



## **DCUSA CONSULTATION**

DCP 241 - Provision of a Single Charging and  
Cost Information Model

## 1 PURPOSE

- 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.
- 1.2 This document is a Consultation issued to DNO, IDNO, Suppliers, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 241 'Provision of a Single Charging and Cost Information Model'. At this stage the Working Group is seeking views on the general approach to, and content of a single cost information model and, following feedback from Parties, will develop the detail of the solution before consulting for a second time. Parties are invited to consider the questions set out below and submit comments using the form attached as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **17 August 2015**.

## 2 BACKGROUND OF DCP 241

- 2.1 DCP 241 has been raised by Electricity North West and seeks to merge the Common Distribution Charging Methodology (CDCM) (Schedule 16), cost information table (Schedule 15) and the Annual Review Pack (ARP) (Schedule 20) into a single model to allow DNOs to use this model for setting charges and to provide quarterly updates of the allowed revenue and tariffs to stakeholders.
- 2.2 DNOs currently publish 2 models when setting charges. The first is the CDCM which is the model used to set Distribution Use of System (DUoS) charges for a one year period. The second is the ARP which contains the CDCM model and is used to provide illustrative tariffs for a 5 year period. The ARP also contains additional useful information such as the timebands used for pricing and a copy of the cost information table that DNOs publish each quarter.
- 2.3 The Proposer explains that the change proposes to remove the obligation on DNOs to publish the CDCM model in Schedule 16, the quarterly cost information table as set in Schedule 15 and the forecast of future charges as part of the ARP in Schedule 20. At the

current time it is considered that one approach could be to create a single LV/HV model which would become the model used by DNOs to set charges and contain the final prices that would apply for the upcoming year and the following year (on the implementation of DCP 178<sup>1</sup>).

- 2.4 It is highlighted that this LV/HV model would contain illustrative charges for a further 3 years (as explained further in clauses 3.3 of this document) and be issued each quarter with an updated breakdown of the allowed revenue and the illustrative tariffs that result. This LV/HV model will also incorporate any approved changes to the methodology in subsequent years, so that the tariffs reflect the methodology that will be used to set charges in the relevant charging year. This revised model should also continue to hold historical data as it is felt this is useful to parties when looking to understand the charges which the DNO would have published.

### **3 WORKING GROUP ASSESSMENT**

- 3.1 The DCUSA Panel established a Working Group to assess DCP 241. The group is comprised of Supplier, Distributor 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](http://www.dcusa.co.uk).
- 3.2 The Working Group proposes that a single model is made available which will cover what is currently provided by the Common Distribution Charging Methodology (CDCM) as covered by Schedule 16 of DCUSA, Annual Review Park (ARP) as covered by Schedule 20 of DCUSA and the Cost Information Tables as covered by Schedule 15 of DCUSA.
- 3.3 This single LV/HV model would need to be able to incorporate multiple different Charging Methodologies, for which different arrangements apply for different charging years, which in the example below could take effect from any charging year, up to and including 'Year 3'. For example if this change was to be in place for charge setting in December 2016 then it would show;
- 2016/17 charges as 'Year 0' (tariffs currently in force)

---

<sup>1</sup> Notification Period for Change to Use of System Charges

- 2017/18 charges as 'Year 1' (which would be final, 15 months' notice having been given in December 2015)
- 2018/19 charges as 'Year 2', including all CDCM calculation tables for this year (which would also be final and fifteen months' notice given)
- 2019/20 charges as 'Year 3' (these would be illustrative only)
- 2020/21 charges as 'Year 4' (these would be illustrative only)
- 2022/22 charges as 'Year 5' (these would be illustrative only)

3.4 The format of this revised LV/HV model would be based upon the revised EDCM model(s) which have been developed by DCP 216<sup>2</sup> (Attachment 3<sup>3</sup>). The view of the DCP216 Working Group which was supported by the responses to the recent consultation is that the new EDCM model(s) are felt to be easier to follow, which helps party's understanding of what is a complex charging methodology. Although it should be noted that unlike the CDCM and ARP models, currently populated EDCM models are not published by DNOs as they contain data considered to be subject to confidentiality restrictions.

3.5 The Working Group believes that the change to a single cost information model should have no impact upon the EDCM and should not change the calculation of CDCM charges in any way. However the Working Group is looking for feedback on this assumption, which is Question 4.

3.6 It was also highlighted that this change should not reduce the provision of data currently provided. That said, the Working Group is looking to gather views on the usefulness of illustrative tariffs being published for future years alongside the provision of 15 months' notice (Question 7).

