




DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 243</h1> <h2>Treatment of Customer Contributions in the CDCM</h2> <p><i>Raised as a Standard Change on 5 June 2015</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> DCP 243 seeks to revise DCUSA Schedule 16 to utilise current source data to determine a common industry set of modelling inputs in order to improve clarity in the approach to be used in calculating ‘Customer contribution under the current connection charging policy’ for use in CDCM table 1060.		
	This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 243 – ‘Treatment of Customer Contributions in the CDCM’	
	Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>17 April 2018</b>	
	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.	
	If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.	
	Parties Impacted: <b>Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs) and Suppliers</b>	
	Impacted Clauses: Amendment to Clause 29, 31 and inclusion of new Clauses 30A and 30B in Schedule 16 (CDCM)	

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Any questions?

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## Timetable

The timetable for the progression of the CP is as follows:

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	17 June 2015
First Consultation issued to Parties	03 September 2015
Second Consultation issued to Parties	14 June 2016
Third Consultation issued to Parties	09 November 2016
Fourth Consultation issued to Parties	28 October 2017
Change Report issued to Panel	14 March 2018
Change Report issued for Voting	23 March 2018
Party Voting Ends	17 April 2018
Change Declaration issued to Authority	19 April 2018
Authority Decision	24 May 2018
Implementation Date	01 April 2020

## 1 Summary

### What?

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity distributors, electricity suppliers and large generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 The Common Distribution Charging Methodology (CDCM) 'customer contributions under current connection charging policy' input values are used to reflect the amount of money paid to the Distribution Network Operator (DNO) in relation to work instigated at the request of the customer (known as 'Customer Contributions'). Currently, Customer Contributions input values in the CDCM are based on data from between 2005/06 and 2008/09.

### Why?

- 1.3 UK Power Networks raised DCP 243 to revise DCUSA Schedule 16 to utilise current source data to determine a common industry set of modelling inputs in order to improve clarity in the approach to be used in calculating Customer Contributions for use in the CDCM model input table 1060.

### How?

- 1.4 After a number of consultations and an impact analysis of various options, the DCP 243 Working Group propose that Customer Contribution data be updated annually using Regulatory Reporting Pack (RRP) data submitted to Ofgem in the Connections Reporting Pack, using data from the most recently completed five-year period. The Working Group also agreed that the values calculated will:
  - be DNO licensee specific;
  - include only connections that were completed by the host DNO (i.e. excluding any involvement by Independent Connection Providers); and
  - exclude embedded generation connection schemes.

## 2 Governance

### Justification for Part 1 Matter

- 2.1 DCP 243 is classified as a Part 1 matter as it will impact charges and therefore will go to the Authority for determination.

## Requested Next Steps

- 2.2 The Panel consider that the Working Group have carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 243.
- 2.3 The DCUSA Panel recommends that this CP:
  - Be issued to Parties for Voting.

## 3 Why Change?

### Background of DCP 243

- 3.1 DCP 243 (Attachment 3) has been raised by UK Power Networks and seeks to revise DCUSA Schedule 16 to utilise current source data to determine a common industry set of modelling inputs in order to improve clarity in the approach to be used in calculating Customer Contributions for use in the CDCM model input table 1060.
- 3.2 Currently the existing data sources for this model input are extracted via DNO specific samples from Forecast Business Plan Questionnaire (FBPQ) submission data from between 2005/06 and 2008/09. Over time these data sources have been superseded and therefore require updating.
- 3.3 Improved cost and revenue reporting data is available, and this could be used as the source of data to populate CDCM model input 1060. A template was constructed as part of the Distribution Charging Methodology Forum (DCMF) Methodologies Issues Group (MIG) in 2015 to utilise data which was available at that point in time.
- 3.4 Following extensive discussion amongst industry parties within both the DCMF and MIG, DCP 243 was raised to update the Customer Contribution calculations in the DCUSA.

## 4 Solution

### DCP 243 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 243. This Working Group consisted of members from DNOs and suppliers, with an Ofgem observer. 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).
- 4.2 The Working Group issued three consultations to aid them in refining the proposed solution, and a fourth consultation on the proposed solution. Attachment 4 contains the documentation for all four consultations and the collated responses to each. A summary of the first two consultations and the conclusions resulting from the third consultation where the final solution was developed are shown below.

