

DCUSA DCP 136 Consultation Responses – Collated Comments

	Question One	Do you understand the intent of the CP?	Working Group Comments
1.	British Gas	Yes	Noted
2.	Electricity North West Ltd	Yes	Noted
3.	GTC	Yes	Noted
4.	Northern Powergrid	Yes	Noted
5.	Npower	Yes	Noted
6.	SP Distribution/SP Manweb	Yes, we understand the intent of the CP.	Noted
7.	SSE Supply	Yes	Noted
8.	SSE Power Distribution	Yes	Noted
9.	Western Power Distribution	Yes	Noted
10.	UK Power Networks	Yes	Noted
	Question Two	Are you supportive of the principles of the CP?	
11.	British Gas	Yes	Noted
12.	Electricity North West Ltd	We are supportive of the principles of the CP.	Noted
13.	GTC	Yes	Noted

14.	Northern Powergrid	Yes	Noted
15.	Npower	Yes we are supportive of the principles of DCP136 as it will improve the stability and predictability of CDCM tariffs.	Noted
16.	SP Distribution/SP Manweb	Yes, we are supportive of the principles of the CP.	Noted
17.	SSE Supply	Yes	Noted
18.	SSE Power Distribution	<p>Broadly, yes – we do have concerns, however, that this CP effectively adds a “lagging” effect to the cost reflectivity of our tariffs.</p> <p>The CP would benefit from an “exceptional circumstances” clause, such that if the DNO’s asset costs changed significantly (either +ve or –ve) due to unforeseen circumstances. Such a clause would either remove, or significantly decrease (to, say, 6 months) the notice period.</p>	The Working Group agreed to consider this comment as part of the Legal Text review.
19.	Western Power Distribution	Yes	Noted
20.	UK Power Networks	Yes	Noted
	Question Three	Do you consider that the proposal better facilitates the DCUSA Objectives? Please provide supporting information	
21.	British Gas	We agree with the working groups assessment that DCUSA General Objective Two and Charging Objective Two are better facilitated by this Change Proposal, by improving the predictability of important inputs	Noted

		to the CDCM and therefore improving the predictability of DUoS tariffs.	
22.	Electricity North West Ltd	N/A	-
23.	GTC	We agree with the working groups assessment of the objectives.	Noted
24.	Northern Powergrid	Yes – We agree with the working group’s assessment.	Noted
25.	Npower	We agree with the working groups assessment that DCUSA General Objective 2 and Charging Objective 2 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.	Noted
26.	SP Distribution/SP Manweb	We agree with the working group’s assessment that General Objective 2 and Charging Objective 2 are better facilitated.	Noted
27.	SSE Supply	Yes, for the reasons given in the Change Proposal.	Noted
28.	SSE Power Distribution	Arguably, in fixing these costs, Charging Objective 2 and General Objective 2 are better facilitated, in that this should reduce DUoS tariff volatility.	Noted
29.	Western Power Distribution	We believe this CP better facilitates CDCM Objective 2 and General Objective 2 by increasing the predictability of CDCM tariffs.	Noted
30.	UK Power Networks	Although we can understand the reasons why a party would want advance notification of these revised costs, we do have a concern that this	The Working Group noted this comment and agreed to reflect this in the Change

		will have an impact upon the cost reflectivity of the CDCM model, and as such does not better facilitate the DCUSA objectives.	Report.
	Question Four	Do you have any comments on the proposed legal text?	
31.	British Gas	No	
32.	Electricity North West Ltd	No	
33.	GTC	No	
34.	Northern Powergrid	Not at this time. It is very much dependent on the answers to some of the following questions.	Noted.
35.	Npower	No	
36.	SP Distribution/SP Manweb	None.	
37.	SSE Supply	No	
38.	SSE Power Distribution	It should be amended to include an "exceptional circumstances" clause.	Note above.
39.	Western Power Distribution	No	
40.	UK Power Networks	We are happy with the legal text if the change is implemented as currently drafted.	Noted.
	Question Five	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.	
41.	British Gas	We do not agree with the working groups assessment. The physical DNO network will not change significantly year on year and therefore introducing a lag in changes to the asset cost should have very little impact on 'true' cost reflectivity but will greatly improve predictability of DUoS charges. We believe the benefits of improved predictability far outweigh concerns surrounding a reduction in cost reflectivity.	Noted.
42.	Electricity North West Ltd	We do not consider a 15 month notice period excessive. A 15 month period will remove volatility but retain cost reflectiveness of the charges.	Noted
43.	GTC	Yes	Noted
44.	Northern Powergrid	<p>There is always a balance to be had between cost reflectivity and price stability. Whilst there are some inputs that you would not want to give 15 months lead time on these do not fall into that category.</p> <p>It is also worth noting that there are other change proposals, currently progressing, that are suggesting a 15 month notice period.</p>	The Working Group also noted that DCP 150 is also progressing under the 15 month notice period.

