

## DCP 117 Draft Legal Text

### Treatment of ‘Load related new connections & reinforcement (net of contributions)’ in the Price Control Disaggregation Model

#### Amend paragraph 101 of Schedule 16 as follows:

101. The DNO Party allocates operating expenditure in the 2007/2008 RRP and the Forecast Business Plan Questionnaire LR1 submission by network level. The RRP already allocates some operating expenditure by network level. For categories of expenditure for which the table below reports “MEAV” in the column headed “Allocation key”, the DNO Party allocates, on the basis of modern equivalent asset values, the difference between total operating expenditure and the operating expenditure that is allocated to network levels.

**Table: Allocation rules**

|   | Allocation key                                     | Percentage capitalised | Direct cost indicator |
|---|--|------------------------|-----------------------|
| Load related new connections & reinforcement (net of contributions) | <u>See paragraph 102A of this Schedule 16</u> MEAV | 100.0%                 | 1                     |
| Non-load new & replacement assets (net of contributions)            | MEAV   | 100.0%                 | 1                     |
| Non-operational capex   | MEAV   | 23.5%                  | 1                     |
| Faults  | MEAV   | 23.5%                  | 1                     |
| Inspections, & Maintenance  | MEAV   | 23.5%                  | 1                     |
| Tree Cutting  | MEAV   | 23.5%                  | 1                     |
| Network Policy  | MEAV   | 52.57%                 |                       |
| Network Design & Engineering  | MEAV   | 52.57%                 |                       |
| Project Management  | MEAV   | 52.57%                 |                       |
| Engineering Mgt & Clerical Support                                  | MEAV   | 52.57%                 |                       |
| Control Centre  | MEAV   | 52.57%                 |                       |
| System Mapping - Cartographical                                     | MEAV   | 52.57%                 |                       |

|  |                     |        |   |
|--|---------------------|--------|---|
| Customer Call Centre                                 | MEAV                | 52.57% |   |
| Stores   | MEAV                | 52.57% |   |
| Vehicles & Transport                                 | MEAV                | 52.57% |   |
| IT & Telecoms  | Do not allocate     | 52.57% |   |
| Property Mgt   | Do not allocate     | 52.57% |   |
| HR & Non-operational Training                        | MEAV                | 52.57% |   |
| Health & Safety & Operational Training               | MEAV                | 52.57% |   |
| Finance & Regulation                                 | MEAV                | 52.57% |   |
| CEO etc  | MEAV                | 52.57% |   |
| Atypical cash costs                                  | Do not allocate     |        | 1 |
| Pension deficit payments                             | Do not allocate     | 57.7%  | 1 |
| Metering   | Do not allocate     |        | 1 |
| Excluded services & de minimis                       | Do not allocate     |        | 1 |
| Relevant distributed generation (less contributions) | Do not allocate     |        | 1 |
| IFI  | Do not allocate     |        | 1 |
| Disallowed Related Party Margins                     | Do not allocate     |        | 1 |
| Statutory Depreciation                               | Do not allocate     |        | 1 |
| Network Rates  | Do not allocate     |        | 1 |
| Transmission Exit Charges                            | Deduct from revenue |        | 1 |
| Pension deficit repair payments by related parties   | Do not allocate     |        | 1 |
| Non activity costs and reconciling amounts           | Do not allocate     |        | 1 |

**Renumber paragraph 102A in Schedule 16 as 102B and insert a new paragraph 102A as follows:**

102A RRP costs described as “Load related new connections & reinforcement (net of contributions)” are allocated as follows:

- (a) Reinforcement costs are allocated to network tiers using data from table 2.4 of the 2007/2008 RRP.
- (b) Load related connections' direct costs (net of customer contributions) are allocated to network tiers using data from the FB PQ LR1 table. This table identifies customer contributions in respect of direct costs (by network tier) and indirect costs. For the purpose of this allocation it is the customer contributions that relate to direct costs that are netted off against those costs. Where this allocation results in a negative value for a network tier (i.e. where customer contributions for direct costs are greater than the direct costs) they are replaced with zero. Customer contributions in excess of direct costs are added to the customer contributions relating to indirect costs.
- (c) For each network tier, costs reported as "Load related new connections & reinforcement (net of contributions)" are the sum of costs for general reinforcement and the net direct costs for load based connections.
- (d) Total activity costs reported under 2007/2008 RRP table 1.3 are not used in the allocation of these costs. Therefore, unallocated costs relating to "Load related new connections & reinforcement (net of contributions)" are set to zero.
- (e) Customer contributions (reported in FB PQ LR1) relating to indirect costs (including surpluses in customer contributions for direct costs) are treated as allowed revenue in the "DNO final allocation" worksheet in the price control disaggregation model). They are allocated to network tiers using the opex cost driver (determined using the "Calc DNO opex allocation" worksheet in the price control disaggregation model).

**Insert a new term in the Glossary of Terms in Schedule 16 as follows:**

**Forecast Business Plan Questionnaire or FB PQ** the questionnaire that the DNO Party is required to submit under the Regulatory Instructions and Guidance issued by the Authority under the DNO Party's Distribution Licence.