

DCUSA DCP 117 Collated Consultation Responses

Company	1. Do you agree with the intent of DCP 117?	Working Group Comments
		The Working Group noted that all respondents agreed with the intent of the CP.
Electricity North West	Yes	
ESP Electricity	Yes	
Gas Transportation Company	Yes The Price Control Disaggregation Model (AKA Method M cost revenue. The current treatment of the costs "Load reinforcement (net of contributions)" mis-represents a revenue: customer contributions	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Yes	

SP Manweb & SP Distribution	Yes	
UK Power Networks	Yes.	
WPD	Yes	

Company	2. Do you agree with the principles of DCP 117?	Working Group Comments
		The Working Group noted that all respondents agreed with the principles of the CP
Electricity North West	Yes	
ESP Electricity	Yes	
Gas Transportation Company	Yes	
Northern Powergrid on behalf of	Yes	

Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc		
SP Manweb & SP Distribution	Yes	
UK Power Networks	Yes.	
WPD	Yes	

Company	3. Do you understand the approach being proposed to address the issues presented within DCP 117?	Working Group Comments
		The Working Group noted that all respondents understood the approach being set out to progress DCP 117.
Electricity North West	Yes	
ESP Electricity	Yes	

Gas Transport ation Company	Yes	
Northern Powergrid on behalf of Northern Powergrid (Northeas t) Ltd and Northern Powergrid (Yorkshire) plc	In the absence of any more accurate data we understand the approach being taken	
SP Manweb & SP Distributio n	Yes	
UK Power Networks	Yes.	
WPD	Yes	

Company	4. Do you agree with the approach to use data from FBPQ LR1 submissions to allocate costs and customer contributions to network tiers?	Working Group Comments
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		The Working Group noted that all respondents agreed with the approach being taken forward which will use the FBPQ LR1 submissions.
Electricity North West	We agree that the customer contributions data that is provided in table LR1 allows for customer contributions to be split between voltage levels and that this will improve the accuracy of the discounts used to calculate the LDNO tariffs.	
ESP Electricity	<p>Yes, ESPE believe that as the PCDM already uses data from the FBRQ LR1 submissions elsewhere, it makes sense to also use this data to allocate costs and customer contributions to network tiers.</p> <p>ESPE also believe that as this data is already provided by DNOs, this will result in no further reporting burden, which is of increased significance when considering the difficulty that the Customer Contributions group have had in obtaining similar data.</p>	
Gas Transportation Company	<p>Yes</p> <p>Data from the LR1 submission is already used in the PCDM (it is one of the components used to calculate the Net-Capex cost driver (other components of the Net-Capex cost driver calculation are also derived from FBPQ submissions).</p> <p>Using LR1 data to allocate connections costs net of contributions to network tiers in the '<i>Calc - Opex Allocation</i>' work sheet is consistent with the use of the data in determining connections capex for the Net-</p>	

	<p>Capex cost driver.</p> <p>Additionally we are not aware of any other sources for this information. The current approach (to use RRP2.4 data) does not contain sufficient granularity.</p>	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	We believe that the FBPQ LR1 submissions data are now out of date, but in the absence of more accurate data could be used to allocate costs and customer contributions to network tiers.	
SP Manweb & SP Distribution	Yes	
UK Power Networks	This approach does seem to be appropriate.	
WPD	Yes	

Company	5. Do you agree that in using data from FBPQ LR1 submissions, it is the average of data	Working Group Comments
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	over the 10 period 2005 to 2015 that should be used? Alternatively, should the data for the year 2007/8 only be used? Please explain your rationale.	
		The Working Group noted that all respondents agreed that a 10 year average would be the best approach to use for progressing this solution.
Electricity North West	We agree that a ten year average will be more representative of the typical contributions received by DNOs and therefore improve the accuracy of the calculation. We note that although most of the data used within the PCDM relates to 2007/08, there are a number of other instances used where data is averaged over a number of years to ensure it is more representative.	
ESP Electricity	<p>We believe that a 10 year average is likely to be more accurate than a snapshot from a single year (2007/08). We would be wary of using a single year as the year in question could prove an historic outlier and therefore distort the picture, whereas taking a 10 year average will help smooth out any outliers and give a more meaningful and trustworthy figure.</p> <p>There is precedence for using a 10 year figure in the PCDM (in calculating the Net Capex driver), therefore ESPE are happy for a similar methodology to be used when calculating the allocation of costs and customer contributions to network tiers.</p>	
Gas	We note that in the calculation of the Net Capex	