## Consultation One

- 4.3 The Working Group reviewed the updated Customer Contributions template as developed under the MIG using the CDCM user guidance on Customer Contributions.
- 4.4 The first consultation was issued on 03 September 2015 seeking industry opinion on the CP and whether the updated template was appropriate for the collection of the reported data for Customer Contributions. Following the review of the consultation responses the Working Group agreed that it is important to ensure that all the DNOs are clear on how the Customer Contributions template information is to be collated.

## Consultation Two

- 4.5 Following on from the first consultation, the Working Group considered two differing solutions for Customer Contributions calculations:
- **Option A** – DNO licensee specific Customer Contributions input data updated annually using the RRP data submitted to Ofgem; and
  - **Option B** - agreed percentage values which would be broadly appropriate for the amount of contribution made by a typical customer in relation to connections across all DNO licensees to be used by all DNOs.
- 4.6 For Option A, the Working Group carried out an impact analysis to gain a better understanding of how data could be collated in the Customer Contributions template. For the impact analysis, the Working Group requested that all DNO Parties populate the Customer Contributions template with five years' worth of data covering 2010/11 up to 2014/15. The Working Group used this to examine examples of the populated data alongside any impacts and movement seen. It was noted that this enabled the Working Group to review the industry average values.
- 4.7 Option B would address the concerns around the amount of data that is collected and processed in order to calculate accurate values to reflect what customers have contributed. However, it was noted that when these values are entered into the CDCM the impact of these values is reduced as a result of the CDCM being a methodology used to calculate average charges.
- 4.8 Option B is not as accurate a reflection of what customers have contributed in comparison to Option A, but the Working Group did note that it does have many advantages in reduced complexity and time required to collect and process data. Option B would also use agreed values which would be used by all DNOs and would not change year on year. At least initially, it was suggested that these values would remain unchanged for a minimum period of three charging years.
- 4.9 The second DCP 243 consultation was issued on 14 June 2016 seeking industry views on the preferred options for updating the Customer Contributions template. It is noted that with regard to Option A, the following specific elements of the data to be used and the method of calculation were consulted on:

- to use the Point of Connection (PoC) for the split between voltage levels;
- to calculate the Customer Contributions percentage from CN2 (DCPR5 Completed Metered Connections) data;
- the inclusion of distributed generation (DG) and unmetered supplies (UMS) data as part of the calculation;
- if data for connections with involvement of an ICP should be included;
- that this data should be updated annually;
- that this data should be averaged over three years to mitigate any unnecessary volatility; and
- the use of the General Reinforcement Uplift Factor (GRUF) calculation and whether it is correct to retain it.

### Consultation Three

4.10 Following the review of the responses to the second consultation, the Working Group considered three alternative approaches which are as follows:

- **Option A** – Customer Contributions calculation to be updated annually using RRP data on a rolling five-year basis;
- **Option B** - use historically reported data to calculate a set of fixed input values as an average across all DNOs; and
- **Option C** - effectively remove customer contributions from the CDCM (i.e. to set the input percentages to zero in the methodology).

#### Option A

4.11 Option A proposes to carry out a calculation on reported data which would be updated annually. This would make use of tables in the Connections Reporting Pack which forms part of the DNO RRP submissions to Ofgem, which are submitted annually by July 31<sup>st</sup>. Data would be used for a rolling five years leading up to the latest available. For example, 2019/20 charges published in December 2017 would have used the RRP submission for each regulatory year from 2012/13 to 2016/17, with the 2016/17 RRP having been submitted by 31<sup>st</sup> July 2017.

