

DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to dcusa@electralink.co.uk for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

- PART A – Mandatory for all Change Proposals
- PART B – Mandatory for Non Charging Methodologies Proposals
- PART C – Mandatory for Charging Methodologies Proposals
- PART D – Guidance Notes

PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	
Date of submission	13/3/14
Attachments	
Originator Details	
Company Name	E.ON
Originator Name	Glenn Sheern
Category	Supplier
Email Address	Glenn.sheern@eonenergy.com
Phone Number	07834 621647
Change Proposal Details	
CP Title	Removal of charge 1 from the EDCM
Impacted parties	EDCM customers and their suppliers; EDCM generators with import facilities; DNOs; IDNOs
Impacted Clause(s)	Schedule 17 and Schedule 18
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	
Change Proposal Intent	
Remove charge 1 from the calculation of import charges under Schedule 17 "EHV charging methodology (FCP model)" and under Schedule 18 "EHV charging methodology (LRIC model)".	
Business Justification and Market Benefits	
<p>This change proposal seeks to address a defect in the EDCM methodologies. The defect is that the charge 1 elements of the EDCM could impose charges that reflect future hypothetical investments needed to meet the growth in demand of other customers. For example, these charge 1 elements could require a current EDCM customer to pay for some of the costs to the DNO of supplying future EDCM or CDCM customers. This application of charge 1 is not cost reflective. It might lead to unfair charges in cases where the costs underpinning charge 1 are not needed or used to distribute electricity, now or in the future, to an EDCM demand customer who would be paying charge 1.</p> <p>The proposed solution of removing charge 1 from the calculation of EDCM import tariffs is a targeted, simple and effective way of addressing the defect.</p> <p>The omission of charge 2 from the EDCM for generation (which came into effect on 1 April 2012) has already addressed the corresponding issue for EDCM export tariffs. This change proposal would apply the same principle to EDCM import tariffs.</p>	

The proposed implementation date is 1 April 2015. Whilst it would probably be practical to implement the change on 1 April 2014, there are benefits of deferring implementation to April 2015:

- Deferral to 2015 will allow the working group to publish an impact assessment giving affected customers more than a year's notice of the possible change in their charges.
- Deferral to 2015 will give time to the working group to address any unintended consequences of the proposal, for example if the removal of charge 1 were to reveal that the EDCM pot calculation is unsuitable in some cases and needs to be amended.

Proposed Solution and Draft Legal Text

The proposed solution is to remove charge 1 from the calculation of import charges under Schedule 17 "EHV charging methodology (FCP model)" and under Schedule 18 "EHV charging methodology (LRIC model)".

The proposed solution has no impact on generation credits paid to generators on the basis of charge 1 under Schedule 17 "EHV charging methodology (FCP model)" and under Schedule 18 "EHV charging methodology (LRIC model)".

Draft legal text (if there are no unintended consequences to be addressed):

- In schedule 17, replace paragraph 6.2 with "The import charges for the application of charge 1 are given by the formulas [p/kWh super-red rate] = 0 and [p/kVA/day capacity charge]= 0."
- In schedule 18, replace paragraph 6.3 with "The import charges for the application of charge 1 are given by the formulas [p/kWh super-red rate] = 0 and [p/kVA/day capacity charge]= 0."

Draft modelling solution (if there are no unintended consequences to be addressed, and subject to testing on populated models):

- In model F201, replace the formula in every data cell of table 4227, table 4411 and table 4413 with "=0".
- In model L201, replace the formula in every data cell of table 4260, table 4412 and table 4414 with "=0".

Proposed Implementation Date

So that the revised method of calculation applies to charges from 1 April 2015.

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input checked="" type="checkbox"/>

If other please specify

Consideration of Wider Industry Impacts

Environmental Impact
Confidentiality

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Objectives
<p><u>General Objectives:</u></p> <p>Please tick the relevant boxes. [See Guidance Note 9]</p> <p><input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks</p> <p><input type="checkbox"/> 2 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</p> <p><input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences</p> <p><input type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of this Agreement</p> <p><input type="checkbox"/> 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.</p>
Rationale for better facilitation of the DCUSA Objectives identified above

PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Charging Objectives
<p>Please tick the relevant boxes. [See Guidance Note 11]</p> <p><u>Charging Objectives:</u></p> <p><input type="checkbox"/> 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</p> <p><input checked="" type="checkbox"/> 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)</p> <p><input checked="" type="checkbox"/> 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</p>

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.

General Objectives:

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- 2 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
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement
- 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.

Rationale for better facilitation of the DCUSA Objectives identified above

Charging objective 1 (facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence) is better facilitated as the removal of charge 1 would reduce the risk that the charging methodology leads to charges which are excessive and unjustifiable, in breach of the Competition Act 1998. But this is only a follow-on effect of the benefit captured under charging objectives 2 and 3.

Charging objective 2 (facilitate competition in generation and supply, and not restrict, distort, or prevent competition in transmission or distribution) is better facilitated because:

- The change eliminates a non-cost-reflective element of the import charges levied on EDCM generators in respect of station demand. (This change has no impact on generation credits paid to generators in respect of avoided or deferred DNO costs.)
- The change eliminates a particularly opaque and unpredictable element of the distribution charges, thus facilitating competition by suppliers who are prepared to take some distribution charge risk or to help customers manage their distribution charges.
- This change proposal removes distortions to competition in the distribution of electricity by eliminating a perverse incentive for customers to build their own infrastructure to avoid non-cost-based charge 1 which is currently levied for use of some spare capacity on the DNOs' network.

Charging objective 3 (cost-reflectivity) is better facilitated because the change removes charge 1, which is an element of the calculation of charges to an EDCM demand customer that does not reflect the costs incurred, or reasonably expected to be incurred, by the DNO in maintaining the supply to that EDCM demand customer. If this change proposal is implemented, then some or all of the money no longer collected through charge 1 will instead feed into scaling within the EDCM model. EDCM scaling is based on capacity, consumption, and assets notionally used to maintain the supply to the customer; compared to charge 1, EDCM scaling better reflects the costs incurred or reasonably expected to be incurred by the DNO in providing distribution services to EDCM demand customers.

Charging objective 4 (properly take account of developments in each DNO Party's Distribution Business) is not affected.

Charging objective 5 (EU regulation) is not affected.

General objective 1 (development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks) might be better facilitated if the removal of charge 1 eliminates perverse incentives for customers to duplicate DNO network elements. But this is only a follow-on effect of the benefit captured under charging objectives 2 and 3.

General objective 2 (facilitation of effective competition in generation and supply, and promotion of effective competition in the sale, distribution and purchase of electricity) is better facilitated for similar reasons as charging objective 2.

General objective 3 (efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences) is not affected.

General objective 4 (efficiency in the implementation and administration of DCUSA) is not affected.

General objective 5 (EU regulation) is not affected.

Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation

This proposal has been developed by the Methodologies Issues Group (MIG) at its May 2013 and June 2013 meetings. The MIG issue form (MIG issue 63) and minutes of the MIG meetings are attached.

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Guidelines for Working Group Members and Working Group Terms of Reference are available on the DCUSA Website and provide more information about the progression of the Change Process. www.dcusa.co.uk

Ref	Data Field	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Part 1 / Part 2 Matter	A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions. The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).

		Insert proposed legal drafting (change marked against any existing DCUSA drafting).
5	Proposed Implementation Date	The Change can be implemented in February, June, and November of each year.
6	Consideration of Wider Industry Impacts	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance .
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Rationale for DCUSA Objectives	Provide supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.