



## **DCUSA Change Report**

### DCP 216 'Amending The EDCM Model Format'

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 216 'Amending the EDCM model format' (Attachment 4).
- 1.2 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.
- 1.3 Parties are invited to consider the proposed amendments (Attachment 2) and submit their votes using the form attached as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **11 September 2015**.

## 2 EXECUTIVE SUMMARY

- 2.1 DCP 216 was raised by Electricity North West on the 10 September 2014 to amend the format of the EDCM model to make it easier for stakeholders to understand the calculations within the model.
- 2.2 Over a period of **ten months** the DCP 216 Working Group met **five** times and issued ~~one~~ two consultations. The Working Group developed a new matrix format for the calculation sheets for the [Extra High Voltage Distribution Charging Methodology \(EDCM\) Long Run Incremental Cost \(LRIC\)](#) and [Forward Cost Pricing \(FCP\)](#) models with the support of ~~the~~ an ~~adviser~~ consultant. The consultation asked Parties whether the new matrix format for the calculation sheets enabled the calculation to be followed from left to right in an easier to understand manner and asked Parties to identify any further changes which would make the models more accessible to stakeholders.
- 2.3 The Working Group unanimously supports the principles of this change.

## 3 INTENT OF THE DCP 216 CHANGE PROPOSAL

- 3.1 DCP 216 has been raised by Electricity North West to amend the format of the EDCM model to make it easier for stakeholders to understand the calculations within the model.
- 3.2 DCUSA Schedules 17 and 18 contain the methods, principles, and assumptions underpinning the EDCM for the calculation of [Extra High Voltage Use of System Charges](#) by

DNO Parties. When DNOs set the Use of System Charges they are required to populate the FCP, LRIC and [Extended Price Control Disaggregation Methodology \(Extended-PCDM\) Models](#).

- 3.3 The main substance of the change proposed is contained in the reformatting of the EDCM models (FCP [and](#) LRIC). The DCP 216 proposed legal text changes the EDCM model version and date published only to allow the amended models to be implemented.

#### 4 DCP 216 – WORKING GROUP CONSIDERATIONS

- 4.1 The DCUSA Panel established a Working Group to assess DCP 216. The Working Group met on [five](#) occasions and was comprised of DNOs, [Supplier](#) and Ofgem representatives.

Comment [OC1]: Is this correct?

Formatted: Highlight

- 4.2 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).

- 4.3 The Working Group has noted that this CP has been designated as a Part 2 Matter as the proposed change does not impact the methodology or the outputs of the model but the formatting of the model only.

- 4.4 All Working Group members are supportive of the general principle of DCP 216.

- 4.5 The Working Group considered that the current format of the EDCM model was not [customer friendly](#) logical to follow. [An example if that t](#)he existing EDCM model contains a table which consists of 300 rows with 1 row for each type of customer. As this table is replicated many times on each of the four sheets it results in approximately 35,000 rows. This poses a difficulty to those wishing to follow the calculations through in the spreadsheet.

- 4.6 The Working Group submitted a request to the modelling advisor for an alternate format to the model of 300 rows with approximately 50 columns. The Working Group considered that this change to the formatting would help increase the transparency of pricing between the DNOs and their customers by being more accessible to users [where the DNO needed to explain the calculation of a specific charge.](#)

- 4.7 On review of the model the Working Group identified further refinements. It was agreed that the new models would be easier to follow if the rows numbers for each tariff were common on all worksheets and to amend the models to round the LDNO prices to the

appropriate decimal places as currently DNOs have to manually adjust them. The EDCM models and its impact documentation act as Attachment 3.

- 4.8 The Working Group considered it inherent to the success of this change that the output from calculations in the EDCM model is not impacted by the reformatting of the model. All DNOs were invited to test the reformatted EDCM model and provide their feedback as part of the DCP 216 consultation.

## 5 DCP 216 CONSULTATION ONE

- 5.1 The Working Group carried out a Consultation to give DCUSA Parties and other interested organisations ([Attachment 5](#)) an opportunity to review and comment on DCP 216. There were six DNO responses received to the consultation. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment 5.

- 5.2 A summary of the responses received, and the Working Group's conclusions are set out below:

### **Question 1: Do you understand the intent of the DCP 216?**

- 5.3 The Working Group noted that all respondents understood the intent of the CP.