4.12 The calculations would be carried out on data in the CN2 tables from the DPCR5 RRP or the CR5 (Metered connections completed including DG) table from the RIIO-ED1 RRP (note the table identifiers have changed from the DPCR5 RRP to the RIIO-ED1 RRP but the structure remains largely unchanged). This table contains the following information for each connection scheme financially completed within the regulatory year:

- Voltage level of the connection and voltage level of other work carried out in relation to that connection;
- Whether an ICP has carried out any work in relation to the scheme (note that no detail on ICP involvement is included in the data, with only a 'true/false' type field for ICP involvement included);

- The margin included in the quote;
- The number of exit points provided at each voltage level;
- Whether the quote is unmetered, relates to a diversion, or includes embedded generation; and
- Details of the quote and details of the actual income broken down by:
  - Sole use funded / subject to apportionment rules; customer funded / subject to the apportionment rules; and DNO funded.
  - Contestable / non-contestable.
  - Direct / indirect cost.

4.13 The breakdown of the quote can be used to determine the proportion of work which has been customer funded, and so the Customer Contribution percentage. As a result, the DNO would take the data for all required years, split the data into voltage levels and calculate the total cost at each network level which is customer funded, and the total cost which is DNO funded. The Customer Contribution percentage is then calculated as the customer funded element as a percentage of the total cost.

#### **Option B**

4.14 Option B proposes to carry out the same calculation as in Option A, but applied to all five years of DPCR5 (2010/11 to 2014/15). A simple average of the final Customer Contribution values for all 14 DNO licensees would then be calculated, and the resulting values hard coded into the methodology to remain fixed unless a further CP were raised.

4.15 The Working Group noted that although Option B may not be as accurate a reflection of what customers have contributed to as Option A, it does have many advantages in reduced complexity, and move this input from requiring an annual data collection exercise being undertaken. It would also be that the values which would be proposed to be used by all DNOs would not change year on year, which would mitigate against potential volatility.

#### **Option C**

4.16 The Working Group discussed a further option, which is to effectively remove Customer Contributions from the CDCM (i.e. to set the input percentages to zero in the methodology). The Working Group noted that this option might appear an extreme solution, but felt that it was worthy of consideration, which was especially relevant as the very existence of Customer Contributions had been questioned during discussions on this CP. The Working Group removed the inputs from the latest published CDCM models to understand the impact this option would have. The result was typically the fixed cost increased and the unit cost(s) reduced, however for the 'average' customer the annual charge did not materially change.

#### **Operational Solutions for Options A and B**

4.17 The Working Group have considered a number of separate areas which impact both Option A and B as currently drafted, these are:



- 4.18 **Splits** – The approach defined in both Options A and B uses the voltage code in the CN2/CR5 data to determine the appropriate voltage. Some work has voltage code 'LVHV' indicating that the work relates to a Low Voltage (LV) connection but has involved some High Voltage (HV) work. It is not possible to determine from CN2/CR5 data which elements of the cost of the work relate to LV work and which to HV work. Some DNOs were able to determine this split percentage from data held internally whilst others were not. However, all DNOs publish a Common Connection Charging Methodology (CCCM) statement which includes examples of certain types of connection. These examples can be used to determine a representative percentage of work on a job with voltage code 'LVHV' which relates to work on the HV network. As part of the CCCM within section 5, there are worked examples (with £ values) illustrating the application of the methodology, example 2b covers new connections on a domestic housing development with interconnection requiring a new distribution substation, using this type of approach it would be possible to derive a % split across voltage levels.
- 4.19 **ICP data** – The data in CN2/CR5 includes data relating to jobs where some work has been carried out by an ICP and some work by the DNO. The Working Group agreed that such data will be excluded from the calculation as there is a risk of understating the Customer Contribution that is being reported. This is because jobs which have been partially carried out by an ICP will appear in the DNO's reporting with only the cost to the DNO, hence the Customer Contribution made direct to the ICP will not be reported by the DNO, and so the Customer Contribution percentage will be understated. ICPs do not provide information to Ofgem as they are not licenced by Ofgem, so there is no equivalent reporting available for ICP work.
- 4.20 **DG and UMS data** – The Working Group considered whether DG and UMS connections should be included. It was observed that costs for DG connections in DPCR5 were reported in CN3 (DPCR5 Completed DG conns); and costs for UMS connections in DPCR5 were reported in CN4 (UMC- NO margin), CN5 (UMC- Regulated margin) and CN6 (UMC- Unregulated margin). It was agreed that the data should be included for UMS as these are demand connections to the network; they have (at least in part) been contributed to by the customer; and are included in the 500MW model, which is used as the initial cost base within the CDCM. It was however agreed that DG should be excluded, mainly as DG is not included as part of the current 500MW model.
- 4.21 **Contribution to general reinforcement** - The Working Group discussed whether the Customer Contribution percentages should reflect that customers have not contributed to general reinforcement upstream. For example, a group of housing estate connection schemes being completed may drive reinforcement being required at a higher voltage level which would not have been contributed to by connections customers and would not be included in CN2/CR5 data as it does not relate to individual schemes. The Working Group noted that Customer Contributions is about individual customers and what they pay for their connection, so felt that including general reinforcement was not applicable. It was also noted that the continued inclusion of a term for general reinforcement added significant complexity to the calculation. As a result, it was agreed that the calculation of Customer Contributions would not include any element of general reinforcement costs going forward.



