

DCP 251 Draft Legal Text

Clarification and Extension of the Application of LDNO Tariffs under the CDCM

Amend paragraph 1 of Schedule 16 as follows:

1. This Schedule 16 sets out the Common Distribution Charging Methodology (CDCM), which gives the methods, principles, and assumptions underpinning the calculation of Use of System Charges made by each DNO Party operating within its Distribution Services Area(~~except where the DNO Party is acting as an LDNO~~).

Amend paragraph 3 of Schedule 16 as follows:

3. In order to comply with this methodology statement when setting distribution Use of System Charges the DNO Party will populate and publish:
 - (a) the CDCM model version ~~403~~[TBC] as issued by the Panel on ~~1 April 2015~~[TBC]¹; and
 - (b) the CDCM “Price Control Disaggregation” model version ~~3.0~~[TBC] as issued by the Panel on ~~1 April 2016~~[TBC]².

¹ The model version number and date are to be added at the direction of the Panel on implementation.

² The model version number and date are to be added at the direction of the Panel on implementation.

Amend paragraph 8 of Schedule 16 as follows:

- Amend paragraphs 10 and 11 of Schedule 16 as follows:**

- Commented [GWLG1]:** Our wording here is slightly different.

Amend paragraph 13 of Schedule 16 as follows:

13. ~~For users that are acting as LDNOs~~QNOs, tariffs are applied in respect of users connected to the QNO's network, which comprise~~portfolio tariffs with the~~ same tariff components as ~~the corresponding~~the DNO Party's all-the-way ~~end-user~~ tariffs to ~~equivalent end users~~, excluding reactive power charges (but prices for some tariff components may be calculated as zero).

Commented [GWL2]: Our wording here is slightly different.

Amend paragraph 53 of Schedule 16 as follows:

53. The volume forecasts for portfolio tariffs are multiplied by the ~~LDNO-QNO~~ discount percentages determined in Step 4, and combined with the all-the-way volume forecasts for each end user type. These combined volume forecasts are used throughout Steps 2 and 3 of the methodology.

Amend paragraphs 95 and 96 of Schedule 16 as follows:

95. The final tariffs for demand (before rounding and application of ~~LDNO discounts~~ percentages for QNOs) are determined on the basis of an allocation with the single adder included in costs. Tariffs for generation do not have any revenue matching element.

Step 4: Price control disaggregation

96. Step 4 involves calculations based on price control and expenditure data which produce a series of discount percentages to be used to determine portfolio tariffs ~~for~~ LDNOs.

Amend paragraph 98 of Schedule 16 as follows³:

98. The determination of discount percentages involves the following steps:
- (a) Breakdown of price control allowed revenue between operating expenditure, depreciation and return on regulatory asset value.
 - (b) Allocation of each of these components of price control allowed revenue to

³ Interaction with DCP234 – Paragraphs 98, 114, 116, 119 and 120 are to be deleted by DCP234. These deletions will still be made on implementation of DCP234, notwithstanding this DCP251. If DCP251 is implemented after DCP234, the change to these paragraph will be ignored.

network levels.

- (c) Determination of a percentage allocation of total revenue per unit to network levels.
- (d) Determination of the proportion of the LV mains deemed to be used by LV-connected ~~embedded-QNO~~ networks.
- (e) Determination of the proportion of the HV network deemed to be provided by HV-connected ~~embedded-QNO~~ networks.
- (f) Calculation of the discount percentage for each combination of boundary network level and end user network level.

Amend paragraph 114 of Schedule 16 as follows:

114. The DNO Party will procure that the Nominated Calculation Agent estimates for the DNO Party's Distribution Services Area the proportion of the LV mains which LV-connected ~~embedded-QNO~~ networks are deemed to use by:

- (a) determining the total length of its LV mains used by LV-connected licensed ~~QNO~~~~embedded~~ networks;
- (b) dividing that total length by the number of end users on LV-connected licensed ~~QNO~~~~embedded~~ networks; and
- (c) dividing the result by the average length of LV mains by LV end user on the DNO Party's own LV network.

The estimates under this paragraph 114 will be based on available data provided by DNO Parties and the IDNO Parties.

