

DCP 243 - 'TREATMENT OF CUSTOMER CONTRIBUTIONS IN THE CDCM' - CONSULTATION FOUR

Company	Confidential/ Anonymous	1. Do you agree with the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values?
Electricity North West	Non-confidential	<p>Yes we agree with the principle of this approach as we agree with the working group assessment that there is a risk of low volumes of LVS connections jobs leading to distortions due to the small sample size.</p> <p>In detail, the approach should be to combine LV and LVS (if there is any) data together to calculate the total LV+LVS customer contribution values to be used for both LV and LVS, not simply to use the LV data only.</p>
ESP Electricity	Non-confidential	<p>ESP Electricity ('ESPE') agrees that the best way to calculate LV Substation customer contribution values is by using LV customer contributions. ESPE also agrees that for an 'LV Job with only LV Work' it is suitable to apportion 100% of the value.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>In the absence of a reasonable alternative, yes we agree with this approach.</p> <p>Ultimately, from a cost reflectivity perspective, it would be desirable to calculate the average customer contribution made by an LV Sub customer distinct from the calculation of the average customer contribution made by an LV Network customer. But we understand that both availability of data and the small number of new LV Sub connections would result in such a calculation being disproportionately complex, and likely to involve internal DNO data not available in any reporting pack, and hence would not meet the intent of the change to 'determine a common set of modelling inputs'. Hence we support the proposed approach.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>Yes – this seems to be a straightforward solution to the matter. Empirical evidence to suggest that this may cause a distortion in charges isn't available.</p>

SP Distribution & SP Manweb	Non-confidential	Yes,  On the assumption that the LV sub data is monitored when compiling the latest completed five year data. Should adequate data for LV sub becoming available then the proxy should no longer be used.
UK Power Networks	Non-confidential	Yes, as the data is not reported for LV Substation. Using LV network values would seem to be the most pragmatic solution.
Western Power Distribution	Non-confidential	yes

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>2. Do you agree with the Working Group on the method of applying expenditure associated with an LV job which includes HV work?</b>
Electricity North West	Non-confidential	Yes we agree with this solution. This is a practical approach to using an information source that is imperfect but is regardless the best available for this purpose. We do not consider that developing alternative information sources would be practicable, or would be likely to materially affect the ultimate outcome of the methodology. Given this, equal allocation across the levels, as recommended by the working group, is the fairest approach.
ESP Electricity	Non-confidential	ESPE does not agree that the split of the expenditure across HV, HV/LV and LV Circuits should be equally divided into thirds. Our view is that this field should be populated by DNOs based on available data and costs within their footprint area, rather than taking an overall estimate of one third across each category.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	In the absence of a reasonable alternative, yes we agree with this approach.  As with our response to question one, it would be desirable to accurately allocate the expenditure for each job labelled as 'LV job involving HV work' to the LV and HV network levels, and determine which elements of the work at each voltage level have been contributed to by the customer and to what extent. But we understand that the data to carry out such a calculation is not available in any reporting pack, and if the calculation were to be carried out on internal DNO data the intent of the change to 'determine a common set of modelling inputs' would not be met.

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes. The reasoning for the proposed application of the expenditure in these circumstances seems reasonable.
SP Distribution & SP Manweb	Non-confidential	Yes, given there is currently no common data source to allow DNOs to determine the expenditure split for these types of works.
UK Power Networks	Non-confidential	Yes splitting the cost of the expenditure equally across the voltages impacted would seem to be a reasonably and pragmatic solution.
Western Power Distribution	Non-confidential	I'm not sure of the validity of splitting on this basis, but on the other hand am unaware of any other option.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>3. Do you agree with the solution proposed (Option A) by the Working Group and not to hard code the values into the DCUSA?</b>
Electricity North West	Non-confidential	Yes, we agree with the Option A approach. This provides a robust solution that reflects changes over time which would not be possible for approaches that involve hard coded values as per Option B1. Options B and C are less cost reflective as they either use a national average or ignore customer contributions altogether.
ESP Electricity	Non-confidential	ESPE agrees that values should not be hardcoded into the DCUSA, especially if the only way to change them would require a further DCP. Hardcoding values is not a forward-looking process, and therefore Option A is the most acceptable solution.
Northern Powergrid on behalf of Northern	Non-confidential	Yes, we agree with the approach proposed of an annual calculation.

Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc		
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes – hardcoding is inflexible and requires a potentially lengthy, time consuming and not particularly cost effective process to facilitate any necessary changes. It also runs the risk of falling foul of DCP293 (when implemented); so necessary changes may not be approved/implemented in a timely manner.
SP Distribution & SP Manweb	Non-confidential	Yes, otherwise should a more cost reflective approach become available the application of this would require a DCP before going live.
UK Power Networks	Non-confidential	We support option (A) as its uses the latest available data.
Western Power Distribution	Non-confidential	yes

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>4. Which DCUSA Charging Objective(s) does the proposed solution better facilitate? Please provide supporting comments.</b>
Electricity North West	Non-confidential	<p>In comparison with the existing methodology, and assuming no significant changes to industry arrangements then the proposed solution would better facilitate DCUSA Charging Objectives as follows:</p> <p>3. Cost reflectivity is enhanced by using updated values to calculate customer contributions.</p> <p>4. The methodology proposed would reflect changes to connection charges and costs in the DNO's business.</p>

		However, we think it possible that there could be significant changes to relevant areas (including connections charges) as a result of the processes underway in the industry such as the Charging Futures Forum, and consequently do not believe it is appropriate to progress this change through DCUSA processes at this time.
ESP Electricity	Non-confidential	ESPE would suggest that the only Charging Objective better facilitated by this DCP is DCUSA Charging Objective 3. However, currently the CDCM uses multiple sources of data that contain outdated values within its calculations and therefore ESPE would argue that if one source of data is going to be updated to reflect current values, then all outdated data should be updated, rather than a single source being updated in isolation.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Charging Objectives three and four are both better facilitated.  By updating data annually to appropriate source data, this approach offers improved cost reflectivity, better facilitating objective three, as well as taking into account developments in each DNO's connections policy, thus better facilitating objective four.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree with the WG – DCUSA Charging Objectives 3 and 4 appear to be better met by implementing DCP243. The use of more recent cost data, regularly reviewed, should be more cost reflective; and it seems to be more efficient means of complying with DNO Licence obligations.
SP Distribution & SP Manweb	Non-confidential	We agree with the working groups view that DCUSA Charging Objectives 3 & 4 would be better facilitated by DCP 243.
UK Power Networks	Non-confidential	Charging Objective 3 & 4 would be better facilitated as a result of this change proposal as the inputs would better reflect the costs incurred.

Western Power Distribution	Non-confidential	Agree with those set out in the consultation document
----------------------------	------------------	---

Company	Confidential/ Anonymous	5. Are you aware of any wider industry developments that have not already been considered by the Working Group that may impact upon or be impacted by this CP?
Electricity North West	Non-confidential	<p>The Charging Futures Forum has produced some guidance on which changes should be progressed. The Charging Futures: Coordination guidance states the following factors should be considered:</p> <ul style="list-style-type: none"> <li>• Strategic fit</li> <li>• Consumer impact</li> <li>• Feasibility and other practical considerations</li> <li>• Coordination and sequencing with other changes</li> <li>• Significance or urgency</li> </ul> <p>If these changes were to be approved the earliest they could be implemented is 2020/21. This is directly in the space of the Access and Charging Task Force and so we considered it better to progress this through the Task Force. If adjustments for customer contributions are still required following the consideration of the TF then changes could be brought forward at that time with full knowledge of the corresponding changes to connections charges and access rights.</p>
ESP Electricity	Non-confidential	<p>ESPE agrees with the Working Group's comments that there is crossover with the CFF work programme. The costing model was considered a priority area of development within the Stage 2 report issued by the CDCM Review Group, however as this work has not yet been published ESPE cannot comment whether this CP would complement or hinder the direction taken by the CFF.</p>
Northern Powergrid on behalf of Northern	Non-confidential	<p>The work of the Charging Futures Forum and proposed Forward Looking Charges Task Force are likely to consider this area in due course. Given that customer contributions are a fundamental input in the calculation of the forward looking element of CDCM charges, we would expect the Forward Looking Charges Task Force to consider customer contributions in the round of any other changes to the calculation of forward looking charges, and</p>

Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc		ultimately to take a view on the appropriateness or otherwise of the use of customer contributions. Whilst we support DCP 243 when considered in isolation, careful consideration will need to be given to timings, with the proposed implementation date of DCP 243 coinciding with the proposed timescales for the implementation of changes resulting from the Forward Looking Charges Task Force.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	At the current time – none that are likely to impact on, or before, the proposed implementation date of 1 April 2020. Beyond that, the current Open Networks review work would be expected to impact on the CDCM in future years.
SP Distribution & SP Manweb	Non-confidential	No
UK Power Networks	Non-confidential	The work of the Forward Looking Charges Task Force could make fundamental changes to the methodologies in place. However as this change has been considered by the industry over many years, the work should be concluded and voted upon as a stand-alone component of the current methodology.
Western Power Distribution	Non-confidential	no

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>6. Are you supportive of the proposed implementation date of 1 April 2020?</b>
Electricity North West	Non-confidential	No, we are concerned that proposed implementation date is directly in the space of the Access and Charging Task Force and that it would be more productive to progress this change through the Task Force.
ESP Electricity	Non-confidential	ESPE would support this implementation date should the DCP progress.

Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Subject to our comments raised in response to question five on the timeline of DCP 243 with other industry developments, yes we are supportive of this implementation date.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.
SP Distribution & SP Manweb	Non-confidential	Yes
UK Power Networks	Non-confidential	Yes
Western Power Distribution	Non-confidential	yes

Company	Confidential/ Anonymous	7. Do you have any comments on the legal text drafted by the Working Group?
Electricity North West	Non-confidential	29. It's now not appropriate to say that the "DNO party estimates ... [based on] the charging year's connection charging policy" as using the last 5 years of RRP data doesn't reflect future changes to the charging methodology.

		<p>This paragraph should be reworded to reflect this. Perhaps “The DNO Party estimates the extent to which the assets at each network level used by each category of users <b>are</b> expected to be covered by customer contributions <b>based on recent connections activity</b>”.</p> <p>30A a) we believe this could be expressed more clearly to ensure readers of the text understand this is total expenditure on relevant connections activities, and not the total expenditure of the DNO. We would suggest <b>“total expenditure on connections activity”</b>.</p> <p>Possible typo in 30A b) “completely solely”: we believe this might have been intended as “completed solely” but would be better still as <b>“undertaken solely”</b> making clear it is the whole of the activity that is relevant, not just the final completion of it.</p> <p>30B. We believe this term uses insufficiently clear mathematical language as it refers to “taking” which suggests subtraction. This calculation does not involve subtraction. Our suggested wording is (with optional square brackets for additional clarity): <b>“30B. The customer contribution is calculated by dividing [total income from Connection Charges] by [total expenditure on connections activity], and is expressed as a percentage.”</b></p> <p>The legal text makes no reference to using LV customer contributions as a proxy for LV substation customer contribution, or the method of applying expenditure with an LV job that includes HV work. If the working group wishes to ensure a consistent approach then ideally these approaches should be made explicit by the legal text. In actual fact, literal reading of the legal text might be interpreted as forbidding these approaches as it states “31. The network model is discounted by customer contributions at each network level in the calculation of all tariffs.” New paragraphs before 31 could alternatively read:</p> <p><b>“30C. Customer contributions for the LV Network and LV Substation network levels of supply should be considered in total and the same customer contribution percentages applied to each for the relevant asset network levels.</b></p> <p><b>30D. For connections activities that involve a second network level, expenditure and income should be apportioned equally between any relevant boundary split level, the connection voltage level and the associated upper voltage level in the calculation of the customer contributions.”</b></p> <p>The ‘DCP243 Only’ legal text removes some explanative narrative in relation to generators. <b>“In the case of generators, the proportions relate to the notional assets whose construction or expansion might be avoided due to the generator’s offsetting of demand on the network, and takes the same values as for a demand user at the same network level of supply.”</b> It is not clear from the consultation document why this has been done, as under DCP243 Only this seems to remain relevant.</p>
--	--	---