4.22 The third consultation was issued on 09 November 2016 seeking industry views on the three options proposed by the Working Group.

## Consultation Four

4.23 The Working Group reviewed the responses to the third consultation, specifically which of the options respondents highlighted as their preference. Option A was the preference for the majority of respondents and Option B seemed to be least appropriate given the responses from Parties. Although Option A had the most support, the Working Group noted respondents' concerns around the amount of data required to generate a set of average values.

4.24 Members discussed another option which was proposed by a Party in response to a question posed in the consultation. The Working Group agreed that this option is equivalent to a DNO specific Option B and labelled this as Option B1:

- **Option B1**- carry out the same calculation as in Option A, but applied to all five years of DPCR5 (2010/11 to 2014/15), with the resulting values hard coded into the methodology to remain fixed unless a further DCP is raised. These would be calculated on a DNO specific basis.

4.25 The Working Group analysed the three options replacing Option B with Option B1 since a specific DNO value is more cost reflective than an average across all DNOs.

4.26 The Working Group agreed that a Request for Information (RFI) should be conducted to enable an impact assessment of the preferred options to be carried out. It was noted that option C would not require any additional data, but data would be required for Option A and B1.

4.27 A RFI template was developed by the Working Group, with the Working Group agreeing during this process that they were happy with the assumption that the RFI template calculations should exclude ICP schemes, on the basis that the only reported data is for work carried out by the DNO, and consequently contributions made by the ICP would be missed. It was agreed to exclude DG data due to the underlying 500MW model being a demand only model.

4.28 The Working Group agreed that Option B1 should be ruled out entirely as they don't believe that values should be hard coded into the methodology which would remain fixed unless a further CP were raised.

4.29 The Working Group noted that Option C, which removes Customer Contributions, would nullify the effects of DCP 161 'Excess Capacity Charges' and undo the work on reflective Use of System charges which would not be desirable. It was agreed that Option C should be ruled out on this basis. The Working Group wished to highlight that if the CDCM/EDCM review were to move to a total cost model then the use of Customer Contributions should be reviewed. Please refer to paragraph 6.2 for further information on the CDCM/EDCM review group and the work it undertook.

4.30 The Working Group noted that the data acquired as a result of developing the RFI indicates that Option A would be the most cost reflective option as it uses the latest available DNO specific data. It was agreed to proceed to an impact assessment of Option A.

## Impact Assessment (Option A)

4.31 The Impact Assessment (Attachment 5) gives a view of the tariff impact by DNO, considering published 2018/19 CDCM models as the base, with the input 1060 amended in line with the RFI data that was provided. The primary impact assessment model (DCP243\_2018-19\_IA) spreadsheet attached contains the following:

- Customer impact (analysis by DNO of £/customer change for all CDCM tariffs);
- Customer group impact (analysis by DNO of £/customer change for domestic, non-domestic, UMS and DG customer groups); and
- Change in customer contributions (Customer Contributions input information for LV, LV Sub and HV connected customers, from the RFI information provided compared to the published 2018/19 CDCM model inputs).

