

### DCUSA DCP 249 Consultation Responses – collated comments

Company	Confidential / Anonymous	1. Do you understand the intent of the CP?	Working Group Comments
British Gas	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	Yes, the intent is to ensure that the Schedule 15 tables are fit for purpose by including the latest licence terms.	Noted
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	Yes. We raised this request due to necessity of the revised price control (RIIO-ED1) settlement, which will provide greater transparency to users of the forecasts by removing some line items no longer applicable post-DPCR5, and by including and those introduced as part of the RIIO-ED1 settlement currently not being catered for.	Noted
RWE npower	Non-confidential	Yes	Noted
SP Distribution & SP Manweb	Non-confidential	Yes	Noted
SSE Energy Supply	Non-confidential	Yes	Noted
UK Power	Non-	Yes	Noted

Networks	confidential		
Western Power Distribution	Non-confidential	Yes	Noted

Company	Confidential / Anonymous	2. Are you supportive of the principles of the CP?	Working Group Comments
British Gas	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	Yes, this change is essential to ensure the Schedule 15 tables support General Objective 4.	Noted
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	Yes. We believe it is essential to reflect the new regulatory settlement in these templates for there to be a real benefit in providing them.	Noted
RWE npower	Non-confidential	Yes	Noted
SP Distribution & SP Manweb	Non-confidential	We support the necessary changes to update the tables to be consistent with RIIO-ED1 but we are not persuaded of the benefits to stakeholders in providing the information in the proposed additional Table 4.	Noted
SSE Energy Supply	Non-confidential	Yes	Noted

UK Power Networks	Non-confidential	We are supportive of the need to update schedule 15 to reflect changes to the calculation of allowed revenue and the associated terminology resulting from the implementation of ED1. This is necessary for the efficient production and understanding of the schedule.	Noted
Western Power Distribution	Non-confidential	Yes	Noted

Company	Confidential / Anonymous	3. Is range in Table 1 t-1 to t+4 still appropriate?	Working Group Comments
British Gas	Non-confidential	Yes.	Noted
Electricity North West	Non-confidential	Yes.	Noted
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	Yes, as a minimum. Some DNOs provide additional information beyond year t+4 (currently 2019/20) i.e. for years to the end of the current price control review period (2022/23), but a requirement up to and including year t+4 will ensure a minimum consistent range of forecasts and represent at least two years of forecast years for which tariffs have not been set (i.e. under DCP 178 'Notification Period for Change to Use of System Charges' tariffs will be published up to and including year t+2, so years t+3 and t+4 will result in tariff volatility, along with actual information for the years which tariffs have been set based on forecast information).	It was noted that other respondents had provided similar comments.

		A minimum requirement beyond t+4 will result in a potentially very unreliable view of the next price control review period (RIIO-ED2) sooner than is necessary, without a reasonable view of new incentive mechanisms for example. DNOs should be able to voluntarily provide a longer-term view of allowed revenue forecasts, however, if the next price control period is still beyond year t+4 this would allow them to return to providing the minimum requirements until a view was genuinely required.	
RWE npower	Non- confidential	<p>For receipt of updates during January to March:</p> <p>T+1 &amp; T+2 will be published final tariffs consistent with the 15-month notice period. Our preference would be to receive a minimum of 5 years of forecast, i.e. to T+7</p> <p>For receipt of updates April to December:</p> <p>T &amp; T+1 will be published final tariffs consistent with the 15-month notice period. Our preference would be to receive a minimum of 5 years of forecast, i.e. to T+6</p> <p>Plus any additional years to ensure the whole current Price Control period is provided</p>	It was noted that the further out the forecast, the less reliable it would be.
SP Distribution & SP Manweb	Non- confidential	Yes	Noted
SSE Energy Supply	Non- confidential	Yes	Noted

UK Power Networks	Non-confidential	We believe that the existing time ranges in table 1 are still appropriate striking a good balance between accurate forecasting horizons and the needs for long term forecasts. Any extension beyond T+4 could see us producing forecasts for ED2 within the year.	<p>It was questioned what benefit Suppliers would get from receiving forecasts of RIIO-ED2 so soon.</p> <p>The Working Group agreed that the further out the forecast the less reliable it will be. This means that it may be of limited benefit to Suppliers as it would not give them certainty of future tariffs.</p> <p>It was highlighted that at the end of DCPR-5, DNOs attempted to predict RIIO-ED1 values for use in the forecasts using a scaling approach. Looking back it is clear that these forecasts were potentially mis-leading.</p>
Western Power Distribution	Non-confidential	We believe it is appropriate to start with t-1 to give some context but the outer period should go on until t+6 i.e. to the end of the ED1 period.	Having reviewed all of the consultation responses, the group agreed to go up t+4.

