

## DCP 266 ISSUES / ACTIONS LOG

ISSUE	ACTIONS	STATUS	OUTCOME
DISTORTION / DEFECT	<p>The Working Group noted respondents views that the defect/distortion that DCP 266 is seeking to amend had not been defined clearly enough.</p> <p><b>ACTION: 11/01 – George Moran</b></p> <p>Ensure that wording around the intent of this change is clearly defined by explaining why the current approach is wrong with a detailed explanation as proof of a defect. The wording of any solution is to be given the same treatment to ensure that it is clear how the solution solves the defect. Linked to <b>11/09</b></p>	<p><b>ACTION:</b></p> <p><b>11/01</b></p> <p>Ongoing</p>	
	<p><b>ACTION: 11/02 - ElectraLink</b></p> <p>Review history of DCP 266 with regard to any wording or text inclusions that had previously been provided during correspondence relating to DCP 266 or within draft versions of the consultation document to confirm if relevant text was removed that would have explained why some respondents didn't understand the intent.</p>	<p><b>ACTION:</b></p> <p><b>11/02</b></p> <p>Completed</p>	<p><b>ACTION: 11/02 - ElectraLink</b></p> <p>Closed down as nothing of substance found and Action 11/01 will define the defect</p>
	<p><b>References to Ofgem Document (Response Provided for Reference)</b></p> <p>Whilst the consultation makes reference to paragraph 2.70 of Ofgem's October 2009 consultation, paragraph 2.67 of the same consultation states "The method used to develop IDNO charges allocates cost across network tiers...to establish an estimate of the percentage of total costs that can be attributed to each tier". Our view is that the purpose of the PCDM is to determine how the ATW charge determined in the broader CDCM should be allocated to different network tiers on a percentage basis so that the revenue an IDNO gets for operating a last mile of network is broadly equivalent to that which the DNO would receive for operating a notionally equivalent network.</p> <p><b>ACTION: 11/04 - ElectraLink</b></p> <p>Review the Ofgem document referenced in consultation responses in relation to the discussion around the intent of the CDCM and the interactions between DNOs and IDNOs.</p>	<p><b>ACTION:</b></p> <p><b>11/04</b></p> <p>Completed</p>	
	<p><b>ACTION: 11/05 - ElectraLink</b></p> <p>Review any relevant information relating to the starting point of DCP 266 which is noted as being during discussions held at MIG meetings.</p>	<p><b>ACTION:</b></p> <p><b>11/05</b></p> <p>Ongoing</p>	

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	<p><b>Ambiguous Examples In The Consultation Document</b></p> <p>Some Working Group members agree with the respondents' views set out in (a) whilst other members disagreed with (a) due to paragraph 14.4 in the consultation being a consideration for a customer and not to be taken in aggregate. The Working Group took an action to review the example set out in the consultation document and referenced in point 3(a) of this response and update the example for any future documentation to remove the ambiguity.</p> <p><b>ACTION: 11/09 - George Moran</b></p> <p>Review the example as set out in paragraph 4.14 of the consultation document and update the example to remove the ambiguity. This update should reflect that the example is a scaled down incremental cost signal.</p>	<p><b>ACTION:</b> <b>11/09-</b> <b>Ongoing</b></p>	
ALTERNATIVE SOLUTION	<p>The Working Group notes that they are considering further refinement of the solution. This will take into account the areas highlighted by respondents during the review of the responses to the previous questions.</p> <p><b>ACTION: 11/06 – Working Group</b></p> <p>Develop an alternative approach based on a revenue and unit scaler post consultation review.</p> <p><b>Proposed Solution:</b></p> <p>In order to resolve the issue of cost data relating to DPCR4/5 being used in conjunction with revenue and volumes data relating to the charging year, the input data used to calculate an initial p/kWh be left as is to preserve the consistency of all data relating to DPCR4/5, with a 'revenue scaler' and 'unit scaler' applied as a separate step to uplift the avoided p/kWh calculated relative to 2007/08 revenue and units data to be relative to charging year revenue and units data.</p> <p>The proposed solution will use EHV data from the 2007 RRP as the EHV Boundaries have changed between 07/08 and current year. To carry out the initial modelling and impact assessment it was noted that DNOs needed to provide current year values for units</p>	<p><b>ACTION:</b> <b>11/06</b> <b>Completed</b></p>	<p><b>ACTION: 11/06</b></p> <p>The Working Group invited the DCUSA modelling support consultant to attend a meeting held on 28 August 2018 at which the proposed approach was clarified, and draft legal text produced.</p>

