



DCUSA Request for Information

DCP 117 - Treatment of '*Load related new connections & reinforcement (net of contributions)*' in the Price Control Disaggregation Model

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 A DCUSA Panel Working Group has been established to assess the impact of Change Proposal DCP 117 entitled "Treatment of '*Load related new connections & reinforcement (net of contributions)*' in the Price Control Disaggregation Model".
- 1.3 The Working Group requests additional information from Parties to further assess the impacts and feasibility of DCP 117. This will assist with further facilitating the progression of this Change Proposal.
- 1.4 This purpose of this document is to:
 - Request the data from DCUSA Parties; and
 - Give Parties the opportunity to provide any alternate opinions on the options for progression of DCP 117.
- 1.5 Parties are invited to provide their responses using the forms attached as Appendix A to dcusa@electralink.co.uk by 3 April 2012.

2. DCP 117 - Treatment of '*Load related new connections & reinforcement (net of contributions)*' in the Price Control Disaggregation Model

- 2.1 The intent of this change proposal is to correct distortions in the calculation of the percentage split between direct/indirect costs brought about by the way net costs described as '*Load related new connections & reinforcement (net of contributions)*' 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 'Calc – WPD Opex allocation'.
- 2.2 On 9 December 2011 The Authority published its decision to reject DCP094. In advice given as part of their decision Ofgem stated: "We therefore suggest that

the modification be resubmitted and the Workgroup carry out further analysis in respect of the cost reflectivity of each approach". This change proposal is enables such further analysis to be undertaken.

- 2.3 Whilst the issue addressed by this change proposal is the same as that by DCP094, 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 'Load related new connections & reinforcement (net of contributions)' costs are treated (e.g. allocating customer contributions identified in RRP Table 2.4 to different voltage tiers).

3. REQUEST FOR INFORMATION

- 3.1 The Working Group requests information to analyse the options for progression. Responses will be considered by the Working Group and the most cost reflective option chosen in order to best meet the intent of DCP 117.

- 3.2 The options identified by the working group for potential progression are as follows:

- Option 1: Maintain the status quo; realising that this may not be the most cost reflective option.
- Option 2: The option put forward under DCP 094. To progress this option it will be necessary to undertake such analysis on the proposal to demonstrate to the Authority that this option better meets the relevant objectives.
- Option 3: Develop a solution for costs falling under the description '*Load related new connections & reinforcement (net of contributions)*' in the method M workbook which:
 - Assumes that costs incurred at the low voltage network tier are wholly contributed to (i.e. the net value of costs and contributions is zero);
 - Assumes negative cost figures for each a network tier correspond directly and solely to customer contributions are in excess of costs incurred at that network tier; and
 - Allocates the customer contributions that are in excess of the LV costs to and between the higher network tiers; such allocation being carried out using appropriate cost drivers. An illustrative

example of this is provided in Appendix B using MEAV as a cost driver. (When commenting on this option, please provide information on what you consider to be the most appropriate cost driver; for example, should it be MEAV?).

- Option 4: request that DNO's carry out detailed analysis using actual cost data from past schemes to determine the percentage of costs that should be allocated to the appropriate network tiers.

3.3 Parties are asked to consider and comment on the above options for progression. Points which should be included within your comments are:

- 1) The Working Group is of the opinion that the current methodology is not entirely cost reflective in the way it allocates customer contributions in respect of assets provided; do you agree with this assessment? Please provide supporting comments.
- 2) Please provide your views on the options identified by the Working Group and details of any option that the Working Group has not considered.

4. Next Steps

- 4.1 Responses should be submitted using Appendix C to DCUSA@electralink.co.uk no later than **3 April 2012**.
- 4.2 The Working Group will consider the responses received at its next meeting and based on these determine its next steps.
- 4.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate which parts of the response are to be treated confidentially.

5. APPENDICES

- Appendix A – DCP 117 Treatment of '*Load related new connections & reinforcement (net of contributions)*' in the Price Control Disaggregation Model

- Appendix B – Illustration of Option 3, an alternative way of allocating 'Load related new connections & reinforcement (net of contributions)' in the Method M worksheet entitled "Calc – WPD Opex Allocation".
- Appendix C – Response Form