

## DCP 123 Hybrid Solution

The Hybrid solution apportions the revenue to be recovered from scaling across the CDCM tariff elements in proportion to each tariff elements share of pre-scaled revenue and then calculates a fixed adder for each tariff element to recover its apportioned scaling revenue.

### Step 1: Split scaling revenue across CDCM tariff elements

The first step splits the revenue to be recovered from scaling across each of the CDCM tariff elements using the pre-scaled ratio of tariff element revenue to total revenue. An illustration is provided below:

Target Revenue: £500m

Total CDCM generated Revenue (pre-scaled): £400m

Amount to be recovered through scaling: £100m

CDCM Pre-Scaled Revenue	Allocated Scaling %	Allocated Scaling £m
Unit Charge: £300m	75% (300/400)	£75m (75% x £100m)
Fixed Charge: £60m	15% (60/400)	£15m (15% x £100m)
Capacity Charge: £36m	9% (36/400)	£9m (9% x £100m)
Reactive Charge: £4m	1% (4/400)	£1m (1% x £100m)
TOTAL: £400m	TOTAL: 100%	TOTAL: £100m

### Step 2: Calculate appropriate fixed adder for each CDCM tariff element

The second step of the Hybrid solution is to calculate an appropriate fixed adder (p/kWh, p/mpa/day, p/kVA/day or p/kVArh) to be applied to each tariff element. An illustration is provided below:

Allocated Scaling £m	Volume	Fixed Adder
Unit Charge: £75m	14,000,000,000 kWh	0.536 p/kWh $(75,000,000/14,000,000,000) \times 100$
Fixed Charge: £15m	2,000,000 mpans	2.05p/mpa/day $(15,000,000/2,000,000) \times 100/365$
Capacity Charge: £9m	2,100,000 kVA	1.17p/kVA/day $(9,000,000/2,100,000) \times 100/365$
Reactive Charge: £1m	600,000,000 kVArh	0.17p/kVArh $(1,000,000/600,000,000) \times 100$

The following is worth noting:

- Unit charge adder is derived from and applied to demand tariffs only
- Fixed charge adder is derived from and applied to demand and generation tariffs, excluding tariffs which don't have a fixed charge
- Capacity charge adder is derived from and applied to demand tariffs with capacity charges
- Reactive charge adder is derived from and applied to both demand and generation tariffs

The DCP 123 working group is seeking consultancy support to produce a CDCM model which implements the Hybrid solution specified above and in the attached RFI spreadsheet.