Company	Confidential / Anonymous	4. Is there still a need to keep Table 2 in this template?	Working Group Comments
British Gas	Non-confidential	Table 2 is not completed in a manner which provides any value to us and therefore we do not see any benefit in retaining Table 2 unless DNOs undertake to populate it with genuine views of high and low cases (P90 and P10).	Noted
Electricity North West	Non-confidential	Table 2 is relatively simple to complete. We are happy to be guided by the views of other stakeholders with regard to the value they gain from Table 2.	Noted

Haven Power	Non-confidential	Yes.	It was noted that Haven Power do use the information in table 2.
Northern Powergrid	Non-confidential	Yes. This information provides an opportunity to demonstrate ranges of potential forecast information and may reduce surprises when assumptions are locked down for charge setting. However, years t+1 and t+2 should be restricted to a movement in over/under-recovery only given tariffs will be set for those years, and it is reasonable to provide only the one year of high and low case scenarios for the next year charges will be set for. It may be more appropriate to extend this range of years to t+3, so that once tariffs are locked down in any given December, the following February submission of forecast information illustrates ranges for a year where tariffs are not published.	Noted
RWE npower	Non-confidential	We have no strong views on inclusion of Table 2	Noted
SP Distribution & SP Manweb	Non-confidential	Yes	Noted
SSE Energy Supply	Non-confidential	No. It serves no useful purpose.	Noted
UK Power Networks	Non-confidential	We are happy to continue to produce table 2 and in its revised format as long as the users feel that it is of value to them.	Noted
Western Power Distribution	Non-confidential	No, This is filled in by DNOs on different basis and therefore doesn't mean anything to suppliers.	<p>The Working Group noted that they were not aware of differences in the way it is populated.</p> <p>Having reviewed all of the consultation responses, the group noted it may be worth</p>

			keeping Table 2 if there are some Suppliers find it useful. The group agreed to keep the table.
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Company	Confidential/ Anonymous	5. Is there still a need to keep Table 3 in this template?	Working Group Comments
British Gas	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	We are not convinced that Table 3 provides much value following the implementation of DCP178. The tariffs provided will not be reflective of the final tariffs set due to changes to the charging methodology and variations in volume forecasts so far in advance. In our view Table 3 therefore has the potential to be misleading and is not useful for stakeholders.	The group noted that they understand this point of view.
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	Yes. This information is illustrative and although potentially unreliable, not least due to a potential absence of the CDCM model which will be required when setting charges, it should provide a best view of tariffs based on current assumptions. As a minimum, this information should be provided for year t+2, but DNOs should be able to voluntarily provide a longer-term view for illustrative purposes.	Noted
RWE npower	Non-confidential	Our preference is to retain the forecast information	Noted
SP Distribution & SP	Non-confidential	Yes	Noted

Manweb			
SSE Energy Supply	Non-confidential	No	Noted
UK Power Networks	Non-confidential	As a result of the approval and implementation of DCP178 which provides fifteen months' notice of use of system charges, we believe that the tariffs provided within table 3 of this template are now redundant. The charging year which the tariffs shown in table 3 relate to, are now published as final charges, in addition a forecast of the future four charging years are separately provided as part of the Annual Review Pack (ARP), which is published each December. As a result we believe that providing table 3 does not provide parties with any additional information and is no longer required.	Noted
Western Power Distribution	Non-confidential	Yes, but for t+2 year	<p>The group noted that, similar to Table 2, there are some Suppliers that use Table 3. It was noted that the table needs to be caveated that the tariffs are a view at a point in time and may not reflect actual prices.</p> <p>A Working Group member highlighted that without significant updates to other components of the CDCM, simply changing the allowed revenue and a couple of other inputs can be potentially mis-leading. However, it was noted that this view may be better than having no information. It was noted that the figures are heavily caveated</p>