### **Question 2: Are you supportive of the principles of the DCP 216?**

- 5.4 The Working Group noted that all respondents were supportive of the principles of DCP 216. One respondent commented that the change was beneficial as it made the model easier to understand and therefore more efficient.

### **Question 3: Do you have any comments on the proposed legal text?**

- 5.5 Five respondents noted that they had no comments on the proposed legal text. One respondent commented that they were comfortable with the legal text changes which were restricted to the date and model version number as the format is not prescribed as part of the methodology.

- 5.6 The Working Group noted the responses.

### **Question 4: DNO Parties: Please confirm whether there is any change to the outputs**

**obtained from the reformatted LRIC and FCP EDCM models?**

5.7 The Working Group noted that all DNO Parties tested the outputs of the relevant EDCM model applicable to them (FCP or LRIC model) and concluded that they received the same outputs as before the model was reformatted.

**Question 5: Do you think that the new format of the amended EDCM Model<sup>1</sup> is beneficial?**

5.8 The Working Group noted that all respondents considered that the amended EDCM model format was easier to understand. Respondents advised that the one tab in matrix format made the calculation for a customer's charge easier to follow than the current model.

**Question 6: Have you identified any further changes applicable to the reformatting of the EDCM model?**

5.9 ~~Four~~Three respondents did not identify any further changes applicable to reformatting the model. ~~A~~One respondent who did identify a further change did not specify the change identified. ~~The~~ other two respondents suggested the following amendments to the models:

- “Matrix Tab: Column BS should be set to 3 d.p. for super-red rate”.
- “Data from the CDCM:
  - A single input table for network data linked to the CDCM (i.e. grouping inputs 1105, 1122, 1131 and 1135).
  - A separate table for financial information with O&M rate, direct costs, indirect costs, network rates, target revenue and exit charges linked to the CDCM. On top of this, it would seem logical to input the total target revenue and the transmission exit charges, rather than inputting the current ‘target revenue less exit charges’.
  - A separate table for ‘generation data’ (GP, GL and connected capacity).
  - A separate table for days in year and hours in super-red.
- A single input table for NUFs cap and collars (rather than the separate 1133 and 1134 currently in use. An example of this is provided in the attached workbook”.

**Comment [OC2]:** Can we add any further detail to this comment?

**Comment [OC3]:** As this is a single company (across 2 regions) should this be ‘a respondent’?

<sup>1</sup> Changes to the format of the amended EDCM Model should not change the calculation process.

5.10 The Working Group reviewed the sample attached workbook and agreed that this sample proposes a better input sheet than the one proposed in the DCP 216 model. The Working Group agreed to request for the DCUSA model consultant to amend the format of the model to include all of the above proposed changes suggested by respondents.

**Question 7: Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.**

1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.
2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.
3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.
4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.
5. 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.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	None
<b>DNOs</b>	1	4	0	1	0	1

5.11 One respondent considered that General Objective one was better facilitated by this CP as the amended model is more efficient in terms of reviewing for errors.

5.12 Four respondents agreed that General Objective 2 was better facilitated by this CP. All four respondents agreed with the Workings Groups opinion as set out in the consultation that the change would improve the transparency of the EDCM model for all stakeholders by making the calculations within the model easier to follow and easier to identify any

mistakes. One respondent noted that the change would facilitate effective competition in the supply of electricity.

5.13 One respondent considered that DCUSA General objective 4 is better facilitated by this change by improving the ease of use of the EDCM model for its users.

5.14 One respondent considered due to the sensitive nature of the data in the EDCM model means that the models are not published and the interaction of Suppliers or end users could be considered to be negligible and as a result this change is neutral in regards to the DCUSA objectives. *“However, in making the models more transparent, this change may enable parties to gain better understanding of the methodologies and hence raise potentially beneficial changes in the future”.*

5.15 The Working Group agreed that DCUSA General Objectives 2 was better facilitated and not DCUSA General Objective 1.

**Comment [CH4]:** Working Group to provide the objectives best facilitated following consideration of the comments.

**Question 8: Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.**

1. 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.
2. 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).
3. 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.
4. 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.

- 5. 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.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	None
DNOs	1	4	0	1	0	1

5.16 The Working Group noted that all respondents to this question cited the same rationale as for the previous question on why the above objectives were better facilitated by this CP.

