



DCUSA Consultation

DCP 169 - Seasonal Time of Day (SToD) HH
Metered Tariffs in the CDCM

1 PURPOSE

- 1.1 This document is a consultation issued to all Distribution Connection and Use of System Agreement (DCUSA) Parties, Ofgem and other interested parties seeking industry views on DCP 169 'Seasonal Time of Day (SToD) HH Metered Tariffs in the CDCM'.
- 1.2 Respondents are invited to consider the proposed drafting set out as Attachment A and submit comments using the form attached as Attachment B to DCUSA@electralink.co.uk by **14 August 2013**.

2 DCP 169 – 'Seasonal Time of Day (SToD) HH Metered Tariffs in the CDCM'

- 2.1 Currently the CDCM recovers the revenue for Half Hourly (HH) metered units through the use of three unit rates which are applied on a 'Time of Day' (ToD) basis. However the network peaks faced by DNOs are dramatically impacted by the time of year as well as the time of day. As a result the use of ToD tariff structures could be seen by some DNOs as not fully reflecting the costs which they incur. Similarly customer's use of the network might be seasonal and their charges will not currently reflect the times that they use the network.
- 2.2 DCP 169 has been raised by UK Power Networks and seeks to introduce seasonal time of day (SToD) tariffs for HH customers. The Change Proposal form is provided as Attachment C to this document.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCP 169 Working Group is comprised of representatives from Suppliers, Distributors and Ofgem. Meetings are held in open session and the documents of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 3.2 **Why Move to SToD Tariffs for HH Customers?**
- 3.2.1 The Working Group noted the proposer's view that the introduction of SToD tariffs will improve the cost reflectivity of HH Distribution Use of System (DUoS) tariffs. The majority of Working Group members agree that in principle the introduction of SToD tariffs should improve cost reflectivity. However, Working Group members expressed concerns that the introduction

of SToD tariffs for HH customers could increase volatility and cautioned that any increase in cost reflectivity needs to be balanced against this increase in volatility.

- 3.2.2 The use of SToD tariffs for HH customers would benefit those HH customers that do not have their peak demand during the winter. As part of this consultation the Working Group is seeking views on whether there may also be an opportunity for customers to further demand manage as a result of the implementation of Seasonal Time of Day Tariffs, for example, farmers using grain driers.

3.3 Interaction with other DCUSA Change Proposals

- 3.3.1 There are several other change proposals that interact with each other, however, this change proposal has been taken in isolation.
- 3.3.2 For example, the implementation of DCP 123¹ would spread scaling more appropriately across the tariff elements, thus ensuring that the tariff differential between the time bands is maintained if DCP 169 is implemented. Currently, all scaling is applied to the red/day unit rate.
- 3.3.3 The Working Group noted that whilst they support the principle of introducing SToD tariffs, there may be merit in waiting until DCP 123 has been further progressed before considering such a change.
- 3.3.4 As part of this consultation, you are invited to provide your views as to whether DCP 169 should be progressed regardless of the status of other DCUSA change proposals.

3.4 Impact on the Annual Over/Under Recovery Position (K Factor)

- 3.4.1 Working Group members have expressed concerns that DCP 169 would result in an increased proportion of DNOs' revenue coming from the 'peak' time band over the months of the year when that rate would apply. There would therefore be a greater risk of over/under recovery of revenue. This over/under recovery of revenue would be recovered in future years, thus the K factor would become more volatile creating greater instability in the

¹ DCP 123 – Revenue Matching Methodology Change

recovery of allowed revenue for future years.

- 3.4.2 This will potentially be the case regardless of whether or not DCP 169 is implemented in conjunction with DCP 123 or not. However, it is particularly of concern if DCP 123 is not implemented, as a larger proportion of DNOs' revenue would come in through the peak time band without the implementation of DCP 123.

3.5 Application of SToD Tariffs

- 3.5.1 The Working Group discussed the Change Proposal and noted that the proposed DCP 169 legal text, as set out in the CP form, has been written in such a way that it would be optional for DNOs to implement the change.
- 3.5.2 The group discussed whether the implementation of SToD tariffs should be optional. Some Working Group members highlighted their concerns that it may cause confusion if there were different approaches across DNOs. It was also noted that it would go against the principle of the Common Distribution Charging Methodology (CDCM) if DNOs were to be permitted to use different approaches.
- 3.5.3 The group, therefore, agreed that DCP 169 should seek to make SToD tariffs mandatory for all DNOs. The DCP 169 legal text was updated accordingly and is provided as Attachment A.

3.6 Whole Day or Whole Month Time bands

- 3.6.1 With regards to defining the time periods, the Working Group considered whether 'whole months' or 'whole days' be allowed. As an example the main difference is that if 'Whole Days' were allowed then bank holidays could be excluded from the other rates which apply throughout December for that day of the week, this wouldn't be possible if ONLY whole months were allowed, as all days in a given month would be treated in the same way. As part of this consultation the Working Group is seeking views on whether the time-bands should be 'whole day' or 'whole month'.

