



DCUSA Consultation

DCP 136 - NOTICE PERIOD FOR ASSET COST CHANGES IN THE CDCM

1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, 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 all DCUSA Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 136 'Notice period for asset cost changes in the CDCM.
- 1.3 Parties 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 **21 August 2012**

1. DCP 136 – NOTICE PERIOD FOR ASSET COST CHANGES IN THE CDCM

- 1.1. DCP 136 has been raised by British Gas following the work of the DCMF MIG Supergroup. The CP seeks to improve the predictability of DUoS charges by introducing a requirement on DNOs to provide 15 months notice of any change to the asset related cost tables of the Common Distribution Charging Methodology (CDCM). The proposal also intends to improve stability in DUoS charges by restricting any changes to the costs in these tables to a 1 April tariff change.
- 1.4 The Change Proposal is provided as Attachment C to this document.

2 WORKING GROUP ASSESSMENT

- 2.1 The DCP 136 Working Group comprises Supplier and Distributor Parties. Meetings are held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 2.2 The Working Group considers that the CP Change Proposal seeks to require DNOs to publish the values that will be entered into the asset related cost tables of the Common Distribution Charging Methodology (CDCM) in December of each year for a period 15 months away. Introducing a requirement to

calculate and publish the asset related cost inputs during this period would mean that DNOs were calculating and publishing two sets of data, for example, calculating the indicatives for 1 April 2013 and locking the inputs for 1 April 2014.

- 2.3 The Working Group notes that the intent of DCP 136 specifies a 15 month notice period and that a new CP would need to be raised to progress a different notice period. The 15 month notice period was chosen because it would allow the information to be published with the Annual Review Pack. It was queried where the information would be published if it was not with the Annual Review Pack.

3 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 3.1 The Working Group has identified that DCUSA General Objective Two¹ and Charging Objective Two² are better facilitated by this Change Proposal, by improving the predictability of important inputs to the CDCM and therefore improving the predictability of DUoS tariffs.

4 LEGAL DRAFTING

- 4.1 The proposed legal drafting is attached as Appendix A.

5 IMPLEMENTATION

- 5.1 The proposed implementation date for DCP 136 is 31 October 2012.

6 CONSULTATION

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

- Do you understand the intent of the CP?
- Are you supportive of its principles?
- Does the CP facilitate DCUSA Objectives?

¹ 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.

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).

- Do you have any comments on the proposed legal text?
- The Working Group is concerned that the 15 month time period may be excessive and will prevent new data that becomes available from being used which will reduce cost reflectivity. Do you agree with the working group assessment? Please provide rational.
- The Working Group is concerned that to publish asset cost Information 15 months in advance will require publication towards the end of December, which will be the same time as indication DUoS charges are being prepared and published to parties for the following April. This is already a particularly busy time of year for DNOs and may significantly increase the risk of errors occurring in either the future asset costs or the indicative charges. Other options that could be considered are either a minimum of 12 or 18 months notice which are both away from any other pricing publications.
 - Do you agree with either of these proposed alternatives?
 - If yes, would this cause any foreseeable problems for fulfilment of the DCUSA objectives, or wider repercussions for the industry and consumers, that would be mitigated by having a 15 month period?
 - If you believe that 12 or 18 months are not suitable is there an alternative that you would suggest?
- Where a change to the CDCM asset related cost table inputs is required by a modification to DCUSA (for example, DCP 133 '500MW Network Common Model for CDCM Input') do you believe that the 15 month notice period should still apply?
- Do you have any other comments?

6.2 Responses should be submitted using Attachment B to DCUSA@electralink.co.uk no later than **21 August 2012**.

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 Following the end of the consultation period the responses will be reviewed by the Working Group. The Working Group will finalise the drafting of the CP and submit its final report to the Panel. Following Panel approval, the Change

Proposal will be issued to all DCUSA Parties for voting and, following the vote, issued to Ofgem for final determination.

- 7.2 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 3011.

8 ATTACHMENTS

Attachment A – Proposed Legal Text

Attachment B – Response Form

Attachment C – DCP 136 Change Proposal Form