

DCUSA DCP 203 CHANGE DECLARATION

VOTING END DATE: 8 APRIL 2016

| DCP 203 – ‘THE RATIONALISATION OF DISCOUNT FACTORS USED TO DETERMINE LDNO USE OF SYSTEM TARIFFS RELATING TO UMS CONNECTIONS ON EMBEDDED DISTRIBUTION NETWORKS AND THE ASSOCIATED LDNO TARIFFS’ | WEIGHTED VOTING | | | | |
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| | DNO | IDNO | SUPPLIER | DISTRIBUTED GENERATOR | GAS SUPPLIER |
| CHANGE SOLUTION | Accept | Accept | n/a | n/a | n/a |
| IMPLEMENTATION DATE | Accept | Accept | n/a | n/a | n/a |
| RECOMMENDATION | <p>Part 1 Matter</p> <p>Change Solution – Accept.</p> <p>For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%.</p> <p>Implementation Date – Accept.</p> <p>For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%.</p> | | | | |
| PART ONE / PART TWO | Part One – Authority Determination Required | | | | |

| PARTY | SOLUTION (A / R) | IMPLEMENTATION DATE (A / R) | WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED? | COMMENTS |
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| DNO PARTIES | | | | |
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| Electricity North West | Reject | Reject | <p>We do not feel the proposal better facilitates any of the DCUSA objectives.</p> <p>The change proposal distorts competition as it will result in a less cost reflective tariff being applied to some UMS customers, and consequently will result in a cross subsidy between customers.</p> <p>It will also potentially discriminate between LDNOs by applying lower tariffs to LDNOs where the majority of the UMS connections are HV compared to those where the majority of UMS connections are LV. This will provide an LDNO with a majority of HV connected UMS customers with a competitive advantage and therefore distort competition between distributors.</p> <p>The cost reflectivity of the charges is weakened by this proposal as acknowledged in the change report. Although the change report considers this impact to be immaterial, the purported benefits of the change proposal are not quantified so no judgement can be made on the merit</p> | <p>We feel the valid issue raised by the Change Report would be better addressed by solving the underlying causes of the problem as identified by the DCP203 working group:</p> <ul style="list-style-type: none"> • The level of administration charges charged on a per MPAN basis by both Suppliers and Meter Administrators. • Suppliers' billing in a format that is so onerous on customers that it distorts competition in the marketplace. • Consideration of simplifying the range of EDCM LDNO tariffs from five down to one power level. <p>We have recently been involved in a number of successful trials with IDNOs and Local Authorities in delivering an alternative solution to the Local Authority issue that this change proposal is attempting to resolve (although the change report indicates that it is not just limited to such customers). Whilst we recognise that a common industry approach is preferable it may be sensible to bed in these processes and develop an industry solution that would not distort competition even if the</p> |

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| | | | <p>of this proposal on the basis of the change report.</p> <p>The implementation date undermines the provision of 15 months notice of tariffs. Suppliers will have made agreements with Customers on the basis of published charges which may or may not be adjusted (in the way they are implemented, but not in the published prices) as a result of this proposal. If this proposal was to be accepted, the earliest appropriate implementation date would be 1st April 2018.</p> | <p>materiality at this stage may be minor but over time may be significant.</p> |
| Northern Powergrid (Northeast) Ltd | Reject | Accept | <p>We believe that General Objective one and two could potentially be better facilitated by DCP 203, however we are unable to determine from the information provided in the change report whether the proposed solution is the best way in which to approach the underlying issue of high administration costs. We believe that there has not been sufficient analysis into the charges currently being levied against UMS customers.</p> <p>DCP 203 has a detrimental impact to Charging Objective three as the averaged discount factors lead to a loss</p> | <p>We believe that the issue this change seeks to resolve has not been quantified so it is difficult to justify the negative impact on cost-reflectivity. The proposed solution will not directly tackle the perceived underlying issue of allegedly high MA and/or supplier charges. We would suggest that the MA and/or supplier charges be challenged and properly investigated to determine whether they are unjustifiably high.</p> |
| Northern Powergrid (Yorkshire) plc | Reject | Accept | | |

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| | | | in cost reflectivity. We are unable to say with certainty that the improvements against General Objectives one and two outweigh the detrimental impact to Charging Objective three. | |
| SP Distribution | Accept | Accept | SPEN agree that DCUSA Objectives 1 and 2 are better facilitated by this change. | n/a |
| SP Manweb | Accept | Accept | | |
| Eastern Power Networks | Accept | Accept | We believe that General Objective One is better facilitated as a result of this change as the revised arrangements are a practical solution to the issue due to the reduction in the volume of MPANs required. We also believe that charging Objective two and three are better facilitated by this change as it seeks to simplify the use of unmetered supplies' inventories by connectees to embedded networks. | n/a |
| London Power Networks | Accept | Accept | | |
| South Eastern Power Networks | Accept | Accept | | |
| Western Power Distribution South West | Accept | Accept | General Objective 1 and General Objective 2 | n/a |
| Western Power Distribution South Wales | Accept | Accept | | |
| Western Power Distribution East Midlands | Accept | Accept | | |

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| Western Power Distribution West Midlands | Accept | Accept | | |
| IDNO PARTIES | | | | |
| ESP Electricity | Accept | Accept | We feel that General Objective 1 is better facilitated as the additional administrative burden imposed on LDNOs to facilitate inter-distributor billing would be greatly reduced - reducing the number of MPANs required for said billing leads to a more efficient and co-ordinated distribution network. We feel that General Objective 2 is also better met as reducing the number of MPANs required of the LDNO also reduces the additional admin costs borne by the customer. This has led to difficulties with adoption of LDNO networks in the past. As this issue is exclusive to LDNOs we agree with the WG's assessment that this change promotes competition by reducing a potential barrier to competition. | We acknowledge that this CP will not completely address all the issues that LDNOs face with UMS; however, we view this as a very significant, positive step forward for the industry in addressing the problem. |
| The Electricity Network Company | Accept | Accept | We believe that this change proposal better facilitates the 1st General Objective as it removes complexity in operating the distribution system. We also believe that the 2nd DCUSA General Objective is better facilitated. | We are of the view that this change proposal is an important step in facilitating competition not only in distribution of electricity but also in the provision of connections. The administrative burden that is placed on |
| Independent Power Networks Limited | Accept | Accept | | |

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| | | | Although it is likely that this will not solve all issues that are faced by adoption of network extensions by IDNOs we believe that this will be a substantial improvement and the removal of complexity will better facilitate competition in the supply of unmetered supplies. It also follows that the 2nd Charging Objective is, therefore, better facilitated. | both an adopting IDNO and the party adopting the unmetered supplies has, up to this point, proven to be a substantial barrier to competition in distribution and provision of connections. Whilst it is unclear if this CP will resolve all the issues that we are facing we consider that this will be a considerable improvement to the existing situation. |
| SUPPLIER PARTIES | | | | |
| n/a | | | | |
| DISTRIBUTED GENERATOR PARTIES | | | | |
| n/a | | | | |
| GAS SUPPLIER PARTIES | | | | |
| n/a | | | | |