	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2021
<b>SP Distribution and SP Manweb</b>	<b>Non-confidential</b>	Yes	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2021
<b>The Electricity Network company and Independent Power Networks Ltd</b>	<b>Non-confidential</b>	No. we believe there could be insignificant interactions with the Significant Code Review and that implementation should not take place before a full impact assessment with the outcomes of the SCRs is completed.  We are also of the view that this DCP should not progress in parallel with the SCR.	The Working Group noted that this respondent is suggesting to defer the implementation until such time as the SCR is completed.
<b>Western Power Distribution</b>	<b>Non-confidential</b>	No. This is a large change to IDNOs and should not go in at the same time as DCP268 which is a large change to all customers.	The Working Group noted that this respondent is suggesting to defer the implementation until after DCP 268 is implemented which will be 01 April 2021.
<b>ENWL</b>	<b>Non-confidential</b>	Yes, we have no concerns about this proposed date of implementation.	The Working Group noted that this respondent is supportive of the proposed implementation date of 01 April 2021

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

**Working Group Conclusions: WG vote on implementation date 4 in support of 2023 and three in support in of 2021**

Company	Confidential/ Anonymous	Question 6: Do you have any comments on the proposed legal text for DCP 266?	Working Group Comments
British Gas	Non-confidential	No.	Noted
Anonymous	Anonymous	We consider the proposal fundamentally flawed for the reasons set out above. We object to the legal text on the same basis.	Noted
Energy Assets Networks ('EAN')	Non-confidential	N/A	Noted
ESP Electricity ('ESPE')	Non-confidential	No comments	Noted
Leep Utilities	Non-confidential	NA	Noted
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	No. The legal text as drafted implements the solution developed by the Working Group.	Noted
SP Distribution and SP Manweb	Non-confidential	No	Noted
The Electricity Network company and Independent Power Networks Ltd	Non-confidential	Not commented on	Noted
Western Power Distribution	Non-confidential	No	Noted

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

ENWL	Non-confidential	No	Noted
<b>Working Group Conclusions:</b>			

Company	Confidential/ Anonymous	Question 7: Do you have any other comments on DCP 266?	Working Group Comments
British Gas	Non-confidential	No.	Noted
Anonymous	Anonymous	No	Noted
Energy Assets Networks ('EAN')	Non-confidential	N/A	Noted
ESP Electricity ('ESPE')	Non-confidential	No further comments	Noted
Leep Utilities	Non-confidential	<p>The CDCM methodology was agreed and implemented as an 'incremental cost methodology by design'. There does not appear to have been any discussion of why this methodology was chosen in the first place – and what has altered to invalidate this original choice. There may be policy reasons that existed then or exist now to justify the suitability of the choice.</p> <p>That the revised methodology negatively impacts a party at a lower level in the market to the proposer, a party less able to absorb such an impact, whilst the proposer is unaffected appears opportunist at best.</p>	<p>The discussion around the calculation and application of IDNO started some way in the past during meetings of DCMF Methodologies Issues Group from 23 November 2012 to January 2016. The Proposer agreed to sponsor the raising of DCP 266 to provide a level of impartiality.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	No.	Noted
SP Distribution and SP Manweb	Non-confidential	No	Noted

## DCP 266 COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

<b>The Electricity Network company and Independent Power Networks Ltd</b>	<b>Non-confidential</b>	<p>This is the second consultation, with significant gaps between the two consultations, yet we still do not see a complete description of the defect.</p> <p>We also believe it is in appropriate that this SCR should be progressing in parallel with the SCR. It is because of resource commitments to the SCRs that we have withdrawn from the DCP working group.</p> <p>We also note that the working group engagement by many members has been largely passive, with active engagement provided by a limited subset of the working group.</p>	<p>The Working Group note that this is in line with their response to question 1, which is a that the respondent disagrees with the view of the Proposer that there is a defect and question whether the solution results in a fair or unfair allocation of costs as compared to the status quo.</p> <p>The Working Group acknowledge the resource issues that are felt across the industry with the ongoing multiple workstreams and although there may have been less active engagement during the development of DCP 266, an increased level of engagement has been seen via the number of respondents to both consultations and upon reviewing the responses to the consultations.</p>
<b>Western Power Distribution</b>	<b>Non-confidential</b>	No	Noted
<b>ENWL</b>	<b>Non-confidential</b>	No	Noted
<b>Working Group Conclusions:</b>			