3.7 Impact of DCP 169 on the CDCM Model

- 3.7.1 It is the view of the Working Group that if the use of STOD tariffs is mandatory then no change to the CDCM model would be required. The model needs the number of hours in each time band and if all DNOs apply the change then the current red, amber and green input fields could be used to enter this information into the model.

3.8 Impact of DCP 169 on Tariffs

- 3.8.1 The Working Group asked DNOs to amend the input data for the following tables in the 2013/14 CDCM version 102 model for each of their licence areas to provide an estimate of the impact of introducing STOD tariffs:
- Table 1053. Volume Forecasts for the Charging Year
 - Table 1061. Average Split of Rate 1 Units by Distribution Time band
 - Table 1062. Average Split of Rate 2 Units by Distribution Time band
 - Table 1068. Typical Annual Hours by Distribution Time band
 - Table 1069. Peaking Probabilities by Network Level
- 3.8.2 The DCP 169 updated CDCM models are provided as Attachment D1. Attachment D2 provides a summary of the impact across all DNOs and Attachment D3 contains additional details from DNOs on the inputs that have been used when completing the impact analysis, for example, the time bands used.
- 3.8.3 The Working Group reviewed the impact across all DNOs (Attachment D2) and observed that there was not a clear pattern across all DNOs with regards to the impact of the CP.

3.9 ENVIRONMENTAL IMPACT

- 3.9.1 The Working Group agrees that the environmental impact of DCP 169 is negligible and, therefore, no environmental impact analysis is required on the implementation of this CP.

4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 4.1 The Working Group has discussed DCP 169 against the DCUSA Objectives and agreed that that the following DCUSA Objective is better facilitated by the CP:

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

- 4.2 DCP 169 better meets general objective three as this change has been brought about following a review of the existing charging methodology.
- 4.3 Furthermore, a majority of the DCUSA Working Group believe that the following DCUSA Objectives are not better facilitated if DCP 169 were to be implemented into the current CDCM model, whilst a minority believe that they are better facilitated:
- General Objective One - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
 - 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
 - Charging Objective Four - 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
- 4.4 The group agrees that in principle the introduction of STOD tariffs will improve cost reflectivity. However, in practice the group is concerned that the current method of scaling within the CDCM model may result in less cost reflective tariffs should STOD tariffs be introduced without a revised approach to scaling.
- 4.5 The Working Group is of the opinion that DCP 169 would be more likely to better facilitate the DCUSA Objectives if it were to be implemented alongside DCP 123. The implementation of DCP 123 would spread scaling more appropriately across the tariff elements, thus ensuring that the tariff differential between the time bands is maintained when DCP 169 is

implemented. However, the group has not provided as assessment of DCP 169 against the DCUSA Objectives on a combined DCP 123/DCP 169 basis as DCP 169 must be considered on its own merit.

5 LEGAL DRAFTING

- 5.1 The proposed legal drafting for DCP 169 is provided as Attachment A. This legal drafting would make it mandatory for DNOs to use SToD tariffs for HH customers.

6 IMPLEMENTATION

- 6.1 The proposed implementation date for DCP 169 is 1 April 2015.

7 CONSULTATION

- 7.1 The Working Group is seeking views on the below questions:

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? Please provide details.
5. Do you have any comments on the proposed legal text?
6. Do you agree that it should be mandatory for all DNOs to implement SToD tariffs should DCP 169 be approved?
7. With regards to splitting the seasons, should the time bands be whole day or whole month?
8. Should the CDCM seasonal time bands for a DNO be common across all HH customers, i.e. should the new SToD time bands for metered HH customers align with the SToD time bands for pseudo HH UMS customers?
9. Do you believe that DCP 169 should be progressed regardless of the status of DCP 123?
10. a. Do you believe that DCP 169 will make tariffs more cost reflective?
b. Do you believe this changes if other change proposals are

implemented alongside DCP 169?

11. The Working Group believes no model amendments are required to implement DCP 169. Do you agree?
12. a. Do you believe that the implementation of DCP 169 will create greater instability in the recovery of allowed revenue due to seasonality?
b. Do you believe this changes if other change proposals are implemented alongside DCP 169?
13. Do you believe that there is an opportunity for customers to further demand manage as a result of the implementation of Seasonal Time of Day Tariffs, for example, farmers using grain driers?
14. Are there any alternative solutions or matters that should be considered?
15. Are you supportive of the proposed implementation date of 1 April 2015?
16. Please state any other comments or views on the Change Proposal.

7.2 Responses should be submitted using Attachment B to DCUSA@electralink.co.uk no later than **14 August 2013**.

7.3 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.

8 NEXT STEPS

8.1 Following the end of the consultation period the responses will be reviewed by the Working Group. The Working Group will then determine the next steps for the CP.

8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 2842.

9 ATTACHMENTS

Attachment A – Proposed Legal Text

Attachment B – Response Form

Attachment C – DCP 169 Change Proposal Form

Attachment D – Impact Analysis