Amend paragraph 116 of Schedule 16 as follows:

116. The DNO Parties will procure that the Nominated Calculation Agent estimates the typical proportion of the HV network which is provided by the DNO Party in the case of HV loads supplied through an HV-connected ~~QNO~~~~DNO~~ network. This estimate will be based on sample data, and the average used will be the same for all DNO

Commented [GWL3]: See comment on limb (b) of QNO definition.

Commented [GWL4]: This wasn't marked in the WG text?

Parties.

Amend paragraphs 119 and 120 of Schedule 16 as follows:

119. For ~~embedded-QNO~~ networks with an LV boundary, the discount is equal to:

$$[\text{LV: LV discount}] = [\text{LV services allocation}] + ([\text{LV mains allocation}] * (1 - [\text{LV mains split}] * [\text{LV direct proportion}])).$$

120. For ~~embedded-QNO~~ networks with an HV boundary, three percentage discount figures are used.

(a) The percentage discount applicable to tariffs for LV network end users is:
$$[\text{HV: LV discount}] = [\text{LV services allocation}] + [\text{LV mains allocation}] + [\text{HV/LV allocation}] + [\text{HV allocation}] * (1 - [\text{HV split}] * [\text{HV direct proportion}]).$$

(b) The percentage discount applicable to tariffs for LV substation end users is:
$$[\text{HV: LV Sub discount}] = ([\text{HV/LV allocation}] + [\text{HV allocation}] * (1 - [\text{HV split}] * [\text{HV direct proportion}])) / (1 - [\text{LV mains allocation}] - [\text{LV services allocation}]).$$

Amend paragraphs 124 and 125 of Schedule 16 as follows:

124. For demand users, the discount percentages are applied to all tariff components in all-the-way tariffs in order to determine ~~embedded-QNO~~ network portfolio tariffs.

125. For generation users, the unit rate element (p/kWh) is not discounted, reflecting the modelling assumption that generation benefits are seen at the voltage level above the Exit Point, and therefore the ~~embedded-LDNOQNO~~ simply “passes on” the benefits seen at the DNO Party level. The fixed charge element (p/day) is discounted at 100 per cent, as this tariff component in the all-the-way tariff recovers costs associated with the allocation of other expenditure to service assets, which are not provided by the DNO Party.

Amend paragraph 127 of Schedule 16 as follows:

127. This part details the common tariff structure and associated tariff elements for Non-Half Hourly (NHH), Half-Hourly (HH) site-specific and HH aggregated metered supplies for demand and generation, for unmetered supplies and for charges to ~~LDNOs~~QNOs.

Amend paragraph 147 of Schedule 16 as follows:

Tariff structures for ~~LDNOs~~QNOs

147. The tariff structure for ~~LDNOs~~QNOs will ~~mirror-replicate~~ the structure ~~of that~~ the DNO Party uses in setting its all-the-way-tariffs to its equivalent end users, ~~and is dependant on the voltage of the Point of Connection being either LV (see Table 8) or HV (see Table 9); except for the LDNO UMS tariffs (marked with ** in Tables 8 and 9 below), which are charged by reference to the voltage of the Points of Connection that provide the majority of the energised domestic connections for the LDNO in the GSP Group (or, where there is no such majority, on such other reasonable basis as the DNO Party determines). In all cases, the same tariff elements will apply.~~

Amend heading of Table 8 in Schedule 16 as follows:

Table 8: ~~LDNO-QNO~~ LV connection*

Amend footnote to Table 8 in Schedule 16 as follows:

- * Where the boundary between the ~~LDNO-QNO~~ and DNO Party's distribution system~~network~~ is at LV

Amend heading of Table 9 in Schedule 16 as follows:

Table 9: ~~LDNO-QNO~~ HV connection*

Amend paragraph 151 of Schedule 16 as follows:

151. For ~~LDNO-QNO~~ connections, if capacity ramping has been agreed with the DNO Party, in accordance with the DNO Party's connection charging methodology, the phasing profile will apply instead of the above rules. Where an ~~LDNO~~QNO has

agreed a phasing of capacity this will be captured in the Bilateral Connection Agreement with the DNO Party.

