



## **DCUSA CHANGE REPORT**

**DCP 249- Changes to Schedule 15 spreadsheets to reflect RIIO ED1**

### **Executive Summary**

DCP 249 seeks to replace tables 1 & 2 in Schedule 15 which are used for the quarterly Schedule 15 updates. The Schedule 15 template has been updated to reflect changes to the Distribution Licence as a result of RIIO ED1.

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 249 'Changes to Schedule 15 spreadsheets to reflect RIIO ED1'.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed legal drafting amendments for DCP 249 (Attachment 1) and submit their votes using the form attached as Attachment 2 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **12 February 2016**.

## 2 BACKGROUND

- 2.1 DCP 249 was raised by Northern Powergrid and seeks to replace tables 1 & 2 in Schedule 15, which are used for the quarterly Schedule 15 updates. The tables have been updated to reflect changes to the Distribution Licence as a result of RIIO ED1.
- 2.2 It was highlighted that the updated spreadsheet in Excel and the extract in Word provided with the Change Proposal (Attachment 4) now reflect the new definitions in the Licence, and both have undergone review by interested parties, but would benefit from a Working Group Review.

## 3 WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess DCP 249. The group comprised of Supplier and Distributor Parties and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website - [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 3.2 The Working Group discussed the CP and developed a consultation document (Attachment 3) to gather information and feedback from market participants.
- 3.3 During their development of the CP the Working Group noted that the revised template will not be in place by November 2015 in time for the publication of the DNO charges, and that the old templates will not be relevant for the publication of DNO charges in November 2015. The group considered whether DNOs could be

granted a derogation by either the DCUSA panel or Ofgem from the requirements to publish charges on the old templates as the updated templates would not be finalised by November 2015.

- 3.4 It was agreed that in order to comply with the legal text the original template would be issued, alongside the revised version for the November 2015 and February 2016 publications only.
- 3.5 In the consultation the Working Group proposed that Tables 1, 2 and 3 of the template should be revised to reflect changes to the Distribution Licence as a result of RIIO ED1. The group also consulted on an updated version of a revised Table 2 which was updated and named Table 4. The Group noted the proposed Table 4 could be beneficial as it provides a reasonable estimate for the impact that each item has on the MODt value. However, It was noted that in order for a DNO to estimate the single MODt assumption for Table 1 of the forecast, it must take a view on the impact of the various totex incentives, uncertainty mechanism adjustments, financial adjustments etc. that make up the value.
- 3.6 It was noted that Table 4 is an optional extra that could be considered if there was sufficient support from parties and the benefits could be offset against the additional data gathering and potential for values to be misleading as they are based on DNO forecasts.

#### **4 DCP 249 CONSULTATION**

- 4.1 The DCP 249 consultation was issued to DCUSA Parties on 20 November 2015. There were nine responses received to the consultation. The Working Group reviewed the responses to each question and developed the CP solution, taking into account the majority view of respondents and Working Group members.
- 4.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachment 3.

##### **Question 1 - Do you understand the intent of the CP?**

- 4.3 The Working Group noted that all of the consultation respondents understood the intent of the CP.

**Question 2 - Are you supportive of the principles of DCP 249?**

- 4.4 All nine respondents were supportive of principles of DCP 249. Respondents noted that it is essential to reflect the new regulatory settlement in these templates for there to be a real benefit in providing them. It was highlighted that updating the tables is necessary for the efficient production and understanding of the schedule.

**Question 3 - Is range in Table 1 t-1 to t+4 still appropriate?**

- 4.5 The Working Group noted that six respondents agreed that the range t-1 to t+4 in Table 1 is still appropriate. One respondent pointed out that 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.
- 4.6 It was noted that 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 where a realistic view beyond t+4 is not available.
- 4.7 Another respondent queried that any extension beyond t+4 could result in DNO's producing forecasts for RIIO-ED2 within the year and 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.
- 4.8 Given the consultation responses the Working Group agreed for the minimum range in Table 1 to go up to t+4.

**Question 4 - Is there still a need to keep Table 2 in this template?**

- 4.9 The Working Group noted that five of the respondents agreed that Table 2 should be kept in the template. One respondent pointed out that Table 2 provides an opportunity to demonstrate ranges of potential forecast information and may reduce surprises when assumptions are locked down for charge setting.
- 4.10 Other respondents felt that Table 2 was of no use to Suppliers as this is completed by DNOs on different basis.

- 4.11 The Working Group agreed that it may be worth keeping Table 2 as some Suppliers find it useful.

**Question 5 - Is there still a need to keep Table 3 in this template?**

- 4.12 The Working Group noted that four respondents agreed that Table 3 should be kept in the template.
- 4.13 It was noted that some of the respondents felt that Table 3 is no longer useful as a result of the implementation of DCP 178<sup>1</sup> which provides fifteen months' notice of use of system charges noting that the tariffs provided within table 3 of the template are now redundant. The Working Group noted that, similar to Table 2, there are some Suppliers that use Table 3. It was noted that the table needs to continue to be caveated to note that the tariffs are a view at a point in time and may not reflect actual prices.
- 4.14 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 as illustrative. The Working Group agreed not to remove Table 3 from the template.

