



DCUSA Consultation

DCP 234– Merging the PCDM and extended PCDM

1 PURPOSE

- 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 This document is a consultation issued to all DCUSA Parties, interested third parties, and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 234 'Merging the Price Control Disaggregation Model (PCDM) and Extended (E-PCDM)'.
- 1.3 Parties are invited to consider the proposed legal drafting set out in Attachment 2 to this document and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by **20 April 2016**.

2 DCP 234 'MERGING THE PCDM AND EXTENDED PCDM'

- 2.1 DCP 234 has been raised by the Electricity Network Company and seeks to replace the PCDM and E-PCDM with one model and to create a new schedule in DCUSA which contains the legal text that relates to Licensed Distribution Network Operators (LDNO) charging that is currently contained in Schedules 16, 17 and 18.
- 2.2 The Proposer explains that currently Distribution Network Operators (DNOs) need to update two models to calculate the discounts that are applied to LDNO tariffs. The models are very similar and contain the same inputs, so it would be more efficient to replace the two models with one.
- 2.3 The methodology that determines the discounts is contained in three separate places within DCUSA and there is a large amount of duplication. It is proposed to extract all the legal text that relates to LDNOs and place it into a new schedule within DCUSA. This will simplify the governance process and make it easier for stakeholders to bring forward changes.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel has established a DCP 234 Working Group which consists of DNO, LDNO, Supplier and Ofgem representatives.

4 MODELLING DOCUMENTATION

- 4.1 The DCP 234 Working Group developed a modelling specification for the DCUSA modelling consultant to progress, and the updated model and associated documents are included as Attachment 3.
- 4.2 In the population of the combined PCDM model as developed for DCP 234, it was identified that there were some inconsistencies with some of the DNO populated PCDM models. These have all been worked through by the DNOs and determined to be of low materiality. This highlights the fact that sufficient user documentation to support users population of the new combined model is needed prior to implementation as part of this change. The Working Group will develop this in conjunction with the DCUSA modelling consultant, should this change be taken forward for voting.

5 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 5.1 The Working Group reviewed the CP against the DCUSA Objectives and agree that DCP 234 better facilitates DCUSA General Objectives 2¹ and 3², and DCUSA Charging Objectives 1 and 2³.
- 5.2 The Working Group consider that this DCP will better facilitate DCUSA General Objective three and DCUSA Charging Objective one by improving efficiency in the application of the charging methodologies as it will remove the need for DNOs to populate and publish two separate models for the calculation of LDNO discounts for the CDCM and EDCM respectively. It will also provide greater efficiency for Parties wishing to find information

¹ 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

² The efficient discharge by the DNO Parties and LDNO Parties of obligations imposed upon them in their Distribution Licences

³ 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)

on LDNO discounts for each DNO as all information will be held within one model.

- 5.3 The Working Group consider that this DCP will better facilitate General Objective two and Charging Objective two as the change will make the process by which DNOs calculate LDNO discounts more transparent and easier for stakeholders to understand. This will make it easier for new market entrants (particularly LDNOs) to understand the industry charging arrangements, and will make it easier for all parties to bring forward changes under open governance. It will therefore promote competition in generation and supply.

6 LEGAL DRAFTING

- 6.1 In drafting the proposed legal text for DCP 234, the Working Group have removed clauses relating to the calculation of LDNO discounts which were previously embedded within Schedules 16, 17 and 18, and created a new schedule dedicated to the calculation of LDNO discounts.
- 6.2 This has the benefit of moving all clauses relating to LDNO discounts into a single schedule of the DCUSA, making it considerably easier for the reader to locate this information. The same benefit is seen to schedules 16, 17 and 18, with the text now being dedicated to the calculation of DNO 'all-the-way' tariffs, and hence making this information easier to digest. It also removes significant duplication from the current version of the DCUSA which may cause some confusion.
- 6.3 The proposed legal drafting is included as Attachment 2.

7 IMPLEMENTATION

- 7.1 The proposed implementation date for DCP 234 is the 01 April 2018.

8 CONSULTATION

- 8.1 The Working Group is seeking views on the below questions:
1. Do you understand the intent of DCP 234?
 2. Are you supportive of the principles of DCP 234?

3. Are you supportive of the approach taken to redraft the legal text (i.e. creating a new schedule dedicated to the calculation of LDNO discounts and removing this information from Schedules 16, 17 and 18)?
4. Do you have any further comments on the proposed legal text?
5. Do you have any comments on the updated model or associated documentation? Please provide supporting comments.
6. For DNOs: Can you populate the model easily? Does the model provide identical results to the existing 2016/17 version of the PCDM and E-PCDM? Provide supporting comments.
7. Do you feel that the new version is an improvement upon the existing version? Do you think that there are any additional improvements that could be made that would further enhance the usability of the new PCDM?
8. The Working Group feel that DCUSA General Objectives 2⁴ and 3⁵ would be better facilitated by the implementation of DCP 234; please provide your comments on this and any other DCUSA General Objective you feel will be impacted by DCP 234.
9. The Working Group feel that DCUSA Charging Objectives 1⁶, and 2⁷ would be better facilitated by the implementation of DCP 234; please provide your comments on this and any other DCUSA Charging Objective you feel will be impacted by DCP 234.
10. DCP 234 is due to be implemented on the 01 April 2018. Do you have a preference on the date that DCP 234 is implemented into the DCUSA?
11. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
12. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?

⁴ 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

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

⁶ 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

⁷ 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)

- 8.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than **20 April 2016**.
- 8.3 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.

9 NEXT STEPS

- 9.1 Responses to the Consultation will be reviewed by the DCP 234 Working Group. The Working Group will then determine the progression route for the CP.
- 9.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3017.

10 ATTACHMENTS

Attachment 1 – DCP 234 Consultation Response Form

Attachment 2 – DCP 234 Draft Legal Text (New Schedule)

Attachment 3 – DCP 234 Change Proposal

Attachment 4 – DCP 234 Modelling Documentation