		Namely DCP134 - Implementation of notice in DCUSA for changes to distribution time-bands.	
45.	Npower	We DO NOT think that 15 months is excessive, many customers are not seeing changes reflected in their costs as DUoS charges are rolled up into the contract price. If sufficient notice of changes are received, then it gives the contracting process time to 'catch up' with the changes i.e. Suppliers will include these into their price forecasts moving forward and it will be built into tariffs and contracts so that the majority of customers will see these changes reflected.	Noted.
46.	SP Distribution/SP Manweb	We agree that a 15 month time period will prevent up-to-date data being used and therefore reduce cost reflectivity.	Noted.
47.	SSE Supply	The proposal to delay the data change is valid. There is no reason to believe that the characteristics of the distribution network change so quickly that a delay of 15 months is significant. A perceived fast rate of network data change is more likely to be caused by data processing errors, than by a real change in the physical distribution network.	Noted.
48.	SSE Power Distribution	We agree, but fixing any cost is, effectively, taking a gamble on actual cost movements around the fixed values. If the CP were approved without an "exceptional circumstances" clause, there should be no subsequent barrier (cap) to the DNO fully reflecting the revised costs. As previously	Noted

		mentioned, we too have concerns about the lag in cost reflectively (ie the DNO is, effectively, being prevented from meeting the cost reflectivity obligation).	
49.	Western Power Distribution	Yes, it is based on the assumption that we forecast network cost information over a year in advance when in practice we only use current network cost data and do not forecast these. The upshot is that DNOs will most likely use this year's costs increased by our forecast of inflation, making the CDCM less cost reflective. Unfortunately high cost reflectivity means volatile prices, and so the industry needs to find a balance between the two.	Noted.
50.	UK Power Networks	We would agree that restricting the ability of a DNO to make use of the latest available data will surely be against having a cost reflective model. As although we can understand why parties would want advance sight of the data to be used for future tariffs, the CDCM charging model is in place to be cost reflective and this change would not be in line with the DCUSA objectives.	Noted.
	Question Six	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	

		<p>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.</p> <p>o Do you agree with either of these proposed alternatives?</p> <p>o 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?</p> <p>o If you believe that 12 or 18 months are not suitable is there an alternative that you would suggest?</p>	
51.	British Gas	<p>We do not agree with either of the proposals. Furthermore we do not agree with the premise that there will be any extra resource required by DNOs at the time of tariff setting. DNOs currently update their network costs each December. The effect of this change would simply be to move that updated network cost into the next regulatory year in their ARP rather than the current year.</p>	Noted that they do not agree.
52.	Electricity North West Ltd	<p>No, we believe a 15 month notice period is appropriate.</p>	Noted that 15 months is appropriate.

53.	GTC	We believe that a 12 month period is too short and subject to strong fluctuations however 18 months is too long. Furthermore 18 months would suffer from the issues highlighted in the previous question.	Noted
54.	Northern Powergrid	Without question this will increase the burden on the DNO at this time but publication with indicative is probably the most transparent time to communicate the notice.	Noted
55.	Npower	We would NOT be supportive of a notice period of less than 15 months. We would be supportive of an 18 month or longer notice period.	Noted
56.	SP Distribution/SP Manweb	We believe an alternative of 12 months notice would be appropriate but consider an 18 month notice period too long.	Noted
57.	SSE Supply	Do you agree with either of these proposed alternatives? No. The distributor can prepare the change in advance of the December deadline, if it helps to ease the workflow.	Noted
58.	SSE Power Distribution	We agree that the 15 month notice period is not appropriate, for the reasons noted by the Working Group. 12 months seems a more appropriate notice period, and would enable the DNOs to prepare an updated Annual Review pack, for example, for publication by 31 st March.	Noted

