



DCUSA CHANGE REPORT

**DCP 212 - Align the Extended PCDM Model
with the Legal Text**

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 212 'Align the Extended PCDM Model with the Legal Text'. The voting process for the proposed variation and the timetable for the progression of the Change Proposal (CP) through the DCUSA Change Control Process are set out in this document.
- 1.2 Parties are invited to consider the proposed amendment (Attachment 2) and submit their votes using the Voting form (Attachment 5) to dcusa@electralink.co.uk by **16 January 2015**.

2 BACKGROUND

- 2.1 DCP 212 was raised by UK Power Networks and seeks to align the Extended Price Control Disaggregation Model (PCDM) and the relevant legal text as laid out within DCUSA Schedules 17 and 18.
- 2.2 The Proposer explains that this change has been proposed to address inconsistencies between the Extended PCDM and the legal text, following a separate change proposal (DCP198¹) which looked to address similar issues with the PCDM and the legal text in Schedule 16.
- 2.3 The Extended PCDM was brought under the governance arrangements following the approval of DCP 128². Although the legal text was not revised at this time, it has been agreed as part of the DCP 198 Working Group discussions that the legal text needs to be aligned to the PCDM, it is the expectation that the same approach is appropriate for the Extended PCDM.
- 2.4 It was further highlighted by the Proposer that this change will benefit the work of DCUSA Parties by removing any difference between the legal text and the Extended PCDM. It will work to ensure that Parties can be confident that the design of the model reflects the wording in the Agreement.

¹ Align the PCDM Model with the Legal Text'

² Bringing the EDCM Price Control Disaggregation (Extended Method M) under the DCUSA Open Governance Framework

3 WORKING GROUP ASSESSMENT OF DCP 212

- 3.1 The DCP 212 Working Group met immediately following the DCP 198 Working Group as the two CPs were progressed together; but each CP will be put forward individually on their own merit. The Working Group met on three occasions and was comprised of Distributor, IDNO and Ofgem representation. It is noted that all DCUSA Parties were invited to attend the Working Group. Meetings were held in open session and the documents of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4 CONSULTATION RESPONSES

- 4.1 The DCP 198 Working Group conducted a consultation in February 2014 in order to gauge Industry opinion on how best to address the differences within the legal text and the PCDM. It was agreed that two options could be used to progress the CP further: Option 1 - Amend the PCDM to match the legal text as set out in the DCUSA, or Option 2 - Amend the legal text as set out in the DCUSA to match the PCDM. These consultation documents are included as Attachment 3.
- 4.2 During the course of its discussions whilst reviewing the responses to this consultation, the Working Group noted that there was a need to also update the legal text for the Extended PCDM. As the intent of DCP 198 was not broad enough to include this model within its scope, a new CP was raised to address the EDCM version of the PCDM.
- 4.3 A new CP was raised and accepted into the DCUSA Change Process, and the DCUSA Panel felt that as the subject matter was nearly identical it should be given to the DCP 198 Working Group to progress alongside one another, but as separate CPs.
- 4.4 The Working Group agreed and summarised the progress of the DCP 198 up to this point, specifically in regard to Consultation One where Parties agreed to match the legal text to the methodology (the model) instead of the reverse. This meant that the same progression route would apply to DCP 212 in regard to having the legal text to match the Extended PCDM. The Working Group members unanimously agreed with this approach.
- 4.5 The Working Group then discussed how the discrepancies within the legal text can be identified in order to update it accordingly to match the PCDM Models. The members

agreed that the DCUSA modelling consultant should be requested to examine the legal text in order to identify the discrepancies and amend the legal text accordingly.

4.6 The Working Group were explicit in regard to what the scope of the work should be, and highlighted that it is only to identify the discrepancies within the legal text in regard to the model for both DCP 198 and DCP 212, and make no changes to the models themselves. The Working Group agreed with this approach.

4.7 The DCP 212 Working Group carried out a consultation to give DCUSA Parties an opportunity to review and comment on the CP and the proposed legal drafting. These documents are included as Attachment 4.

Consultation – September 2014

4.8 It was explained within this consultation that the Proposer had highlighted that following the appointment of a consultant to undertake the modelling work for DCUSA charging methodology changes, a number of inconsistencies have been identified between the legal text as defined within DCUSA Schedule 16 and the current published DCUSA PCDM and Schedules 17 and 18 and the current published DCUSA Extended PCDM. The PCDM and Extended PCDM were brought under the open governance arrangements following the approval of DCP 128³ and DCP 129⁴; the legal text was not revised for in either DCP 128 or 129.

4.9 Within the document, it was noted that the Working Group had previously issued a consultation in order to gauge Industry opinion as to how best proceed with DCP 198. In the consultation issued on 7 February 2014, the Working Group explained that two options could be used to progress the CP further: Option 1 - Amend the PCDM to match the legal text as set out in the DCUSA, or Option 2 - Amend the legal text as set out in the DCUSA to match the PCDM.

4.10 The Working Group explained that they had reviewed the responses to the February consultation, and the majority of respondents agreed that the legal text should be amended to match the PCDM model. The reasoning behind this was that the PCDM was

³ Bringing the EDCM Price Control Disaggregation (Extended Method M) under the DCUSA Open Governance Framework

⁴ Bringing the CDCM Price Control Disaggregation (Method M) under the DCUSA Open Governance Framework

the methodology that was being used in practice, and that the legal text should be updated in order to match what was being used within the Industry.