			as illustrative.  The group agreed not to remove this table.
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Company	Confidential/ Anonymous	6. Is there sufficient benefit of the new Table 4 to include the additional breakdown? Please provide your rationale.	Working Group Comments
British Gas	Non-confidential	<p>Yes there is sufficient benefit of the new Table 4. The MOD term includes inputs from many financial adjustments, uncertainty mechanisms, legacy adjustments and totex adjustments. In order to understand and forecast costs Suppliers need to know the underlying assumptions that have been included in the MOD term. There are 33 individual variables contained in table 4 which combine to produce the single MOD term and without the transparency that Table 4 provides, there is no way of knowing which items have been included, and which items have not, for each individual DNO which will lead to increased risks around cost forecasts.</p> <p>Gas Distribution Networks have been able to populate the equivalent table in their allowed revenue forecasts and therefore we do not believe it should be too much of an administrative burden for DNOs.</p> <p>The benefit of this transparency is that it will reduce the risks around suppliers forecasts of costs which is likely to lead to lower costs for customers. We believe the MODt breakdown could be provided in an estimated manner to reconcile to the single MOD value with limited additional resource. However, even if DNOs went through the process of iterating the PCFM to derive an exact number for each variable for each year (which we do not consider is necessary) we cannot see that this could take more than a day to complete per licensee. Assuming an operative cost of £200/day, this equates to an industry wide DNO cost of c. £11k/yr (£200 x 14 DNOs x 4 quarters).</p>	<p>The respondent further explained that the new table will give transparency on 33 additional items. This will reduce the risk around cost forecasts.</p> <p>It was noted that feedback had suggested that producing the table will be an onerous task. The proposer explained that the reduction in the risk around forecasting costs would more than cover the costs in preparing the iterative breakdown.</p> <p>The Working Group noted the respondent's support. It was noted that across all the responses to the questions, Suppliers were generally supportive whilst DNOs had reservations.</p> <p>It was suggested that rather than implement this table as part of DCP 249, it should be progressed as a separate Change Proposal. This would ensure that it does not delay or prevent the implementation of DCP 249.</p>

		<p>Notwithstanding the fact that DNOs will be recovering significant additional funding through their stakeholder engagement incentive through RIIO ED1 which can be used to cover such limited costs, it seems clear that even the smallest of reductions in supplier risk premiums would easily justify the additional administrative cost on DNOs.</p>	<p>A DNO working group member explained that the iteration process is extremely complicated. This means that there are limited staff with the knowledge and skills to do it that have the available time.</p>
Electricity North West	Non- confidential	<p>The aim of the original DCP249 was purely to ensure the existing tables were updated to comply with RIIO ED1 licence terms. It is not appropriate for a significant change such as the proposed new Table 4 to be considered as part of this, instead it should be considered as a separate discrete change proposal.</p> <p>We believe the new Table 4 doesn't provide sufficient benefit to be included as an additional legal obligation upon DNOs. The principle of DCP066a is to provide an indication of future tariff movements (which has already been enhanced by DCP178) and not to impose the obligation of extremely detailed analysis which is of limited benefit due to its likelihood to change.</p> <p>In addition the proposed new Table 4 is difficult to populate. Ofgem have confirmed the PCFM model will not provide a breakdown the MOD term into the required categories, so multiple iterations of the model will need to be run to produce the values required for the new table. This would be a time consuming manual process.</p> <p>DNOs are already obliged to provide a written commentary explaining the data provided and explaining any changes. The proposed new Table 4 will be a more onerous way of providing similar information. DCP066a also includes provision for stakeholders to directly question DNOs on the provided forecasts. We feel that there is sufficient opportunity for stakeholders to gain full understanding of DNO forecasts through the</p>	Noted

		<p>existing forum.</p> <p>The stated purpose of the proposed Table 4 is to increase transparency but it still allows scope for ambiguity. For example, a cell populated with zero (or left blank) within the table might indicate that an item has either been considered and judged to have no impact, or that it is too uncertain to be included.</p> <p>The aim of the original DCP249 was to ensure the existing tables were updated to comply with RIIO ED1 licence terms, a further additional change such as the proposed new Table 4 would be better considered as a separate discrete change proposal.</p>	
Haven Power	Non-confidential	<p>Yes. We would support the additional breakdown provided in Table 4. Although we wouldn't necessarily report on all of the added information, we encourage the transparency.</p>	Noted
Northern Powergrid	Non-confidential	<p>No. We are not convinced that the time it will take to provide this additional information is outweighed by a potential benefit. We consider a total of the annual iteration process impact to be sufficient, in particular considering Ofgem direct these single values to DNOs as such.</p> <p>This information should be provided by DNOs on a voluntary basis in their supporting presentation material, and do not consider sufficient support or benefit to have been shown in favour of including this new requirement as yet.</p>	Noted
RWE npower	Non-confidential	<p>We are in favour of including the additional breakdown of Table 4 details.</p> <p>This allows visibility of the drivers of volatility to the final revenues used for charge setting.</p> <p>We believe its inclusion would better facilitate DCUSA general objective 2 of</p>	Noted

