




DCUSA DCP 243 Consultation Four		At what stage is this document in the process?
<h1>DCP 243</h1> <h2>Treatment of Customer Contributions in the CDCM</h2> <p>Date Raised: 5 June 2015</p> <p>Standard Change</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>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.</p> <p>This document is the Fourth Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 243.</p>		
	<p>The Workgroup recommends that this Change Proposal (CP) should:</p> <ul style="list-style-type: none"> • Proceed to Consultation Four <p>Parties are invited to consider the questions set in section 9 and submit comments using the response form which acts as Attachment 1, to dcusa@electralink.co.uk by 17 November 2017.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>	
	 <p>Impacted Parties: DNOs, IDNOs, Suppliers</p>	
	 <p>Impacted Clauses: Schedule 16 new paragraph 30A and paragraph 31</p>	

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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	10 January 2018
Change Report issued for Voting	19 January 2018
Party Voting Ends	09 February 2018
Change Declaration issued to Authority	13 February 2018
Authority Decision	20 March 2018

1. Summary

What

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and 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.

Why

- 1.2 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 contribution under the current connection charging policy' for use in the Common Distribution Charging Methodology (CDCM) model input table 1060.
- 1.3 The Customer Contributions CDCM 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').

How

- 1.4 Currently, Customer Contributions in the CDCM are based on data from between 2005/06 and 2008/09. 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 the Regulatory Reporting Pack (RRP) data submitted to Ofgem on a rolling five-year basis. 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. excludes any involvement by Independent Connection Providers); and
 - exclude generation connection schemes.

2 Governance

Justification for Part 1 Or Part 2 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 Following a review of the Consultation responses, the Working Group will proceed to drafting a Change Report for DCP 243.

3 Why Change?

Background of DCP 243

- 3.1 DCP 243 (Attachment 5) 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 contribution under the current connection charging policy' 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 DCP 243 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 243. The group is comprised of Distributor, Supplier and Ofgem representatives. It is noted that all DCUSA Parties were invited to attend. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

- 4.2 The group reviewed the updated Customer Contributions template as developed under the MIG using the CDCM user guidance on Customer Contributions. The Working Group have issued three consultations to aid them in refining the proposed solution.

Previous Consultations

- 4.3 The first consultation was issued on 03 September 2015 seeking industry opinion on the CP and whether the updated template is appropriate for the collection of the reported data for Customer Contributions. The second consultation was issued on 14 June 2016 seeking industry views on the preferred options for updating the Customer Contribution template. The third consultation was issued on 09 November 2016 seeking industry views on the three options proposed by the Working Group.
- 4.4 Attachment 2 details the first three consultations and subsequent conclusions of the Working Group from the first two consultations with the conclusions of the third shown below.

Conclusions resulting from the third consultation

- 4.5 The Working Group reviewed the responses to the third consultation, specifically which of the options respondents highlighted as their preference:
- **Option A** – Customer contributions calculation to be updated annually using RRP data on a rolling five-year basis;
 - **Option B** - which uses historically reported data to calculate a set of fixed input values as an average across all DNOs;
 - **Option C**- effectively remove customer contributions from the CDCM (i.e. to set the input percentages to zero in the methodology).
- 4.6 Option A was the preference for the majority of respondents and Option B seemed to be least appropriate given the responses from Parties. 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.
- 4.7 The Working Group analysed the three options replacing Option B with Option B1 since a specific DNO value is more cost reflective an average across all DNOs.

- 4.8 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. The group also noted the difficulties faced in justifying a CP that requires large amounts of input data and the lack of efficiency this brings.
- 4.9 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.
- 4.10 A RFI template was developed internally by the Working Group and during this process agreed that they were happy with the assumption that the RFI template calculations should exclude IDNOs and ICP schemes, on the basis that the only reported data is for work carried out by the DNO and consequently, contributions made by the IDNO would be missed. It was agreed to exclude generation due to the contributions themselves being only applied to demand customers.
- 4.11 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 DCP is raised.
- 4.12 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 wish to highlight that if the CDCM review moves to a total cost model then the use of customer contributions should be reviewed.
- 4.13 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)

- 4.14 The Impact Assessment (Attachment 3) gives a view of the tariff impact by DNO, considering a published 2018/19 model 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 Generation customer groups)
 - Change in customer contributions (1060 input information for LVN, LV Sub and HVN, per the RFI information provided compared to the current position).

4.15 Additionally, detailed analysis by DNO is contained with the zip folder within Attachment 3.

4.16 The impact of this change sees varying impacts dependent on license area and tariff, with a range from a decrease in £/customer of ~42% (£5716- 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.

4.17 The Working Group noted that there is no differentiation with the mapping at the moment 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 jobs connections at the LV substation level. The Working Group have agreed to mirror LV customer contributions values for connections to account for Customer Contributions at the LV Substation level. The Working Group is seeking Parties views on the Working Groups approach to account for connections at the LV Substation level which are reflected by the equal percentages in the LVN and LVS worksheets.

