

## 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](mailto: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 / <del>Urgent</del>
CP Number	DCP 117
Date of submission	14/12/11
Attachments	
Originator Details	
Company Name	GTC (For and behalf of the Electricity Network Company Limited)
Originator Name	Michael Harding
Category	<del>DC / DNO</del> / IDNO / <del>OTSO</del> / SUPPLIER / OTHER
Email Address	mike.harding@gtc-uk.co.uk
Phone Number	07920 238095
Change Proposal Details	
CP Title	Treatment of ' <i>Load related new connections &amp; reinforcement (net of contributions)</i> ' in the Price Control Disaggregation Model
Impacted parties	IDNOs and DNOs
Impacted Clause(s)	Schedule 16, paragraphs 96 to 125
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	
Change Proposal Intent	
<p>On 9 December 2011 The Authority published its decision to reject DCP094. In advice given as part of their decision Ofgem stated: "<i>We therefore suggest that the modification be resubmitted and the Workgroup carry out further analysis in respect of the cost reflectivity of each approach</i>". This change proposal is essentially a resubmission of DCP094 to enable such further analysis to be undertaken.</p> <p><b>The intent</b> of this change proposal is to correct distortions in the calculation of the percentage split between direct/indirect costs<sup>1</sup> brought about by the way net costs described as '<i>Load related new connections &amp; reinforcement (net of contributions)</i>' are calculated and allocated to different network tiers. The percentage split between direct/indirect costs is used as part of the calculation of discount factors where an LDNO connects to the DNO '<i>Calc – WPD Opex allocation</i>'</p> <p>The intent of this change proposal is broader in scope than the original DCP094 since it allows alternative solutions to be considered to address the flaw brought about by the way '<i>Load related new connections &amp; reinforcement (net of contributions)</i>' costs are treated (e.g. allocating customer contributions identified in RRP2.4 to different voltage tiers).</p>	
Business Justification and Market Benefits	

The proposed business justification and market benefits were previously identified in DCP094.

We believe that the current calculation and allocation of net costs described as '*Load related new connections & reinforcement (net of contributions)*' leads to the allocation of costs within a voltage tier being distorted in favour of the upstream DNO.

By correcting the defect the methodology will be more cost reflective and therefore less likely to distort competition

**Impact assessment**

DCP094 provided an impact assessment of based on not allocating '*Load related new connections & reinforcement (net of contributions)*'. We are unable to provide an assessment of the impact of alternative options without the input of DNOs to proposed solutions

**Proposed Solution and Draft Legal Text**

To be determined

**Proposed Implementation Date**

October 2012 at the latest. Earlier implementation preferred since the current arrangements reduce margins available to IDNOs.

**Impact on Other Codes**

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input checked="" type="checkbox"/>

If other please specify

**Environmental Impact**

None Identified

**Confidentiality**

None

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

**DCUSA Objectives**

General Objectives:

Please tick the relevant boxes.

- 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

**Rationale for better facilitation of the DCUSA Objectives identified above**

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## PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS

### DCUSA CDCM Objectives

Please tick the relevant boxes.

#### CDCM Objectives:

- 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
- 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

#### 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

### Rationale for better facilitation of the DCUSA Objectives identified above

#### CDCM Objectives:

This change proposal addresses defects in the Price Control Disaggregation Model used to calculate discount factors applied to upstream DNOs' all the way tariffs in determining the tariffs that should apply to network operators who connect to their distribution system at LV.

The DUoS margin available to a licensed distributor connecting to another distributor operating within its distribution services area is the difference between the upstream distributor's all the way DUoS charges to the end customer and the upstream distributor's DUoS charge to the downstream distributor. If the charge to the downstream distributor is not reflective of the total costs then a margin squeeze may result which could have the effect of restricting, distorting or preventing competition.

As such the change proposal satisfies CDCM objectives 2 and 3 since the current Price Control Disaggregation Model distorts cost reflectivity.

<p><u>General Objectives:</u></p> <p>see above</p>
<p><b>Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation</b></p>

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

<b>Data Field</b>	<b>Guidance</b>
<b>Attachments</b>	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
<b>Change Proposal Intent</b>	Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted.
<b>Confidentiality</b>	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
<b>CP Status</b>	A CP may be deemed 'urgent' in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons.
<b>DCUSA General Objectives</b>	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
<b>DCUSA CDCM Objectives</b>	Indicate which of the DCUSA CDCM Objectives will be better facilitated by the Change Proposal. Please note that a CDCM change may also facilitate the DCUSA General objectives.
<b>Draft Legal Text</b>	Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency.
<b>Environmental Impact</b>	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 <a href="#">Ofgem Guidance</a> .
<b>Part 1 / Part 2 Matter</b>	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.
<b>Proposed Implementation Date</b>	The Change can be implemented in February, June, and November of each year.
<b>Proposed Solution</b>	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.

<b>Rationale for DCUSA Objectives</b>	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.
<b>Related Change Proposals</b>	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.