



DCUSA CONSULTATION

**DCP 183 - To Convert the Super Red KWH to
KVA when Calculating the EDCM Tariffs**

1 Purpose

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a Consultation issued to Distributors, Suppliers, Consumer Focus and other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 183 – ‘To Convert the super red KWH to KVA when calculating the EDCM tariffs’. Respondents are invited to consider the questions set out below and submit comments using the form provided as Attachment 1. Responses should be emailed to DCUSA@electralink.co.uk by **Friday, 27 June 2014.**

Comment [RT1]: Consultation dates to be decided

2 Background of DCP 183 - To Convert the Super Red KWH to KVA when Calculating the EDCM Tariffs

- 2.1 The current EHV Distribution Charging Methodology (EDCM) process uses kVA (capacity) to determine the allocation of 20% scaling plus indirect costs, and notional assets at the level of connection of a customer and kWh (super red demand) to determine the allocation of 20% scaling plus indirect costs, and notional assets upstream of the level of connection of a customer. This methodology is inconsistent as kVA is applied at the level of connection and kWh is applied upstream. Consequently, a development issue was raised by Ofgem asking that this be reviewed.
- 2.2 Following discussions at the Distribution Charging Methodologies Forum (DCMF) Methodologies Issues Group (MIG), DCP 183 has been raised by WPD seeking to amend the calculation to turn the kWh element of the calculation into kVA. Additional information on the proposed change can be found in the CP form provided as Attachment 2.

3 Working Group Assessment of DCP 183

- 3.1 The DCUSA Panel established a Working Group to assess DCP 183. This Working Group consists of DNO and Ofgem representatives.

- 3.2 The group discussed DCP 183 and noted that the two elements of scaling in the EDCM use different units of measurement (KVA and KWh). The CP has been raised based on an Ofgem request to align the units of measurement. The justification for the change is that it will bring about consistency.
- 3.3 With the support of a consultant, the Working Group updated the EDCM to implement the DCP 183 solution. The updated Long Run Incremental Cost (LRIC) and Forward Cost Pricing (FCP) EDCM models are provided as Attachment 3, along with a description of the changes made and a set of illustrative tariffs.
- 3.4 The updated models have been used to calculate the impact of DCP 183. As the populated models contain confidential customer data they cannot be published but the spreadsheet provided as Attachment 4 contains information on the impact of the proposed change on all EDCM customers. EDCM customers can identify their sites using the Line Loss Factor Class (LLFC) or their **MPANs**.

3.5 If you would like additional detail on the impact of DCP 183 on your specific tariff, please email DCUSA@electralink.co.uk and we will put you in touch with the relevant DNO for your area(s).

4 Correcting Reactive Power

4.1 The Working Group notes that DCP 183 will have the effect of increasing the Distribution Use of System (DUoS) tariffs for customers with a poor power factor. Those customers with a poor power factor will be creating additional costs on the network; the Working Group, therefore, believes it is more cost reflective for reactive energy to be taken account of.

4.2 Customers can install power correction equipment, however, the nature of the EDCM model means that the impact of this equipment may not be reflected in DUoS tariffs for a period of two years (as there is a lag in the data used to calculate charges).

4.5 Assessment Against the DCUSA Objectives

Comment [RT2]: DNOs to update summary data and send to WM. This will then be added to the start of Attachment 4 as a Summary tab.

Action

4.45.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives and five Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 2.

4.25.2 The Working Group has assessed the CP against the DCUSA objectives and the Working Group members agree that the following DCUSA Objectives are better facilitated by DCP 183.

General Objective One - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Network

4.35.3 The Working Group agree that General Objective One is better facilitated as DCP 183 will address an inconsistency within the current methodology.

General Objective Three - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

4.45.4 The Working Group agree that General Objective Three is better facilitated as DCP 183 will address an inconsistency within the current methodology.

Charging Objective One - 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

4.55.5 The Working Group agree that Charging Objective One is better facilitated as DCP 183 will address an inconsistency within the current methodology.

Charging Objective Three - 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

4.65.6 The Working Group agree that Charging Objective Three is better facilitated as DCP 183 will address an inconsistency within the current methodology.

56 DCP 183 Legal Drafting

~~5.16.1~~ The DCP 183 legal text is provided as Attachment 5. This text amends DCUSA Schedule 17 paragraphs 15.11 and 18.2 and Schedule 18 paragraphs 15.11 and 18.2.

67 Implementation Date

~~6.17.1~~ The proposed implementation date for DCP 183 is 1 April 2015.

78 Consultation Questions

~~7.18.1~~ The Working Group is seeking responses to the following questions.

No.	Question
1	Do you understand the intent of the CP?
2	Are you supportive of the principles established by this proposal?
3	Are there any unintended consequences of this proposal?
4	Do you consider that the proposal better facilitates the DCUSA objectives?
5	It has been identified that changes will be required to DCUSA Schedule 17 and 18 paragraphs 15.11. Do you agree? Please provide your comments.
6	Do you have any other comments on the proposed legal text?
7	Are there any alternative solutions or matters that should be considered?
8	Are you supportive of the proposed implementation date of 1 April 2015?
9	Please state any other comments or views on the Change Proposal.

Comment [RT3]: WM to discuss generation sites that import and export with an engineer - it is appropriate for them to pick up reactive charge on their import?
ACTION WM

Comment [RT4]: AP to review Schedule 17 and 18 paragraphs 15.11 and 15.12 to determine whether changes are required.
ACTION

~~7.28.2~~ Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **Friday, 27 June 2014.**

Comment [RT5]: Consultation dates to be decided

~~7.38.3~~ Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

89 Next Steps

~~8.19.1~~ Responses to the Consultation will be reviewed by the DCP 183 Working Group who will use the responses to aid them in the progression of the CP.

~~8.29.2~~ 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 2842.

ATTACHMENTS

- Attachment 1 – Response Form
- Attachment 2 – DCP 183 CP Form
- Attachment 3 – DCP 183 EDCM Models and Illustrative Tariffs
- Attachment 4 – Impact Assessment
- Attachment 5 - Proposed Legal Text