- 4.11 The consultation consisted of questions for both DCP 198 and DCP 212.
- 4.12 There were four responses received to the consultation. A summary of the responses received in regard to DCP 212 only, and the Working Group's conclusions are set out below:

Question 1 - Do you agree with the intent of DCP 212?

- 4.13 The Working Group noted that all respondents agree with the intent of DCP 212.
- 4.14 A DNO Respondent explained that they agreed with the intent of DCP 212 and understands the intent of this change proposal is to align the current Extended Price Control Disaggregation Model (PCDM) with the relevant legal text as laid out within the DCUSA.

Question 2 - Do you agree with the principles of DCP 212?

- 4.15 The Working Group noted that all the respondents agreed with the principles of DCP 212.

Question 3 - Do you have any comments on the proposed legal text for DCP 212? Please provide supporting comments.

- 4.16 The Working Group reviewed and noted all the responses. The members agreed with many of the comments and agreed to amend the legal text as suggested within the responses. The Working Group instructed the modelling consultant to amend the legal text in accordance with the responses.

Question 4 - The Working Group considers that DCUSA General Objective 1⁵ and Charging Objectives 1⁶ and 3⁷ are better facilitated by DCP 212, do you agree with this opinion? Please provide supporting comments on this and any other DCUSA General or Charging Objective you feel is impacted by DCP 212.

⁵ The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

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 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

- 4.17 The Working Group reviewed and noted the comments within the responses. It is also noted that the majority of respondents agree with the Working Group's assertions regarding the DCUSA General and Charging Objectives.
- 4.18 A DNO Respondent noted that they would agree with the view of the working group that DCUSA General Objective 1 and Charging Objectives 1 and 3 are better facilitated as a result of this change proposal. This is a result of the methodology being more closely aligned to the model utilised, and by including relevant wording to better describe elements which the methodology was previously silent on.
- 4.19 A different DNO Respondent explained that they agree that that this CP better meets Charging Objective 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). In particular SLC 12.4 states that charges to be made must be consistent with the relevant Charging Methodology. As there are a number of inconsistencies between the DCUSA legal text and the Extended PCDM at present this CP will remove this inconsistency and therefore better meet this Objective.
- 4.20 They explained that in their view, this CP is neutral to DCUSA General Objective 1 and Charging Objective 3 as there will be no impact on the PCDM and therefore no price impact as a result of this change.

Question 5 - Do you agree with the implementation date of DCP 212?

- 4.21 The Working Group noted that all respondents agree with the implementation date as proposed by the DCP 212 Working Group.

Question 6 - Are there any alternative solutions or matters that should be considered by the Working Group for DCP 212?

- 4.22 The Working Group noted that the majority of respondents had no alternative solutions for the Working Group to consider.
- 4.23 One DNO Respondent explained that in their view, the Working Group should consider merging the LDNO text into one Schedule rather than having the same text in 3 separate Schedules of the DCUSA.

4.24 The Working Group reviewed and noted this comment, and reiterated that this is outside the scope of this Working Group.

5 WORKING GROUP FINAL CONCLUSIONS ON DCP 212

5.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses, is that the proposed drafting meets the intent of DCP 212 and therefore should be issued for voting and Party determination.

6 ENGAGEMENT WITH THE AUTHORITY

6.1 Ofgem has been engaged in the progression of DCP 212 as a member of the Working Group.

7 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

7.1 Working Group considers that the following DCUSA Objectives are better facilitated by DCP 212. The Working Group feel that these will all be improved as a result of this DCP 212, as it will ensure that the Extended PCDM model is consistent with DCUSA Schedules 17 and 18.

- **General Objective 1 - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks**
- **Charging Objective 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**
- **Charging Objective 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**

8 DCP 212 – LEGAL DRAFTING

- 8.1 The DCP 212 legal drafting has been reviewed by the DCUSA legal advisors and is provided as Attachment 2.

9 ENVIRONMENTAL IMPACT

- 9.1 The Working Group unanimously agreed that there is no environmental impact associated with DCP 212 and, therefore, no environmental impact analysis is required on the implementation of this CP.

10 IMPLEMENTATION

- 10.1 The proposed implementation date for DCP 212 is the first release following Authority consent.

11 PANEL RECOMMENDATION

- 11.1 The Panel approved this Change Report at its meeting on 17 December 2014.
- 11.2 The timetable for the progression of the CP is set out below:

Activity	Date
Change Report issued for voting	18 December 2014
Voting closes	16 January 2015
Change Declaration	20 January 2015
Authority Determination	24 February 2015
DCP 212 Implemented	First Release Following Authority Consent

12 NEXT STEPS

12.1 Parties are invited to consider the proposed amendments (Attachment 2), together with the Consultation documentation (Attachments 3 and 4) and submit their votes using the Voting form (Attachment 5) to dcusa@electralink.co.uk by **16 January 2015**.

12.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3014.

ATTACHMENTS

- Attachment 1 – DCP 212 CP Form
- Attachment 2 – DCP 212 Proposed Legal Drafting
- Attachment 3 – DCP 198 Consultation – February 2014
- Attachment 4 – DCP 198 and 212 Consultation – September 2014
- Attachment 5 – Voting Form