

## DCP 123 Draft Legal Text

Amend DCUSA Schedule 16 as follows:

### Step 3: Match revenues

89. The DNO Party uses its volume forecasts to estimate the revenues that would be raised by applying the tariff components derived from step 2, excluding any revenues treated as excluded revenue under the price control conditions.
90. If any separate charging methodology is used alongside the CDCM, e.g. for EHV users, then the forecast revenues from these charges, excluding any revenues treated as excluded revenue under the price control conditions, are added to the total.
91. If the forecast of allowed revenue exceeds the estimate of relevant revenues, then the difference is a shortfall. If the estimate of relevant revenues exceeds the forecast of allowed revenue, then the difference is a surplus.

92. ~~To allocate any shortfall or surplus, the DNO Party calculates the effect on demand tariffs and on forecast revenues from these tariffs of adding £1/kW/year (relative to system simultaneous maximum load) to costs at the transmission exit level. Revenue matching is achieved by apportioning the shortfall or surplus across the CDCM tariff components in proportion to each tariff component's share of pre-scaled revenue and then calculating a fixed adder for each tariff component to recover its apportioned scaling revenue. This is calculated as follows:~~Using this estimate, the DNO Party determines a single adder figure in £/kW/year such that adding that amount to costs at the transmission exit level would eliminate the shortfall or surplus. The single adder is positive if there is a shortfall and negative if there is a surplus.

- The surplus or shortfall revenue is allocated to each CDCM tariff component using the pre-scaled ratio of tariff component revenue to total revenue.
- The surplus or shortfall revenue allocated to each tariff component is used to calculate a fixed adder that is added or removed from the tariff component as follows:

**Unit charge Adder (p/kWh)**

- Calculated as the revenue surplus or shortfall (in pence) to be recovered from unit rates divided by the total volume of all demand customers (in kWh)
- The unit charge adder is applied to demand tariffs only

#### **Fixed charge Adder (p/MPAN/day)**

- Calculated as the revenue surplus or shortfall (in pence) to be recovered from fixed charges divided by the total number of MPANs of all demand and generation customers and divided by the number of days in the charging year.
- The fixed charge adder is applied to demand and generation tariffs, excluding tariffs that do not have a fixed charge

#### **Capacity charge Adder (p/kVA/day)**

- Calculated as the revenue surplus or shortfall (in pence) to be recovered from capacity charges divided by the total maximum demand capacity (in kVA) of all demand customers and divided by the number of days in the charging year.
- The capacity charge adder is only applied to demand tariffs with capacity charges

#### **Reactive charge Adder (p/kVArh)**

- Calculated as the revenue surplus or shortfall (in pence) to be recovered from reactive charges divided by the total reactive units (in kVArh) of all demand and generation customers and divided by the number of days in the charging year.
- The reactive charge adder is applied to both demand and generation tariffs.

92.93. If this procedure would result in negative value for any tariff component, then the tariff component is set to zero and the relevant ~~single~~ adder figure is modified to the extent necessary to match forecast and target revenue.

93.94. Not Used ~~The final tariffs for demand (before rounding and application of LDNO discounts) are determined on the basis of an allocation with the single adder included in costs. Tariffs for generation do not have any revenue matching element.~~