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	<p>distributed for three network levels. When developing the new solution, it was highlighted to the Working Group that RRP values for units distributed during 2007/08 for the three network levels will be needed alongside values for units distributed in the charging year. It is noted that this is required so that the modelling consultant can implement the proposal of a revenue and unit scalar, which will uplift units distributed from 07/08 levels to current year level.</p> <p>However, it was noted that the values provided by DNOs for the initial modelling may not have correctly allocated the values for the HV Substation level. It was noted that HV Substation level values should have been included within the data provided for the HV network level but was probably included within the data for the EHV network level. It was pointed out that this is due to the EHV Boundary definitions having changed between 2007/08 and current year. The group agreed that an RFI should be issued to DNOs to confirm within which network level had they allocated values for units distributed at the HV Substation level.</p>		
	<p><b>ACTION: 13/02 – Working Group</b> Provide amended drafting for the legal text in respect of the newly proposed solution.</p>	<p><b>ACTION:</b> <b>13/02</b> <b>Completed</b></p>	<p><b>ACTION: 13/02</b> The Working Group invited the DCUSA modelling support consultant to attend a meeting held on 28 August 2018 at which the proposed approach was clarified, and draft legal text produced.</p>
	<p><b>FURTHER ACTION – Working Group</b> Sense check both the proposed approach and the suggestion made by the Anonymous respondent to Question 3 to ensure that both approaches align.</p> <p><b>Anonymous Response to Question 3:</b> “The proposer states that DCP 266 is intended to cure a logical defect in the method of calculating LDNO discounts. The nature of that defect has not been demonstrated. At the same time, the proposer considers it might be appropriate to update some – but not other –</p>	<p><b>ACTION:</b> <b>Completed</b></p>	<p>The Working Group note that the: solution now reverts to using 07/08 data.</p> <ul style="list-style-type: none"> <li>EHV terminology has been clarified</li> <li>identification of incentive items no longer required</li> </ul>

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	<p><i>inputs to the model. This is a much more obvious logical error than the one DCP 266 purports to correct.</i></p> <p><i>Analysis commissioned by the Competitive Networks Association (“CNA”) suggests that the DCP 266 approach to data sources would (overall) exclude 4.3% of total DNO revenue from the Method M allocation, without justification. It would also result in material reductions in the LDNO discount <u>even if the current calculation remained in place</u> – in one DSA, the percentage HV:LV discount is reduced by 4.1% purely as a result of the proposed change in data sources. The Working Group’s minutes suggest DCP 266 was developed “backwards”. A number of additional methodological changes were identified as “mechanically necessary” to achieve the proposed change in the LDNO calculation. But the broader implications of those changes per se do not appear to have been considered, even though they were readily identified by the CNA’s analysis.</i></p> <p><i>We consider it clear that DCP 266 requires significant further development. Not only does the current proposal actually introduce errors to the methodology, but it has not taken into account the broader interactions that would result from its implementation. “</i></p>		<ul style="list-style-type: none"> <li>• application of a ‘scaler’ now used to achieve solution</li> </ul>
<p><b>DISCOUNTS IN EXCESS OF 100%</b></p>	<p><b>RESPONDENT COMMENT (for reference):</b></p> <p>According to the discount percentage comparison table in the working group’s impact assessment, out of 2,384 valid combinations of a DNO area and an IDNO tariff (excluding 132kV tariffs in Scotland):</p> <p>(a) There are 54 cases (2 per cent) in which the 100 per cent cap applies under the current methodology. This only occurs in the SPEN areas in respect of IDNO connections at GSPs (0000 tariffs), so the impact is limited to such IDNOs not paying for the use of an item of DNO switchgear at the GSP.</p> <p>(b) There would be 843 cases (35 per cent) in which the 100 per cent cap would apply under the proposed methodology. Under the proposed methodology, capping would affect all DNO areas and all network levels of connection (LV, HV, HVplus, EHV, 132kV/EHV, 132kV and 0000).</p>	<p><b>ACTION:</b> <b>12/05</b> <b>Ongoing</b></p>	<p><b>ACTION: 12/05</b></p> <p>Working Group to compare the previous instances of tariffs / customers that are capped with the results of the new modelling / impact assessment</p>