Amend the following definitions in the Glossary of Terms used in this Schedule 16:

all-the-way tariff	a tariff applicable to an end user rather than an LDNO <u>connected directly to the DNO Party's distribution system.</u>
boundary tariff	a tariff for use of the DNO Party's network by an LDNO where charges are based on boundary flows.
embedded network	an electricity distribution system operated by an LDNO and embedded within the DNO Party's network.
end user	is a user, but excluding LDNOs <u>QNOs</u> .
portfolio tariff	a tariff for use of the DNO Party's network by an LDNO <u>QNO whose network is connected to the DNO Party's network</u> where charges are based on flows out of/into the LDNO's electricity distribution system from its end users or further nested networks.
user	refers to customers (whether demand customers or generators) and (where relevant) LDNOs <u>QNOs</u> .

Commented [GWL5]: This expression is no longer used.

Commented [GWL6]: In the absence of boundary tariffs, it seems that all QNOs are to be charged portfolio tariffs, even if they have boundary metering?

Add the following definition to the Glossary of Terms used in this Schedule 16:

Qualifying Network Operator (QNO)	means one of the following: (a) an IDNO Party (or DNO Party operating a network outside its Distribution Services Area), whose network is connected to the network of a DNO Party operating within its Distribution Services Area, where the IDNO Party (or DNO Party operating a network outside its Distribution Services Area) receives use of
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Commented [GWL7]: This is obviously the key definition. Please check.

system from the DNO Party for the purpose of conveying electricity to or from premises or distribution systems connected to the network of the IDNO Party (or DNO Party operating a network outside its Distribution Services Area); or

- (b) any person who does not hold an electricity distribution licence (and who has confirmed that it is exempt under the Act from the requirement to hold an electricity distribution licence), whose network is connected to the network of a DNO Party operating within its Distribution Services Area, where that person receives use of system from the DNO Party for the purpose of conveying electricity to or from premises or distribution systems connected to that person's network; but only where:

- (i) the premises connected to that person's network (or premises connected to distribution systems connected to that person's network) import or export electricity through a Metering Point; and
- (ii) the DNO Party is required to provide services to such person on the same equivalent basis as it does to an IDNO Party or DNO Party.

Commented [GWL8]: When do such persons ever receive UoS from a DNO? This would require a separate UoS agreement.

If this does apply, the DNO Party will have access to data, so shouldn't 114 above refer to all QNO networks (not just licensed networks)?

Commented [GWL9]: What is this adding over and above the reference to UoS in paragraph (b)?

Commented [GWL10]: I don't see that paragraph 1.3 of Schedule 19 needs to change. The current definition captures limb (a) of the definition of QNO. Schedule 19 won't apply to limb (b) of the definition of QNO, as exempt distributors are not party to DCUSA.

Amend paragraph 1.1 of Schedule 20 as follows:

- 1.1 The "Annual Review Pack" or "ARP" is a document to be completed by each DNO Party giving indicative (when first published in accordance with Clause 35B) and final (when updated in accordance with Clause 35B) Use of System Charges to apply pursuant to the Charging Methodology set out in Schedule 16 (the "CDCM"). The

Gowling WLG: 14 March 2017

pack shall contain detail of historical and forecast CDCM inputs, and a forecast of use of system tariffs for the next 5 years, in accordance with Paragraph 2. The template to be used for the pack shall be ARP model version ~~402~~[TBC] as issued by the Panel on ~~01 April 2015~~[TBC]⁴.

Add the heading and paragraph 1 of the new Schedule to be implemented under DCP 234 as follows:

**SCHEDULE [X] - CALCULATION OF DISCOUNT PERCENTAGES FOR THE
PURPOSE OF DETERMINING CERTAIN ~~LDNQNO~~ USE OF SYSTEM
CHARGES UNDER SCHEDULES 16, 17 AND 18**

1. This Schedule forms part of the CDCM and the EDCMs. It describes the methodology for the calculation of discount percentages for the purpose of determining certain ~~LDNQNO~~ use of system charges under Schedules 16, 17 and 18.

**Gowling WLG (UK) LLP
13 March 2017**

⁴ The model version number and date are to be added at the direction of the Panel on implementation.