		facilitating competition by increasing predictability of DUoS charges and reducing the requirement for the inclusion of risk premia in customer bills.	
SP Distribution & SP Manweb	Non-confidential	No  The benefits have not been demonstrated to be sufficient to justify the greater complexity or the administrative costs of imposing the additional requirements to provide more detailed information, on a quarterly basis.	Noted
SSE Energy Supply	Non-confidential	Yes, providing the work load imposed on the Distributor is not excessive. It provides some useful background information.	Noted
UK Power Networks	Non-confidential	Table 4 seeks to see the MOD term from Table 1 broken down into 33 component parts. Nowhere in any of the regulatory models or reports is the MOD term shown as anything but a single number so the calculation and maintenance of this table will require a significant amount of time and effort. We fail to see what benefit is to be gained by providing the breakdown over and above the benefit provided by the total MOD value in table 1.	Noted
Western Power Distribution	Non-confidential	We remain unconvinced of the need for this table and certainly a quarterly re-forecast seems too frequent. We would like to see more clearly the benefits of this additional table laid out to be able to see how it outweighs the additional data gathering requirements.	The group considered whether to progress DCP 249 based on its original intent and to progress the addition of this table as a separate Change Proposal. The group agreed with this approach.

Company	Confidential/	7. Do you agree with the proposed legal text for Table 4?	Working Group Comments
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	<b>Anonymous</b>		
British Gas	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	Yes, we agree with the legal text if Table 4 is included.	Noted
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	Yes. No further comment.	Noted
RWE npower	Non-confidential	Yes	Noted
SP Distribution & SP Manweb	Non-confidential	This text would only be required if Table 4 is to be added.	Noted
SSE Energy Supply	Non-confidential	No comment.	Noted
UK Power Networks	Non-confidential	If table 4 is accepted then the legal text is appropriate.	Noted
Western Power Distribution	Non-confidential	Yes, subject to changes that would be required if Table 4 was not needed	Noted

<b>Company</b>	<b>Confidential/</b>	<b>8. Are you supportive of the proposed implementation date 25</b>	<b>Working Group Comments</b>
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	Anonymous	February 2016?	
British Gas	Non-confidential	Yes.	Noted
Electricity North West	Non-confidential	Yes.	Noted
Haven Power	Non-confidential	Yes.	Noted
Northern Powergrid	Non-confidential	No. The new template should replace the current version in time for the May forecast submission, at which point year t-1 will be 2015/16 and there will be no requirement to include information pertaining to DPCR5, for which the new version does not accommodate. As suggested implementation date of 1 April 2016 is more appropriate.	<p>The respondent further explained that they believe that the earliest they can use the updated tables is from the May 2016 submission. This will avoid the need for a hybrid RIIO-ED1 and DCPR5 template.</p> <p>In response, a Working Group member suggested that it would be better to move to the new template as soon as possible. It was also suggested that putting the DCPR5 data into the RIIO format would be potentially easier than the other way around.</p>
RWE npower	Non-confidential	Yes, we are supportive of implementation as soon as possible	Noted
SP Distribution & SP	Non-confidential	Yes	Noted

Manweb			
SSE Energy Supply	Non-confidential	Yes	Noted
UK Power Networks	Non-confidential	The proposed implementation date allows enough time to move to the new format for the May 2016 publication.	Noted
Western Power Distribution	Non-confidential	Yes, but may require longer if table 4 is approved	The group agreed to proceed with the proposed implementation date of 25 February 2016.