4.32 Additionally, detailed analysis by DNO is contained in the zip folder within Attachment 5.

4.33 The impact of this change sees varying impacts dependent on license area and tariff, with a range from a decrease in £/customer of ~42% (£5,716 - HV Generation intermittent) to increases of ~106% (£4.66 - Domestic off peak (related MPAN)). When considering Domestic Unrestricted we see a range between an annual decrease of 3.98% (£3.14) to an annual increase of 3.8% (£2.59). The Working Group note some of the impacts below;

Change in Annual Charge Per Customer	Min	Max	Average
Domestic Unrestricted	( 3.98%)	3.80%	( 0.52%)
Domestic Two Rate	( 1.78%)	9.38%	1.62%
Domestic Off Peak (related MPAN)	( 10.10%)	105.58%	17.87%
Small Non Domestic Unrestricted	( 3.78%)	20.41%	1.40%
Small Non Domestic Two Rate	( 1.23%)	18.82%	2.31%
Small Non Domestic Off Peak (related MPAN)	( 9.97%)	74.48%	14.32%
LV Medium Non-Domestic	( 2.08%)	16.81%	1.68%
LV Sub Medium Non-Domestic	( 2.43%)	5.17%	0.66%
HV Medium Non-Domestic	( 5.01%)	16.18%	1.58%
LV Network Domestic	( 6.49%)	2.46%	( 0.61%)
LV Network Non-Domestic Non-CT	( 2.92%)	36.19%	2.83%
LV HH Metered	( 9.78%)	3.87%	( 1.76%)
LV Sub HH Metered	( 13.51%)	1.20%	( 3.65%)
HV HH Metered	( 12.08%)	21.39%	2.25%
NHH UMS category A	( 2.35%)	8.78%	2.49%
NHH UMS category B	( 2.92%)	15.05%	1.77%
NHH UMS category C	( 7.85%)	1.51%	( 2.40%)
NHH UMS category D	0.07%	11.65%	2.66%
LV UMS (Pseudo HH Metered)	( 2.40%)	15.00%	1.72%
LV Generation NHH or Aggregate HH	( 27.72%)	14.37%	( 11.66%)
LV Sub Generation NHH	( 19.09%)	3.18%	( 6.33%)
LV Generation Intermittent	( 27.87%)	14.42%	( 11.70%)
LV Generation Intermittent no RP charge	( 17.68%)	-	( 1.26%)
LV Generation Non-Intermittent	( 27.91%)	14.27%	( 11.67%)
LV Generation Non-Intermittent no RP charge	( 17.74%)	-	( 1.27%)
LV Sub Generation Intermittent	( 24.32%)	2.89%	( 9.93%)
LV Sub Generation Intermittent no RP charge	( 11.07%)	-	( 0.79%)

LV Sub Generation Non-Intermittent	( 18.99%)	2.74%	( 7.40%)
LV Sub Generation Non-Intermittent no RP charge	( 10.88%)	-	( 0.78%)
HV Generation Intermittent	( 42.40%)	14.20%	( 3.78%)
HV Generation Intermittent no RP charge	-	8.24%	0.59%
HV Generation Non-Intermittent	( 41.88%)	13.70%	( 3.88%)
HV Generation Non-Intermittent no RP charge	-	7.29%	0.52%

*N.B. For the UMS category D customer group, four DNO areas had a base annual revenue of zero which generated a 0% change. These have been excluded from the above summary table.*

#### Connections at the LV substation network level

4.34 The Working Group discussed how Customer Contributions for customers connected at an LV Substation should be calculated. The Working Group noted that there is no differentiation in the Connections Reporting Pack between LV network and LV substation connections, and this means that a percentage split might be needed to decide how to allocate between LV network and LV Substation. It was noted that LV substation data is not readily available and the main reason for this is due to there being very few new connections at the LV substation level. The Working Group agreed to mirror LV customer contributions values to account for Customer Contributions at the LV Substation level and sought views from Parties on this approach.

#### Connections involving multiple voltage levels

4.35 The Working Group discussed what the best methodology was for apportioning the expenditure of a connection where expenditure is split across more than one voltage level. For a connection where there is only one network level, i.e. LV job with only LV work, the percentage spend on those circuits would be 100%. For a connection involving a second network level, i.e. LV job with HV work, the Working Group agreed that the expenditure should be split equally between the connection voltage level and any associated higher voltage levels. Views from Parties were gathered via a consultation question on the method of applying expenditure associated with an LV job which includes HV work.