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	<p><b>WORKING GROUP RESPONSE:</b></p> <p>That IDNO's shouldn't be paid to use the DNOs network (i.e. shouldn't receive discounts that exceed 100% unless the IDNO is providing a service to the DNO). The Working Group previously noted comments regarding the provision of services by IDNOs in a future with dynamic networks with relation to discounts existing over 100% and agreed that this will be picked up when considering a newly proposed approach as it may not exist.</p> <p><b>ACTION: 12/05 – Working Group</b></p> <p>Review the 800 instances of discounts being capped at 100% to confirm in which tariffs these are seen on.</p> <p>Updated models have seen a reduction to 750 instances, but the Working Group will need to ascertain if there are any customers currently on those tariffs.</p>		
INCENTIVES	<p>The basis of which the incentives/penalties were applied have changed under the RIIO framework, and therefore it is much more difficult to separate out the incentives between those elements that are purely a “reward/benefit” to shareholders against those that are cost related. The Working Group is further considering potential solutions due to the changes between the DPCR and RIIO frameworks.</p> <p><b>ACTION: 12/02 – ElectraLink</b></p> <p>Collate the email correspondence related to their consideration of each incentive element when identifying the items to exclude from the ‘revenue to share’ and provide to the Working Group.</p>	<p><b>ACTION 12/02:</b></p> <p>Completed</p>	<p><b>ACTION 12/02:</b></p> <p>Completed, emails collated into document for the Working Group. The Working Group note that the issue may fall away with the new solution.</p>
EHV GENERATION CREDITS	<p>That the issues related to generation credits are out of scope of this CP. The intent of this change is not to amend the way the generation credits are determined but to change the way they are applied within the IDNO charging methodology (i.e from a percentage discount to a p/kwh approach, consistent with the DCPs intent for demand charges).</p>	Closed	No further work required, the Working Group note that this doesn't preclude any Party from raising a CP.
'0' VOLUMES	<p>The issue around 0 volumes is noted as being an existing issue in the CDCM whereby if 0 volumes are entered the resulting tariffs will not be cost reflective for any customer subsequently utilising that tariff. The solution for DCP 266 requires kWh volume forecast</p>	Closed	No further work required, the Working Group note that this doesn't preclude any Party from raising a CP.

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	data for the p/kwh calculation. The Working Group highlight their approach was to use a pragmatic solution of using a minimum of one customer.		
INPUT DATA	That the updating of the data set is out of scope of this CP but this doesn't preclude any other Party raising a CP.	Closed	No further work required, the Working Group note that this doesn't preclude any Party from raising a CP.
VOLATILITY / SENSITIVITY	<p>The view of the Working Group is that in isolation this CP would see a decrease in the volatility of IDNO margins other than potentially at the point of implementation.</p> <p><b>ACTION: 11/07 – DNO Working Group members</b></p> <p>Confirm where the data relating to HV Substation was included (in EHV or HV) as the EHV Boundaries have changed between 07/08 and current year data. If in EHV the data to be resubmitted.</p> <p><b>ACTION: 12/04 – Working Group</b></p> <p>Working Group to test sensitivity of IDNO tariffs as a result of the changes made by DCP 266, specifically the significance of DNO's volume forecasts for their ATW tariffs on IDNO tariffs.</p>	<p><b>ACTION: 11/07</b> Ongoing</p> <p><b>ACTION: 12/04</b> Ongoing</p>	<p><b>ACTION: 11/07</b></p> <p>It is noted that 5 responses have been received so far and that a reminder will be sent to the remaining DNO.</p> <p><b>ACTION: 12/04</b></p> <p>Will be completed once new modelling and impact assessment has been undertaken.</p>
TCR / SCR INTERACTION	<p>The Working Group note that currently DCP 266 does not impact on the SCR as there is no element of residual charges in scope of DCP 266.</p> <p>The Working Group note the comments around the CFF Task Forces and will remain aware of what is being discussed and any potential to impact on DCP 266.</p>	Ongoing	TCR consultation expected in the Autumn. On the Charging Futures work, Ofgem published the consultation on 23 July 2018 and the Working Group note that it is not possible to assess how the outcomes of the consultation will impact this DCP.
COMPLEXITY	In General, the Working Group believe that the proposed solution may further complicate the modelling but not the methodology.	Ongoing	The Working Group will review when undertaking the modelling for the new solution.

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COMPETITION	<p>The Working Group noted respondents' concerns around competition ....</p> <p><b>ACTION: 12/01 – Working Group</b></p> <p>Working Group members to review the document provided by MH which was circulated by the Secretariat to the group by during the meeting held on (04/04/18).</p> <p><b>ACTION: 14/02</b></p> <p>The Working Group agreed that it would be beneficial to seek legal opinion on how DCP 266 interacts, if at all, with competition law. The group agreed that the following question should be asked: In general, what revenues are a party, who is providing a substitute service for the dominant party, entitled to?</p> <p>ElectraLink to draft the question with background information around DCP 266 and then issue to Working Group for approval.</p>	<p><b>ACTION: 12/01</b> <b>Completed</b></p> <p><b>ACTION: 14/02</b> <b>Completed</b></p>	<p><b>ACTION: 12/01</b></p> <p>The Working Group have reviewed and will use it as a reference point when drafting the next consultation.</p> <p><b>ACTION: 14/02</b></p> <p>During meeting 15 of the Working Group and after reviewing the draft request and considering the question that was proposed it was agreed to use the wording from the document and include into the next consultation rather than seeking legal opinion.</p>