		<p><u>All the above would result in the following revised legal text (DCP243 Only, changes in <b>bold</b>):</u></p> <p>29. The DNO Party estimates the extent to which the assets at each network level used by each category of users <b>are</b> expected to be covered by customer contributions <b>based on recent connections activity</b>.</p> <p>30. The DNO Party groups users into categories, by network level of supply, for the purpose of making these estimates.</p> <p>30A. For the latest completed five year period, the DNO Party determines:</p> <p>a) total expenditure <b>on connections activity</b>; and</p> <p>b) total income from Connection Charges</p> <p>for connections activities which were <b>undertaken</b> solely by the host DNO (i.e. with no involvement from an Independent Connection Provider), excluding connection schemes for embedded generation.</p> <p>30B. <b>The customer contribution is calculated by dividing [total income from Connection Charges] by [total expenditure on connections activity], and is expressed as a percentage.</b></p> <p>30C. <b>Customer contributions for the LV Network and LV Substation network levels of supply should be considered in total and the same customer contribution percentages applied to each for the relevant asset network levels.</b></p> <p>30D. <b>For connections activities that involve a second network level, expenditure and income should be apportioned equally between any relevant boundary split level, the connection voltage level and the associated upper voltage level in the calculation of the customer contributions.</b></p> <p>31. The network model is discounted by customer contributions at each network level in the calculation of all tariffs. <b>In the case of generators, the proportions relate to the notional assets whose construction or expansion might be avoided due to the generator's offsetting of demand on the network, and takes the same values as for a demand user at the same network level of supply.</b></p>
ESP Electricity	Non-confidential	N/A
Northern Powergrid on behalf of Northern	Non-confidential	No comments.

Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc		
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No
SP Distribution & SP Manweb	Non-confidential	No
UK Power Networks	Non-confidential	We are generally comfortable with the legal text as drafted.
Western Power Distribution	Non-confidential	no

Company	Confidential/ Anonymous	8. Do you have any further comments?
Electricity North West	Non-confidential	<p>We do not believe it is best to progress this change at this time for the reasons stated in our response to question 5.</p> <p>However, we do believe that the proposed solution better meets the DCUSA Charging Objectives than the current methodology, but note that it is not truly forward looking so if connection charging methodology was to change significantly it would take some time to reflect this in the DUoS charges.</p>

		<p>We do not foresee this being an issue where changes to connection charges are ‘gentle’ or incremental in nature. However, if future connection charges changed so materially that using historic data would not be properly reflective of costs expected to be incurred by the DNO in the future this would be a greater concern.</p> <p>We believe it is possible that the outcome of the current changes processes in the industry could include fundamental changes to connections charges and other relevant factors so have concerns about implementing this methodology at this time without coordination with the Charging Futures Forum.</p>
ESP Electricity	Non-confidential	N/A
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Not at this time.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.
SP Distribution & SP Manweb	Non-confidential	No
UK Power Networks	Non-confidential	No

Western Power Distribution	Non-confidential	no
----------------------------------	------------------	----