5.17 The Working Group noted the responses.

**Comment [CH5]:** Provide the Working Group view of the DCUSA objectives best facilitated by this CP.

**Question 9: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

5.18 The Working Group noted that all respondents were not aware of any wider industry developments that may impact upon or be impacted by this CP. One respondent did suggest that there would be no impact but it is subject to the outcome of the EDCM review.

**Comment [OC6]:** Can we clarify this sentence further?

**Question 10: Do you have a preference on the date that DCP 216 is implemented into the DCUSA?**

5.19 Three respondents advised that they did not have a preference on when this change was implemented. Two respondents considered that the proposed change should be implemented in the next DCUSA release. One respondent considered that as the modification does not change the outputs of the model then there should be no issue with the Working Groups proposed implementation date.

5.20 One respondent suggested that the change should be made as soon as possible and cited the 01 April 2016 as a suitable implementation date.

5.21 The Working Group agreed that as this change introduces new formatting and does not make any changes to the outputs of the EDCM model that it can be implemented in the next DCUSA release.

**Question 11: Are there any alternative solutions or matters that should be considered by the Working Group?**

5.22 Five of the six respondents were not aware of any other alternative solutions or matters to be considered by the Working Group. One respondent noted “a change in format of the tariff tables (4501 & 6005), as a result the impact on the LC14 Charging Statement needs to be considered”.

5.23 The Working Group noted that users will need to be aware that as the LDNO and EDCM tariffs are formatted differently in the proposed DCP 216 EDCM model that the users will need to take in to consideration this different format when putting the data in to the LC14 Charging Statement.

**6 DCP 216 CONSULTATION TWO**

6.1 Following the review of the consultation responses to consultation one, the Working Group agreed that the input spreadsheet layout proposed by [Northern Powergrid respondent to question 6](#) was better than the proposed DCP 216 EDCM Model. The Working Group requested for the model consultant to update the model based on this feedback. The Working Group carried out a second Consultation to give DCUSA Parties and other interested organisations ([Attachment 5](#)) an opportunity to review and comment on DCP 216. There were six DNO responses received to the consultation. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment 6.

6.2 A summary of the responses received, and the Working Group’s conclusions are set out below:

**Question 1: Do you consider that the formatting in this amended EDCM model is beneficial?**

6.3 All respondents considered that the reformatted EDCM model is beneficial.

6.4 One respondent advised that the revised model was easier to populate and to work through the calculations. Another respondent advised that having the input data grouped accordingly improves the model for users. This respondent considered that the inputting of total target revenue and transmission exit charges separately was also sensible.

6.4 The Working Group noted the responses,

**Formatted:** Normal, Left, Line spacing: single, No bullets or numbering

**Formatted:** Font: Times New Roman, 12 pt

**Question 2: DNO Parties: Please confirm whether there is any change to the outputs obtained from the reformatted LRIC and FCP EDCM models?**

6.5 Three respondents advised that there were no changes to the EDCM model outputs for their DNO areas. One respondent confirmed there was no change to the 2 main output sheets.

6.6 Two respondents did locate changes to the outputs produced by the EDCM model for their DNO area as set out below:

**Respondent One**

6.7 “The difference is a slight decrease in all import capacity rates. Having followed this through the two models, there appears to be a discrepancy in the ‘Revenue Less Costs and Adjustments (£/Year)’ calculation. This calculation is in cell ‘Calc3’!B6285 in the base model and cell ‘DNO Totals’!B208 in the DCP 216 model. The base model appears to do the following calculation:

Target Revenue Less Exit Charges – Direct Costs – Indirect Costs – Network Rates – Net Forecast EDCM Generation Revenue + Direct Cost Charging Rate \* Total Demand Sole Use Assets qualifying for DCP 189 discount

6.8 Whilst the update model does:

Target Revenue Less Exit Charges – Direct Costs – Indirect Costs – Network Rates – Net Forecast EDCM Generation Revenue - Transmission Exit Charges (£/Year) + Direct Cost Charging Rate \* Total Demand Sole Use Assets qualifying for DCP 189 discount”.

**Comment [OC7]:** Can we highlight the difference in the formula to make it clearer to the reader?

**Respondent Two**

6.9 “There is a change to the “Total net revenue from discounted LDNO tariffs (£/year)” that is calculated as the new calculation is based on the rounded LDNO tariffs whereas the previous calculation was based on unrounded tariff values. This change does not affect the tariffs but does effect the “All EDCM tariffs including discounted LDNO (£/year)” value that is entered in the CDCM as revenue collected outside the CDCM model. The difference is very small (<£100) and therefore has no material effect to the CDCM. We believe that the new model calculates the value correctly as this reflects the revenue that would be collected based on rounded tariff values”.