Company	Confidential/Anonymous	9. Do you consider that the proposal better facilitates the DCUSA Charging and General Objectives? Please give supporting reasons.	Working Group Comments
British Gas	Non-confidential	<p>The changes to table 1 are necessary as we move forward. If we are to keep tables 2 and 3, then these changes are also necessary. Therefore we agree that the proposal better facilitates General Objective 4.</p> <p>Including Table 4 would also better facilitate effective competition by increasing the transparency around the assumptions used by each DNO with respect to the highly uncertain MODt term and would therefore better facilitate charging and general objective 2.</p>	<p>It was noted that many of the responses relate to table 4 which it has been agreed will be progressed as a separate table.</p> <p>It was observed that overall respondents are happy that the DCUSA objectives are better facilitated.</p>
Electricity North West	Non-confidential	<p>Yes. It is clear that the new table 1 is an essential improvement, and will promote of efficiency in the implementation and administration of the Agreement (general objective 4), by resulting in a table that includes all relevant current licence terms.</p> <p>We believe that the new Table 4 would be counterproductive towards this objective due to the onerous administrative burden it would impose on DNOs and should not be included within this proposal.</p>	Noted

Haven Power	Non-confidential	Yes. We believe this proposal better facilitates Charging Objective 4 and ensures that the DCUSA is updated to reflect changes to the DNO licence.	Noted
Northern Powergrid	Non-confidential	Yes. We believe this proposal better facilitates General Objective 4 in ensuring the DCUSA is updated to reflect changes to the DNO licence.	Noted
RWE npower	Non-confidential	We agree with the work group that the proposal better facilitates DCUSA General Objective 4 in ensuring the DCUSA is updated to reflect changes to the DNO licence	Noted
SP Distribution & SP Manweb	Non-confidential	<p>In respect of Tables 1, 2, and 3 the proposed changes to the tables that are necessary to reflect changes to the Distribution licence as a result of RIIO-ED1 will help to promote efficiency in the implementation and administration of this agreement.</p> <p>In respect of the proposed additional Table 4, we consider the provision of the additional detail not to be consistent with promoting efficiency in the implementation and administration of this agreement. Furthermore, we doubt that the resulting greater complexity facilitates competition, as it may disadvantage smaller parties and potential new entrants, who may not have the resources and knowledge to benefit from such detailed information. The detail proposed in Table 4 is a breakdown of the components which drive the MOD term element of revenues in Table 1. We agree that provision of the MOD term is desirable to facilitate competition but we do not believe that providing visibility of the underlying components which drive the MOD term facilitates competition.</p>	Noted
SSE Energy Supply	Non-confidential	The CP meets the DCUSA General Objective 4 in ensuring the DCUSA is updated to reflect changes to the DNO licence.	Noted
UK Power Networks	Non-confidential	Yes, the change meets the DCUSA General Objective 4. Ensuring the DCUSA is updated to reflect changes to the DNO licence will promote efficiency.	Noted



Western Power Distribution	Non-confidential	Yes	Noted
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Company	Confidential/ Anonymous	10. Is there anything further which has not been identified which you feel should be included?	Working Group Comments
British Gas	Non-confidential	No	Noted
Electricity North West	Non-confidential	No.	Noted
Haven Power	Non-confidential	No	Noted
Northern Powergrid	Non-confidential	No. No further comment.	Noted
RWE npower	Non-confidential	Non that we are aware of at this time	Noted
SP Distribution & SP Manweb	Non-confidential	The uncertainty surrounding individual components will be likely greater than for the total.	It was noted that this is with reference to table 4.
SSE Energy Supply	Non-confidential	No	Noted
UK Power Networks	Non-confidential	No	Noted

Western Power Distribution	Non-confidential	No	Noted
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Company	Confidential/Anonymous	11. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
British Gas	Non-confidential	No	Noted
Electricity North West	Non-confidential	No	Noted
Haven Power	Non-confidential	No	Noted
Northern Powergrid	Non-confidential	No. No further comment.	Noted
RWE npower	Non-confidential	Non that we are aware of at this time	Noted
SP Distribution & SP Manweb	Non-confidential	In future years, the tables will overlap into RIIO-ED2 and the details of that price control will not be known.  Unanticipated changes may arise from the mid-term review of RIIO-ED1.	The group noted that they discussed this concern whilst reviewing an earlier question.
SSE Energy Supply	Non-confidential	No	Noted

UK Power Networks	Non-confidential	No	Noted
Western Power Distribution	Non-confidential	No	Noted