Network Level	End Customer	% Spend on HV	% Spend on HV/LV	% Spend on LV circuits
LV Job with only LV Work	LV Network			100.0%
LV Job with HV Work	LV Network	33.3%	33.3%	33.3%

#### Proposed Solution

4.36 Based on the consultation responses the Working Group have agreed that Customer Contribution data be updated annually using RRP data on a rolling five-year basis. The Working Group agreed that the values calculated will be DNO licensee specific. The Working Group noted that Option A had the most support and, as previously consulted on, will exclude ICP, IDNO and DG connections data. It was agreed that UMS data should be included as these are included in the 500MW model, which is used as the initial cost base within the CDCM.

- 4.37 The Working Group wish to highlight that no change to the CDCM model itself will be required as this CP only relates to changes to the legal text to determine the input values to be used in the CDCM model

## Summary of Responses to Consultation Four

- 4.38 A fourth consultation was issued to DCUSA Parties on 27 October 2017 to consider the final agreed solution and legal text. 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 4.

### Question 1: Do you agree with the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values?

- 4.39 The Working Group noted that all respondents were in agreement with the Working Group's approach of using LV Network customer contributions values as a proxy for LV Substation customer contributions values. It was also noted that some respondents highlighted that their preference would be to use the correct data but that in lieu of the data being available the approach proposed is an appropriate solution.

### Question 2: Do you agree with the Working Group on the method of applying expenditure associated with an LV job which includes HV work?

- 4.40 The Working Group noted that the majority of respondents were in agreement with the Working Group on the method of applying expenditure associated with an LV job which includes HV work.
- 4.41 One respondent noted that their 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. The Working Group's response to this was that the percentage split has been allocated in this way because the data needed to calculate a split is not readily available to all DNOs, and even for DNOs where the data is available would involve the use of data which is not used in any reporting pack and so would not meet the intent of the change to 'determine a common industry set of modelling inputs'.

### Question 3: Do you agree with the solution proposed (Option A) by the Working Group and not to hard code the values into the DCUSA?

- 4.42 The Working Group noted that all respondents were in agreement with the Working Group on progressing with Option A and not to hard code the values into DCUSA.

### Question 4: Which DCUSA Charging Objective(s) does the proposed solution better facilitate? Please provide supporting comments.

- 4.43 The Working Group noted that the majority of respondents agreed with the Working Group that DCUSA Charging Objectives three and four are better facilitated by DCP 243. It was noted that one respondent was supportive of DCUSA Charging Objective three only.

**Question 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?**

- 4.44 The Working Group noted that the responses have highlighted respondents' views that the CDCM/EDCM review and the Charging Futures Forum (CFF) work may impact this change. The Working Group believe this is a valid concern but considered that the CFF has not decided if this area will be covered and as such DCP 243 can continue as is.

**Question 6: Are you supportive of the proposed implementation date of 1 April 2020?**

- 4.45 The Working Group noted that the majority of responses were supportive of a 01 April 2020 implementation date.
- 4.46 It was noted that the one respondent who did not support the implementation date of 01 April 2020 raised a concern regarding the potential conflict between the implementation of changes arising from the Access and Charging Task Forces and DCP 243. The Working Group noted that they have covered off this response when reviewing responses to Question 5.
- 4.47 The Working Group agreed that the implementation of DCP 243 should be 01 April 2020.

**Question 7: Do you have any comments on the legal text drafted by the Working Group?**

- 4.48 The Working Group noted that one respondent had comments on the legal text and that the suggestions were considered by the Working Group and either agreed to include the suggestions or provided reasoning as to why the suggestion was not taken forward.
- 4.49 The Working Group agreed that the amended text could be used as the version provided to the legal advisor and included in the Change Report.

**Question 8: Do you have any further comments?**

- 4.50 The Working Group noted that only one respondent had any further comments and that the comment reiterated responses to Questions 4 and 5 regarding the interaction between this CP and the CFF Task Forces, which the Working Group picked up whilst reviewing the responses to those questions.

