

Dear Colleague

I am writing on behalf of the DCP 164 'Review of the change process for Use of System methodology changes' Working Group regarding the DCP 164 consultation responses. The Working Group has reviewed the consultation responses received and amended the DCP 164 legal text in light of these responses. The group would like to seek your feedback on the changes that have been made.

In total 11 responses to the consultation were received and the Working Group would like to thank those that responded. The Working Group has discussed each of the responses and the group's comments are summarised alongside the collated consultation responses in the attachment provided as Appendix A to this letter.

Having reviewed the consultation responses the Working Group has made the following changes to the DCP 164 legal text:

1.	<p>Paragraphs 14.10 and 14.11 have been amended such that the timescales are given relative to the publication of indicative tariffs¹ (described in the DCP 164 legal text as the "minimum notice period for the publication of charges") rather than final tariffs.</p> <p>This change has been made to future proof the DCUSA against any potential change to the timescales for the publication of indicative charges in the Distribution Licence. The Licence currently states that DNOs must provide 3 months' notice of any change to charges. If the 3 months' notice requirement was increased, this could create a conflict with the timescales proposed for the publication of the models under this change proposal. Consequently, the working group has proposed to amend the legal text to make the timescales for publishing the charging model relative to the distribution licence rather than relative to the DCUSA.</p> <p>An example of this potential problem is if the licence period was changed to 5 months' it would mean DNOs would have to publish in October rather than December, regardless of the DCUSA notice period and a model would not be available at this time.</p>
2.	<p>To address concerns raised by several respondents that the timescales could be easily over ridden by Ofgem the original paragraph 14.12 in the legal text has been removed. This paragraph read as follows:</p> <p>"Timescales in Clauses 14.10 and 14.11 may be amended under the direction of the Authority."</p> <p>The Working Group notes that Ofgem has the ability to direct a price change at any time during the year under emergency provisions. Therefore, a specific clause permitting amendment of the DCP 164 timescales for urgent matters is not necessary.</p>
3.	<p>The timescales in the DCP 164 legal text apply only to the models, not their inputs. The Working Group notes that there is a concern that a final model(s) could be available in line with the DCP 164 timescales, however, there may be an outstanding decision from Ofgem regarding one or more of the model inputs that could impact on the publication timeline for setting tariffs. This could create a</p>

¹ The charges that are issued under the Distribution Licence does not specifically reference "indicative charges", but this has become common terminology within the industry.

	<p>material uncertainty for suppliers and customers in the level of charges that will apply from the following April.</p> <p>To address this concern a different paragraph 14.12 has been added to the DCP 164 legal text introducing timescales for changes that affect the methodology but not the model. This paragraph is as follows:</p> <p>“Changes that affect the methodology, but not the Charging Models, cannot be implemented without 90 days notice and the implementation date on any change reports submitted to the DCUSA panel after the 90 days notice will be amended to the next applicable pricing period.”</p> <p>The Working Group notes that the key issue which DCP 164 was raised to address is ensuring that models are available in a reasonable time before indicative tariffs need to be calculated. The group is concerned that introducing paragraph 14.12 into the DCP 164 legal text to cover the model inputs may divert from this issue. The group therefore proposes that if there is support for the inclusion of the above clause then this should be progressed as an alternative CP to DCP 164.</p>
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The updated DCP 164 legal text is provided as Appendix B to this letter. The text in red relates to DCP 164. The text in blue plus the text in red would be progressed as an alternative to DCP 164 should there be support for this.

The Working Group would like to invite you to provide comments on the proposed amendments to the legal text, in particular around the following points:

- Do you have any comments on the updated DCP 164 legal text?
- Do you agree that an alternative change proposal should be raised which would differ from the DCP 164 solution by the inclusion of legal text paragraph 14.12 (i.e. the text shown in blue in Appendix B)?
- If a DCP 164 alternative were to be raised to apply to the model inputs as well as the models would your preference be for the original CP or the alternative to be implemented?
- Do you have any further comments?

To aid you in responding to these questions a response sheet has been provided as Appendix C. Please provide your feedback by **17 May 2013**.

If you would like any further information on DCP 164 please contact DCUSA@electralink.co.uk.

Kind Regards

Chris Ong

(DCP 164 Working Group Chair)