**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 / ~~Urgent~~ |
| CP Number | DCP 138 |
| Date of submission | 6 July 2012 |
| Attachments | EDCM Condition 3 Report 1June2012.doc;<br>EDCM Condition 3 Appendix 1.doc |
| **Originator Details** | |
| Company Name | SSE |
| Originator Name | Hui Yi Heng |
| Category | DG / DNO / IDNO / OTSO / SUPPLIER / OTHER |
| Email Address | hui.yi.heng@sse.com |
| Phone Number | 01189534688 |
| **Change Proposal Details** | |
| CP Title | Implementation of alternative network use factor (NUF) calculation method in EDCM |
| Impacted parties | DNO / IDNO / SUPPLIER / DG |
| Impacted Clause(s) | Schedule 17 and Schedule 18 |
| Part 1 / Part 2 Matter | Part 1 |
| Related Change Proposals | |

**Change Proposal Intent**

The intent of this proposal is to amend the method of calculating Network Use Factors (NUF) for EDCM demand customers as defined within DCUSA to address the concerns raised by Ofgem in Condition 3 of the Ofgem decision document on EDCM import charges published in September 2011 (Ref 116/11).

**Business Justification and Market Benefits**

As part of Ofgem's Final Decision Document published in September 2011: *Electricity distribution charging: decision on the methodology for higher voltage import charges*, a condition (Condition 3) was placed on DNOs in relation to calculating network use factors. This condition requires DNOs to review the method for calculating network use factors, including:

- Appropriateness of socialising spare capacity costs.
- Assess the materiality of the impact of customers' charges and whether these can be justified.

The DNOs have developed a NUF calculation method that is believed to have met the above requirements.

The DNOs proposal set out in the attached June 2012 report is recommended to be progressed through the governance process with the intent of implementing them from 1 April 2013 or later.

The proposal:

1. is more cost-reflective.
2. socialises the spare capacity costs to all network demand users.
3. is consistent with the principles of the network assessment.
4. prevents the over allocation of the costs of lightly utilised assets to EDCM customers.

**Proposed Solution and Draft Legal Text**

Proposed Solution:

The proposed NUF method is detailed in Para 49 – 57 in the attached Condition 3 report.

The attached report and appendix provide more details on how the NUFs would be derived and the background behind this methodology.

Suggested Legal Drafting:

To be devised by the working group.

**Proposed Implementation Date**

April 2013 or April 2014 (to be decided by DCUSA working group)

**Impact on Other Codes**

Please tick the relevant boxes and provide any supporting information.

| | |
|---|---|
| BSC | ☐ |
| CUSC | ☐ |
| Grid Code | ☐ |
| MRA | ☐ |
| Other | ☐ |
| None | ☒ |

If other please specify

**Consideration of Wider Industry Impacts**

This CP has the potential to have impacts on all EDCM charges and will have consequential changes to CDCM charges. If the target implementation date of 1 April 2013 is not achieved, it is recommended that the CP should be implemented in April 2014. Due to the potential impact on the final tariffs and in the interest of managing tariff volatility it is thought to be inappropriate to implement this CP with a midyear price change.

**Environmental Impact**

| |
|---|
| None identified |
| **Confidentiality** |
| None |

**PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS**

| **DCUSA Objectives** |
|---|
| General Objectives:<br><br>Please tick the relevant boxes.<br><br>☐ 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks<br><br>☐ 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<br><br>☐ 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences<br><br>☐ 4 The promotion of efficiency in the implementation and administration of this Agreement<br><br>☐ 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** |
| |

**PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS**

| **DCUSA CDCM Objectives** |
|---|
| Please tick the relevant boxes.<br><br>Charging Objectives:<br><br>☒ 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<br><br>☒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)

☒ 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 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 Objectives:

1. The change proposal better meets charging objective one by allocating only the proportion of the asset annuitised MEAV, which is deemed to be used by customers, to that EDCM customer, in the calculation of NUFs.
2. The change proposal better meets charging objective two by allocating the costs associated with unused capacity on the network to all demand users of the network (EDCM and CDCM) and preventing the over allocation of the MEAV of lightly utilised assets to EDCM customer.
3. The change proposal better meets charging objective three by increasing the cost reflectivity and better representing actual management and design of the network which would drive reinforcement requirements by considering contingency scenarios.
4. The change proposal better meets charging objective four by facilitating the industry requirement to be consistent with the principles of the network assessment.

General Objectives:

1. The change proposal better meets general objective one by reflecting utilisation of assets more efficiently in the calculation of NUFs.
2. The change proposal better meets general objective two by not over allocating costs to customers and socialising the unused capacity costs.
3. The change proposal better meets general objective three by satisfying the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.

| |
|---|
| **Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation** |
| At the ENA CMG working group meetings (WSA and WSB). |

**PART D – GUIDANCE NOTES FOR COMPLETING THE FORM**

| Data Field | Guidance |
|---|---|
| **Attachments** | Append any proposed legal text or supporting documentation in order to better support / explain the CP. |
| **Change Proposal Intent** | Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted. |
| **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 |
| **CP Status** | A CP may be deemed 'urgent' in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons. |
| **DCUSA General Objectives** | Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal. |
| **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. |
| **Draft Legal Text** | Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency. |
| **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. |
| **Impact of Wider Industry Change** | 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. |
| **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. |
| **Proposed Implementation Date** | The Change can be implemented in February, June, and November of each year. |
| **Proposed Solution** | 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. |
| **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. |
| **Related Change Proposals** | Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process. |