**Question 6 - Is there sufficient benefit of the new Table 4 to include the additional breakdown? Please provide your rationale.**

- 4.15 The Working Group noted that across all the responses to the question, Suppliers were generally supportive for Table 4 to include additional breakdown whilst DNOs had reservations.
- 4.16 It was noted that Ofgem have confirmed that the MOD term will be directed to DNOs as a single value and as such would not be easily disaggregated into the categories requested in Table 4.
- 4.17 A respondent noted that there is sufficient benefit to the newly proposed Table 4 and that 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

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<sup>1</sup> DCP 178 - Notification period for change to use of system charges

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.

- 4.18 It was noted that DNOs are already obliged to provide an explanation as any changes between forecasts, which would provide a view of what has been included in the MOD term.
- 4.19 It was noted that Table 4 will provide more transparency and will reduce the risks around Suppliers forecasts of costs which is likely to lead to lower costs for customers.
- 4.20 The Working Group agreed that rather than implementing 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.

**Question 7 - Do you agree with the proposed legal text for Table 4?**

- 4.21 The Working Group noted that most of the respondents agreed with the proposed legal text for Table 4 if it is to be added to the template.

**Question 8 - Are you supportive of the proposed implementation date 25 February 2016?- Do you agree with the proposed legal text for Table 4?**

- 4.22 The Working Group noted that the majority of respondents agreed with the implementation date of 25 February 2016. It was highlighted that the proposed implementation date allows enough time to move to the new format for the May 2016 publication.

**Question 9 - Do you consider that the proposal better facilitates the DCUSA Charging and General Objectives? Please give supporting reasons.**

- 4.23 The Working Group noted that a majority of the respondents agree that the proposal better facilitates General Objective 4 and ensures that the DCUSA is updated to reflect changes to the DNO licence.

**Question 10 - Is there anything further which has not been identified which you feel should be included?**

- 4.24 The majority of respondents did not have further comments regarding the CP.

**Question 11 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

- 4.25 No respondents expressed any concerns with regards to the CP having an impact or being impacted by any wider industry developments

## **5 WORKING GROUP ASSESSMENT OF DCP 249 FOLLOWING INDUSTRY CONSULTATION**

- 5.1 After reviewing the consultation responses, the Working Group discussed the Change Proposal. The Working Group agreed that the DCP 249 should be implemented on 25 February 2016.
- 5.2 Members of the Working Group agreed that the range in Schedule 15, Table 1 of t-1 to t+4 is still appropriate. It was noted that both Table 2 and Table 3 are of benefit to some Suppliers and should be kept in the Schedule 15 template. The Working Group agreed that the new proposed Table 4 should be progressed as a separate DCUSA Change Proposal, rather than under DCP 249.

## **6 ENGAGEMENT WITH THE AUTHORITY**

- 6.1 Ofgem was given the opportunity to engage with the development of DCP 249 as an observer of the Working Group.

## **7 IMPACT ON GREENHOUSE GAS EMISSIONS**

- 7.1 In accordance with DCUSA clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 249 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of the Change Proposals.

## **8 DCP 249 LEGAL DRAFTING**

- 8.1 The proposed legal drafting of DCP 249 has been considered by the Working Group, and reviewed by the DCUSA Legal Advisor, and is provided as Attachment 1.
- 8.2 In their review of the DCP 249 legal text the Working Group agreed that the range in Schedule 15, Table 1 of t-1 to t+4 is still appropriate and that both Table 2 and Table 3

are of benefit to some Suppliers and should be kept.

8.3 The legal text updates Schedule 15 of the DCUSA with the DCP 249 proposed solution.

## 9 EVALUATION AGAINST THE DCUSA OBJECTIVES

9.1 The Working Group considers that the following DCUSA Objective is better facilitated by 249.

**General Objective 4 - The promotion of efficiency in the implementation and administration of this Agreement.**

9.2 The CP better meets General Objective 4 in ensuring the DCUSA is updated to reflect changes to the DNO licence.

## 10 IMPLEMENTATION

10.1 The Working Group agreed for DCP 249 to be implemented on 25 February 2016. As the CP has been classed as a Part 2 Matter, Authority consent is not required.

## 11 WORKING GROUP CONCLUSIONS

11.1 The Working Group has discussed the proposed amendment to DCUSA and the Group unanimously agreed that the legal text developed for DCP 249 better facilitates the DCUSA Objectives.

11.2 The Working Group agrees that DCP 249 should be issued for Party voting.

## 12 PANEL RECOMMENDATION

12.1 The Panel approved this Change Report at its meeting on **20 January 2016**. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 249.

12.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report Agreed	20 January 2016
Change Report issued for voting	22 January 2016
Voting closes	12 February 2016
Change Declaration	16 February 2016
Implementation Date	25 February 2016



### 13 NEXT STEPS

- 13.1 Parties are invited to consider the proposed amendments (Attachment 1) together with the Consultation documentation (Attachment 3) and submit their votes using the Voting form (Attachment 2) to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **12 February 2016**.
- 13.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 3008.

### 14 ATTACHMENTS

- Attachment 1 – DCP 249 Legal Text
- Attachment 2 – Voting Form
- Attachment 3 – DCP 249 Consultation
- Attachment 4 – Change Proposal Form