



DCUSA CONSULTATION

DCP 138 - Implementation of Alternative Network use Factor (NUF) Calculation Method in EDCM

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 DNO, IDNO, Suppliers, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 138 'Implementation of alternative network use factor (NUF) calculation method in EDCM'. Parties are invited to consider the questions set out below and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by **16 July 2015**.

2 BACKGROUND OF DCP 138

- 2.1 Network Use Factors (NUFs) are the notional value of assets at a given network level required to supply a unit of power to a specific EDCM demand customer relative to the average notional value of assets at the same network level required to supply a unit of power to CDCM customers.
- 2.2 In September 2011 Ofgem approved the DNO's proposals for the EDCM for import subject to three conditions¹; Condition 3 was that the DNOs should review the methodology for determining NUFs.
- 2.3 DNOs subsequently developed a revised methodology for the calculation of NUFs. In April 2012 a consultation was issued by the Energy Networks Association (ENA) seeking views on this revised methodology. The ENA consultation is provided as Attachment 2. Two responses to the consultation were received, including the response in the attachment. In June 2012, following the close of the consultation, the ENA issued a report on Condition 3. This report is provided as Attachment 3, and sets out the DNOs proposals for the calculation of NUFs and details the consultation responses received, along with the Legal Text produced which was submitted concurrently with the consultation.

¹ Ofgem (2011) Electricity distribution charging: decision on the methodology for higher voltage import charges, ref 116/11

- 2.4 Ofgem reviewed this report and on 4 November 2014 published its decision letter which is provided as Attachment 4 of its decision to approve the fulfilment of condition 3 set pursuant to standard licence condition (SLC) 50A.21 of the electricity distribution licence. DCP 138 has subsequently been raised with the intent of incorporating the DNOs revised methodology for the calculation of NUFs, as set out in the Condition 3 report, into the DCUSA and is provided as Attachment 5.

3 WORKING GROUP ASSESSMENT OF DCP 138

- 3.1 The DCUSA Panel established a Working Group to assess DCP 138. The group is comprised of Supplier, Distributor and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 3.2 The Working Group discussed the CP and noted that the solution was fully developed prior to the CP being raised. It was highlighted that during its development of the proposal, the ENA had carried out an impact assessment and issued an industry consultation.

Consultation One

- 3.3 The Working Group previously issued one consultation seeking industry opinion on the CP which closed on 22 May 2015, responses to this consultation and other correspondence received by the Working Group have been reviewed and are provided as Attachment 6.
- 3.4 Following the review of the DCP 138 consultation responses the Working Group noted that most of the respondents were supportive of the change and agreed that the intent of this change was to review the appropriateness of socialising spare capacity costs when determining Network Use Factors (NUFs.)

Amendments following Consultation One

- 3.5 The Working Group considered the proposed Implementation date and agreed for the date to be revised to 1 April 2017 so that customers impacted by the change get more notice on changes to the new NUFs calculation methodology. It was noted that the 15 month notice period should be considered when deciding on the NUFs calculation timeline.

- 3.6 It was highlighted that based on the new agreed implementation date of 1 April 2017, the schedule for the calculation of caps and collars for 2016/2017 and 2017/2018 NUFs should be amended. The Working Group reviewed the legal text and agreed to modify the caps and collar, NUFs calculation timeline in Schedules 17 and 18 showing that the NUFs calculations are to be calculated using a one year figure for three years.
- 3.7 The Working Group agreed to issue another consultation to give DCUSA Parties a further opportunity to comment on the following:
- The 1 April 2017 implementation date; and
 - The updated legal text for 'caps and collar' NUFs calculations in Schedules 17 and 18.

4 DCP 138 – LEGAL DRAFTING

- 4.1 The proposed legal text is provided as Attachment 7.

5 DCP 138 – IMPLEMENTATION

- 5.1 The proposed implementation date for DCP 138 is 1 April 2017.

6 DCP 138 – CONSULTATION QUESTIONS

- 6.1 The Working Group is seeking industry views on the following consultation questions:

Question Number	Question
1	The Working Group revised the legal text by updating the 'caps and collar' NUFs calculation timeline in table in Schedule 17 and Schedule 18. Do you have any comments on the proposed legal text of DCP 138?
2	The Working Group agreed to revise the proposed implementation date to 1 April 2017 to enable customers impacted by the change get more notice on changes to the new NUFs calculation methodology. Are you supportive of the proposed implementation date of 1 April 2017?
3	Do you have any further comments?

- 6.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **16 July 2015**.

- 6.3 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.

7 NEXT STEPS

- 7.1 Responses to the Consultation will be reviewed by the DCP 138 Working Group. The Working Group will then determine the progression route for the CP.
- 7.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to dcusa@electralink.co.uk or telephone 020 7432 2842.

ATTACHMENTS

- Attachment 1 – Response Form
- Attachment 2 – ENA Consultation Document
- Attachment 3 – ENA Report on Condition 3
- Attachment 4 – Ofgem Decision Letter – 4 November 2014
- Attachment 5 – DCP 138
- Attachment 6 – DCP 138 Consultation One Responses and Working Group comments
- Attachment 7– Proposed Legal Text