6.10 The Working Group considered the responses and agreed to ~~provide this~~ feedback to the modelling consultant ~~that the comment from respondent one needs to be reviewed and corrected. However the comment from respondent two does not require a further change as the Working Group agreed that the way in which LDNO tariffs are rounded is the correct approach.~~

**Comment [OC8]:** This text will need to be further revised as this change will surely require a further consultation would need to be issued.

**Comment [CH9]:** Revisit following response from Andrew Enzor.

**Comment [CH10]:** Suggested response

## 7 DCP 216 PROPOSED LEGAL TEXT

5.1 The proposed legal text [solely](#) amends the version number of the EDCM model that Parties are required to populate when setting the Use of System Charges and acts as Attachment two to this report.

## 8 DCP 216 – WORKING GROUP CONCLUSIONS

8.1 The Working Group reviewed each of the responses received to consultation one and concluded that the all respondents understood the intent of DCP 216.

8.2 The Working Group agreed that all respondents were supportive of the principle of the CP.

8.3 The Working Group highlights the fact that all DNOs tested the newly reformatted EDCM model and [ultimately](#) received the same outputs to their calculations as the existing EDCM model. All respondents advised that the reformatted model was beneficial with some respondents noting that it had made the customers tariff calculation easier to follow.

8.4 The Working Group noted that the majority of respondents felt that specifically DCUSA General Objective 2 and DCUSA Charging Objective 2 is better facilitated by this change.

8.5 The Working Group considered that users will need to be aware that as the LDNO and EDCM tariffs are formatted differently in the proposed DCP 216 EDCM model that the users will need to take in to consideration this different format when putting the data in to the LC14 Charging Statement.

8.6 The Working Group concluded that the CP will provide the following benefits:

- by assisting users to understand what charges are expected to be paid by the Customer through the reformatting of the EDCM models; and
- the reformatting of the EDCM models also aids transparency for the user and for the customer.

## 9 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 9.1 The Working Group considers that DCUSA General Objectives 2 and DCUSA Charging Objective 2 are better facilitated by DCP 216.

### General Objective

**General Objective Two** – *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.*

### Charging Objective

**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).*

- 9.2 **Working Group view on DCP 216:** The Working Group agreed that both the DCUSA General and Charging Objective 2 were better facilitated as the change improves the transparency of the EDCM model for all stakeholders by making the calculations within the model easier to follow and easier to identify any mistakes. Thus facilitating effective competition in the supply of electricity.

## 10 IMPACT ON GREENHOUSE GAS OMISSIONS

- 10.1 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 216 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of DCP 216.

## 11 IMPLEMENTATION

- 11.1 Subject to Party approval, DCP 216 will be implemented in the next DCUSA release. As the charge is calculated using the reformatted EDCM Model. As this change does not alter the methodology used to calculate the charges and solely changes the format of the model, the

**Comment [CH11]:** Reformatting Sentence to be provided by CO

Working Group agreed that this change did not need to be introduced to align with the setting of charges which take effect from 1 April each year. As a result, subject to Party approval DCP 216 will be implemented in the next DCUSA release.

**Comment [OC12]:** Sentence as requested.

## 12 PANEL RECOMMENDATION

12.1 The DCUSA Panel approved the DCP 216 Change Report on 16 September 2015. The timetable for the progression of the CP is set out below:

**Comment [OC13]:** To be revised as appropriate.

Activity	Target Date
Change Report Approved By DCUSA Panel	19 August 2015
Change Report Issued For Voting	21 August 2015
Party Voting Ends	11 September 2015
Change Declaration Issued	16 October 2015
Implementation <sup>2</sup>	Next DCUSA Release

**Comment [OC14]:** This will need to be revised from 1/10/15 to the next release of DCUSA.

## 13 ATTACHMENTS:

- Attachment 1 – DCP 216 Voting Form
- Attachment 2 – DCP 216 Proposed Legal Text
- Attachment 3 – Model and Impact Analysis
- Attachment 4 - DCP 216 Change Proposal
- Attachment 5 – DCP 216 Consultation One Documents
- Attachment 6 – DCP216 Consultation Two Documents

<sup>2</sup> The next DCUSA Release following Authority consent is scheduled for the 01 October 2015.