59.	Western Power Distribution	WPD does not agree, as we do not have network cost information 15 months in advance so we will have to use the same year's data increased by our forecast of inflation, there is therefore very little extra work involved. WPD is happy with 15 month notice period.	Noted
60.	UK Power Networks	We agree with the view of working group that publishing this data fifteen months prior to use, will risk errors in either this advance view of inputs or the indicative tariffs published at the same time. We believe that publication months in advance also puts the cost reflective objectives of the model at risk, however we can equally understand why parties would want advance sight where possible. As such we believe that publication either six (end of September), or twelve (end of March) months in advance would be more appropriate, which would also move this piece of work so as not to clash with any other tariff work or publications.	Noted
	Question Seven	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?	
61.	British Gas	Yes. This would be a prime example of exactly why the 15 month notice should still apply. DCP133 has the potential to have a significant impact on DUoS charges, much more so than would be expected by natural developments in the physical DNO network. Providing 15	Noted

		months notice of its impact is desirable to reduce the unpredictability associated with its impact and any other 'sudden' changes in asset costs that do not reflect the true gradual nature of changes on the DNO network.	
62.	Electricity North West Ltd	A 15 month notice period should still apply.	Noted
63.	GTC	Yes	Noted
64.	Northern Powergrid	<p>No – where it is deemed necessary to change the cost as part of an alternative modification then they should be made and it should then be 15 months' notice of a change to the new costs. That said, the alternative modification should be cognisant of the fact that there is a longer notice period on these inputs.</p> <p>If the above is the agreed way forward it would need to be reflected in the legal text.</p>	Noted
65.	Npower	Yes	Noted
66.	SP Distribution/SP Manweb	No, the implementation date of the DCP should be adhered to.	Noted
67.	SSE Supply	Yes, unless the impact of the change is minimal.	Noted
68.	SSE Power Distribution	No	Noted

69.	Western Power Distribution	Yes, as any modelling carried out to assess the change will be based on the cost data in the CDCM models at the time, updating it after these assessments have been made will cause another jump and throw the annual notice and tariff setting cycle out of alignment (we would use the figures we had already given notice for which means we would not update the costs for the subsequent round of tariff setting).	Noted
70.	UK Power Networks	No, we believe that a DCP (when debated and agreed by the industry) should be implemented at the next available opportunity, unless it is specifically agreed as part of the working group discussions that a delay would be appropriate.	Noted
	Question Eight	Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.	
71.	British Gas	No	Noted
72.	Electricity North West Ltd	No	Noted
73.	GTC	No	Noted
74.	Northern Powergrid	There are a number of CDCM related changes being considered at the moment. Any of these that impact on the functionality of the model	Noted

		will have an impact on this change proposal.	
75.	Npower	None that we are aware of.	Noted
76.	SP Distribution/SP Manweb	None	Noted
77.	SSE Supply	It's important to co-ordinate the implementation of all Change Proposals that are scheduled for the same (or similar) dates.	Noted
78.	SSE Power Distribution	Our comments on this DCP are based upon consideration of its potential impacts on DUoS Tariffs in isolation. The cumulative/net effect of all DCPs currently being considered has not been modelled, therefore making an assessment of the combined impact on DUoS tariffs is difficult. Our opinions in this document are provided on that basis, and we urge that DCP's are progressed with some caution until these cumulative/net impacts can be modelled and assessed for each of the 14 LDSO Areas.	Noted
79.	Western Power Distribution	No	Noted
80.	UK Power Networks	As mentioned above, DCP133 needs to be considered as this could have a significant impact upon future tariffs if implemented.	Noted
	Question Nine	Do you have any other comments?	
81.	British Gas	We do not agree that this change proposal either reduces cost reflectivity or increases resources at time of DNO tariff setting. It does not reduce cost reflectivity, it simply introduces a lag between changes in cost and	Noted

		<p>impact on tariffs. Given that these costs relate to the DNO network, which in reality should not change significantly year on year, it is appropriate that DUoS charges are protected from sudden changes in costs as a result of a change in approach by a DNO or a change in the method.</p> <p>This change proposal does not increase resource requirements at the time of tariff setting. We do not believe there are any additional resources required by DNOs. The annual iteration of updating network costs would still occur as it currently does, but the DNO would simply input these costs into their ARP for the next regulatory year.</p>	
82.	Western Power Distribution	Does the working group envisage DNOs using current network cost data that has been updated for the DNOs' inflation forecasts, or would DNOs use network cost data that is one year out of date?	Noted