#### **4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

4.1 The Working Group reviewed the CP against the DCUSA Objectives and agreed that DCP 241 has the potential to better facilitate DCUSA General Objectives 2<sup>4</sup>, 3<sup>5</sup> and 4<sup>6</sup> and

---

<sup>2</sup> Amending the EDCM model format

<sup>3</sup> Please Note: The revised model has been provided for information only, this model has not been voted on or approved by the Authority

<sup>4</sup> The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity

<sup>5</sup> The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

<sup>6</sup> The promotion of efficiency in the implementation and administration of this Agreement

Charging Objectives 1<sup>7</sup> and 2<sup>8</sup> as it consolidates the information provided to stakeholders into one model which is published on a regular basis. This change also has the potential to improve the efficiency of DNOs who will only need to populate and maintain one model. It may also aid transparency by making it easier for stakeholders to view the data as there will only be one source of tariffs. The change proposal may also aid the open governance process as only one LV/HV model will need to be updated when changes to the DCUSA are proposed, instead of two (CDCM and ARP) as currently is the case.

## **5 DCP 241 – LEGAL DRAFTING**

5.1 The Working Group discussed two quite different approaches which could be taken in drafting the revisions to the legal text. The first approach would be to not move large volumes of the legal text from the three existing schedules (15, 16 & 20), but to add a small amount of additional text to schedule 16 which would refer back to the detail of the obligations laid out as part of schedules 15 & 20, which would need to contain relevant ‘hooks’ to schedule 16. The second approach would be to move all of the appropriate obligations from the three existing schedules (15, 16 & 20) into a new separate schedule (or part of an existing one), this approach would likely be cleaner in the long term but would see significant changes made to the legal text, which would need to be considered and fully understood.

5.2 Following a review of the Consultation responses, the Working Group will work to agree which option to progress as the solution for DCP 241 and consider the detailed specification of a new model. Following this process, the group will draft and develop the legal text which will be consulted upon with DCUSA Parties after its completion.

## **6 DCP 241 – IMPLEMENTATION**

6.1 The proposed implementation date for DCP 241 is 1 April 2016. The new model would then be used for charge setting in late 2016 for the charging year 2018/19. This would ensure that any charges proposed to take effect from 2018/19 but taken through the

---

7 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

8 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)

DCUSA process after DCP241 is approved would be shown against the single model as the baseline. It is the belief of the DCP241 working group that this change should not have any impact upon how the charges are calculated.

## 7 DCP 241 – CONSULTATION QUESTIONS

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

| Question Number | Question   |
|-----------------|--|
| 1               | Do you understand the intent of the CP?  |
| 2               | Are you supportive of the principles of the CP to publish a single model to replace the CDCM, ARP and Schedule 15 Tariffs?   |
| 3               | Do you agree with the proposals from the Working Group for what will be included in the single LV/HV Model?  |
| 4               | Do you feel that the Working Group should consider whether or how the publication of EDCM charges could be incorporated into this combined approach? Or do you consider this that DCP should solely focus on LV / HV charges which is the current view of the Working Group?                                 |
| 5               | Is there anything further which has not been identified which you feel should be included?   |
| 6               | Do you have a view on the most appropriate way to implement this change with regards to the legal text? The options considered to date include creating a new schedule, or referring schedules 15 & 20 in additional text in schedule 16. Do you have a clear option on this? Please explain your rationale. |
| 7               | The Working Group does not want to reduce the amount of information currently provided which is useful to parties. Do you have any views on the usefulness of the illustrative tariffs currently provided as part of Schedule 15?  |
| 8               | Are you supportive of the proposed implementation date 1 April 2016?   |
| 9               | Do you consider that the proposal better facilitates the DCUSA Charging and General Objectives? Please give supporting reasons.  |
| 10              | Are you aware of any wider industry developments that may impact upon or   |

|  |                         |
|--|-------------------------|
|  | be impacted by this CP? |
|--|-------------------------|

7.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **17 August 2015**.

7.3 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.

## **8 NEXT STEPS**

8.1 Responses to the Consultation will be reviewed by the DCP 241 Working Group. The Working Group will then determine the progression route for the CP.

8.2 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](mailto:dcusa@electralink.co.uk) or telephone 020 7432 2842.

## **9 ATTACHMENTS**

Attachment 1 – Response Form

Attachment 2 – DCP 241 Change Proposal

Attachment 3– Proposed EDCM Models and Supporting Documentation