Question 1

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

4.18 The Working Group discussed what the best methodology was for apportioning the expenditure of a connection, based on the Network level of the connection. For a connection where there is only one network level, i.e. LV job with only LV Work, the % 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 boundary split, the connection voltage level and the associated, upper voltage level.

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%

Question 2

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

Proposed Solution

4.19 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 generation connections data. It was agreed that UMS data should be included as these are 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.

4.20 The Working Group wish to highlight that no change to the models will be required as it only relates to changes to the legal text to determine the input values for the models. It was noted that this is due to the earlier decision of the Working Group that it would be undesirable to hard code the values into the DCUSA as it would require a further DCP should they need to change at a future date.

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?

5 Relevant Objectives

Assessment against the DCUSA Charging Objectives

- 5.1 The Working Group believes that DCUSA Charging Objectives 3 & 4 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 consideration of different approaches would ensure that more efficient methods for this area of the methodology have also been incorporated.
- 5.2 The Working Group is seeking Parties views on whether the solution for DCP 243 which is outlined above, better facilitates the DCUSA Charging Objectives as set out in the table below.

Question 4

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

Relevant Objective

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

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)

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

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

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.

Charging Objective Six - that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.

6 Impacts & Other Considerations

- 6.1 The Working Group does not consider at this stage, there to be any cross-code impact.
- 6.2 The Working Group have highlighted the interactions between the CDCM/EDCM review groups work and DCP 243. The CDCM/EDCM review was split into two stages. Stage One captured the issues and prioritised the areas that could be taken forward into Stage Two. These were:
 - a) Type of Costing Model.
 - b) Tariff Structures.
 - c) Licenced Distribution Network Operator (LDNO) Charging Arrangements.
 - d) New Products (e.g. Storage).
 - e) Combining the CDCM and EDCM Methodologies.
- 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 4th August 2017.
- 6.4 One of the outcomes from the CDCM/EDCM review is that Ofgem is setting up a Charging Futures Forum (CFF), previously known as the Charging Coordination Group (CCG). The report relating to the review was submitted to Ofgem in July 2017 and it is expected that this group will then direct the next stage by providing some guidance on areas to be progressed with work potentially starting later in 2017.
- 6.5 At this stage, the development of the EDCM/CDCM review is at a high level and does include reference to customer contributions. The SCR whilst establishing the CFF is also looking at residual charges which does not impact this change proposal. It is therefore suggested that unless directed otherwise by the Authority that this change proposal should continue to be developed.
- 6.6 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 model.

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?

Engagement with the Authority

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

7 Implementation

7.1 The implementation date for DCP 243 is proposed as being 1 April 2020. The decision however will need to be made ahead of this date, and in sufficient time for tariff setting to be undertaken in December 2018 for the charges to take effect on the 01 April 2020.

Question 6

Are you supportive of the proposed implementation date of 1 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 paragraphs 1.4 and 4.19. The Working Group is seeking comments from Parties on the DCP 243 legal text below.

- 29. The DNO Party estimates the extent to which the assets at each network level used by each category of users would have been expected to be covered by customer contributions 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; and
- b) total income from Connection Charges

for connections activities which were completed solely by the host DNO (i.e. with no involvement from an Independent Connection Provider), excluding connection schemes for embedded generation.

30B. The customer contribution is calculated by taking total income from Connection Charges as a percentage of total expenditure.

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 takes the same values as for a demand user at the same network level of supply.~~

Question 7

Do you have any comments on the legal text drafted by the Working Group?

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 6.6. The legal text provided in Attachment 4 encapsulates the legal text changes for DCP 283 and DCP 243. It is noted that the document contains four sets of legal text which are; existing baseline, DCP 243 only, DCP 283 only, and combined (i.e. if both changes were approved this is what it would look like).

9 Consultation Questions

9.1 The Working Group is seeking industry views on the following consultation questions:

Question Number	Question
1	Do you agree with the approach of using LV customer contributions values as a proxy for LV Substation customer contributions values?
2	Do you agree with the Working Group on the method of applying expenditure associated with an LV job which includes HV work?
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	Which DCUSA Charging Objective(s) does the proposed solution better facilitate? Please provide supporting comments.
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?
6	Are you supportive of the proposed implementation date of 1 April 2020?
7	Do you have any comments on the legal text drafted by the Working Group?
8	Do you have any further comments?

9.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **17 November 2017**.

9.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

Next Steps

9.4 Responses to the Consultation will be reviewed by the DCP 243 Working Group. The Working Group will then draft a Change Report.

9.5 If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA helpdesk by email to dcusa@electralink.co.uk or telephone 020 7432 3008.

Attachments

- Attachment 1 – Consultation Response Form
- Attachment 2 – Previous Consultations (1-3)
- Attachment 3 – Impact Assessment
- Attachment 4 – DCP 243 Legal Text
- Attachment 5 – DCP 243 Change Proposal Form