## Working Group Conclusions / Final Solution

4.51 The Working Group propose that Customer Contributions input data should be updated annually using the RRP data submitted to Ofgem. The Working Group also agreed that the values calculated will:

- be based on data reported in the CN2 tables from the DPCR5 RRP or the CR5 table from the RIIO-ED1 RRP;
- use data for the most recently completed five year period, split into voltage levels, with total cost at each network level which is customer funded, and the total cost which is DNO funded calculated. The customer contribution percentage is then calculated as the customer funded element as a percentage of the total cost;
- be DNO licensee specific;
- include only connections that were completed by the host DNO (i.e. exclude any connections with involvement by ICPs);
- exclude DG connection schemes;
- use LV Network Customer Contributions values as a proxy for LV Substation Customer Contributions values;
- for a connection where there is only one network level, i.e. LV job with only LV work, allocate 100% of the spend on those circuits; and
- for a connection involving additional higher network levels, e.g. LV job with HV work, split expenditure equally between the connection voltage level and the associated higher voltage levels.

4.52 The Working Group agreed that no further work apart from reaching a decision on the DCUSA Charging Objectives was required on DCP 243. This is covered under section 5 below.

## 5 Relevant Objectives

### Assessment Against the DCUSA Objectives

5.1 For a DCUSA CP to be approved it must be demonstrated that it better meets the DCUSA Objectives. The majority of the Working Group believes that DCUSA Charging Objectives three and four would be better facilitated by DCP 243 as the data sources would be updated to be more reflective of the costs incurred. In addition, the proposed methodology would better take account of changes to connection charges and costs in the DNO's businesses. A minority of the Working Group believes that DCP 243 is neutral to the DCUSA Charging Objectives.

5.2 Commentary detailing the rationale for supporting DCUSA Charging Objectives three and four is set out in the table below. The Working Group believes that the CP has no impact on all other Charging Objectives.



### Impact of the Change Proposal on the Relevant Charging Objectives:

Relevant Objective	Identified impacts and rationale
Charging Objective One - that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	<b>Neutral</b>
Charging Objective Two - that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	<b>Neutral</b>
Charging Objective Three - that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.	<b>Positive</b> <p>“Cost reflectivity is enhanced by using updated values to calculate customer contributions”</p> <p>“By updating data annually to appropriate source data, this approach offers improved cost reflectivity, better facilitating objective three...”</p> <p>“The use of more recent cost data, regularly reviewed, should be more cost reflective...”</p>
Charging Objective Four - that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party’s Distribution Business.	<b>Positive</b> <p>“The methodology proposed would reflect changes to connection charges and costs in the DNO’s business”</p> <p>“...taking into account developments in each DNO’s connections policy, thus better facilitating objective four.”</p> <p>“...and it seems to be more efficient means of complying with DNO Licence obligations.”</p>
Charging Objective Five - that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	<b>Neutral</b>
Charging Objective Six - that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	<b>Neutral</b>



- 5.3 As noted in paragraph 4.43, the majority of respondents to the fourth consultation were supportive of both DCUSA Charging Objectives three and four being better facilitated by DCP 243.

## 6 Impacts & Other Considerations

### Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 6.1 The Working Group does not consider at this stage, there to be any cross-code impact.
- 6.2 The Working Group has previously highlighted the interactions between the CDCM/EDCM review groups work and DCP 243. The CDCM/EDCM review has been subsequently subsumed into the Access and Forward Looking Charges Task Forces under the CFF. Task Force discussions have so far been at a high level and so have not had any direct crossover with DCP 243.
- 6.3 The Working Group also wish to highlight that in parallel with this review, Ofgem issued a consultation on a Targeted Charging Review (TCR) and launched a Significant Code Review (SCR) on the 04 August 2017.
- 6.4 The Working Group wish to highlight that DCP 283 'the calculation of generation credits in the CDCM' is also considering customer contributions, with one element of DCP 283 being a proposal to not apply customer contributions when determining generation credits. Whilst DCP 283 is also considering customer contributions, DCPs 243 and 283 are able to progress independently, with DCP 243 focussing on updating input values for use in the CDCM which will use up to date source data without fundamentally amending the principles by which they are determined, and DCP 283 is looking to amend the way in which the input values are used in the CDCM. DCP 283 has recently been submitted to Ofgem for decision, with the outcome of Party voting having been a recommendation to reject.

### Consumer Impacts

- 6.5 See applicable paragraphs (4.31 – 4.35) in the section above and in Attachment 5.

### Environmental Impacts

- 6.6 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 243 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

### Engagement with the Authority

- 6.7 Ofgem has been fully engaged throughout the development of DCP 243 as an observer on the Working Group.

## 7 Implementation

- 7.1 The Working Group sought views from Parties, via a question set out in the fourth consultation, as to the proposed implementation date of 01 April 2020. The Working Group noted that the majority of respondents agreed with the 01 April 2020 implementation date which was set out in the consultation. The Working Group agreed that the implementation of DCP 243 should be 01 April 2020.

## 8 Legal Text

- 8.1 The legal text for DCP 243 has been drafted to align to the proposed solution which is detailed in paragraph 4.51.
- 8.2 The Working Group note that there is an overlap of changes to the same paragraphs of legal text as proposed by the DCP 283 Working Group. The Working Group have highlighted the broader interaction between DCP 283 and DCP 243 in paragraph 6.4.
- 8.3 The legal text provided in Attachment 1 encapsulates the legal text changes for DCP 243 and indicates the how paragraph 31 will be treated should DCP 283 also be approved.

### Amend paragraph 29 to 31 of Schedule 16 as follows<sup>1</sup>:

29. The DNO Party estimates the extent to which the assets at each network level used by each category of users ~~are~~ would have been expected to be covered by customer contributions based on recent connections activity (as further described in paragraphs 30 to 30B) ~~if they had been constructed under the charging year's connection charging policy.~~
30. The DNO Party groups users into categories, by network level of supply, for the purpose of making these estimates.

30A. For the latest completed five year period, the DNO Party determines:

- (a) total expenditure on connections activity; and
- (b) total income from Connection Charges,

for connections activities which were undertaken solely by the DNO Party (i.e. with no involvement from an Independent Connection Provider), excluding any connections for embedded generation.

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<sup>1</sup> The revised text for paragraph 31 shall **not apply** if DCP283 is approved. If DCP283 is approved, paragraph 31 shall apply as per DCP283.

30B. The customer contribution is calculated by dividing [total income from Connection Charges] by [total expenditure on connections activity], with the resulting figure from such calculation expressed as a percentage.

31. The network model is discounted by customer contributions at each network level in the calculation of all tariffs. 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 it~~ takes the same values as for a demand user at the same network level of supply.

8.4 The Working Group would also highlight that the updating of the model version number reflects the changes made by DCP 293<sup>2</sup> which has recently been approved by the Authority. DCP 293 introduces new text at the beginning of the Schedules 16,17,18, 20 and [XX]<sup>3</sup> and also amends the Clauses in each that stipulates which version of any given model DNOs are to use and the date which the DCUSA Panel approved that version of the model. DCP 293 is to be implemented on 01 April 2018 in advance of this change.

## 9 Code Specific Matters

### Modelling Specification Documents

9.1 Not applicable.

### Reference Documents

9.2 The Working Group wish to highlight that the final version of the customer contributions template will be held outside of the DCUSA and has been provided for reference (see Attachment 6).

## 10 Recommendations

### Panel's Recommendation

10.1 The Panel approved this Change Report on 23 March 2018. The Panel consider that the Working Group have carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 243.

10.2 The Panel have recommended that this report is issued for Voting and DCUSA Parties should consider whether they wish to submit views regarding this CP.

<sup>2</sup> DCP293 – "charging methodology cut-off date"

<sup>3</sup> Schedule [XX] will be introduced by DCP 234 – 'Merging the PCDM and Extended PCDM' which has been approved for implementation on 01 April 2018

## 11 Attachments

### Attachments

- Attachment 1 – DCP 243 Legal Text
- Attachment 2 – DCP 243 Voting Form
- Attachment 3 – DCP 243 Change Proposal
- Attachment 4 – DCP 243 Consultation Four (includes three previous consultations within the zip file)
- Attachment 5 – Impact Assessment
- Attachment 6 – Customer Contributions Template