Transportation Company	<p>driver, it is data over the 10 year period that is used. The approach here is consistent with that approach.</p> <p>One of the concerns is that connections costs can vary from year to year and that this can in large part be influenced by the economy. Additionally, the year in which contributions are received may not wholly align with the year in which money is spent. This is because customers are required to make contributions before commencement of works. Therefore, whilst we recognise that all other costs in the opex allocation are for the year 2007/8, on balance we believe the 10 year average gives a better reflection of the costs year on year.</p>	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	<p>We believe as this is historic data an average of the 10 year period would be more appropriate than just using 2007/08 data, however other area of the model relate to just 2007/08 data therefore it may be better for consistency to retain this.</p>	
SP Manweb & SP Distribution	<p>Yes agree to using the average over the 10 year period 2005 to 2015</p>	

UK Power Networks	We agree that it is appropriate to utilise the average of the data available over the ten year period (2005/06 to 2014/15) within the FBPQ LR1 submissions, as this would help ensure that single year data volatility is removed as the costs are smoothed over the longer time window.	
WPD	WPD agree that the current solution is a best fit to a complicated problem.	

Company	6. Do you agree with the approach proposed to allocate customer contributions that are in excess of connection costs?	Working Group Comments
		The Working Group noted that the majority of respondents agreed with the approach set out under this solution.
Electricity North West	Any excess contributions are due to the element that relates to indirect costs. The proposed solution is to classify this as income and allocate them using the opex cost driver as a proxy for the type of costs they are deemed to cover. Rather than using a proxy, the Working Group should consider directly netting off the indirect element of customer contributions against indirect costs.	<p>The Working Group requested that ElectraLink write to ENWL for further clarity to add as a post-meeting note so that the point can be considered further.</p> <p>Action: ElectraLink</p> <p>Post Meeting Note – ENWL Response:</p> <p><i>When I looked through LR1, it gave the customer contributions in 2 categories; directs and indirects, as shown in the table below. I believe the proposed methodology takes the total of these and compares it to the reinforcement costs with any excess being taken and allocated separately. It seems sensible to me to take the direct costs and net these off the</i></p>

		<p><i>reinforcements, but not the indirects. These should be treated separately and allocated separately within the model (although I'm not sure what the most appropriate way of achieving this is).</i></p> <p>Post Meeting Note – Response from Mike Harding, Brookfield Utilities: <i>The proposed solution does treats the indirect and direct customer contributions separately.</i></p> <p><i>Customer contributions for directs are netted off against the reported costs.</i></p> <p><i>Customer contributions for indirect costs are allocated separately in the final allocation worksheet. They are treated as additional revenue (to that allowed under the price control). This revenue is allocated to network tiers using the opex cost driver (this is consistent with the way opex costs are allocated (in the final allocation spreadsheet).</i></p> <p><i>Customer contributions for indirect costs are treated this way because they represent revenue over and above that allowed under the price control.</i></p>
ESP Electricity	At present, customer contributions that are in excess of connection costs are ignored, which we do not believe is the correct approach as we believe that it would be more cost reflective to see them allocated.	
Gas Transport ation Company	Contributions that are in excess of contributions are a revenue stream for DNOs and therefore need to be allocated (rather than ignored as is currently the case). Table LR1 identifies that these "excess" contribution in very large part relate to the indirect	

	costs [of providing a connection]. Allocating this revenue to network tiers using the opex driver is consistent with the way that other indirect costs are allocated.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	This would seem to be more cost reflective.	
SP Manweb & SP Distribution	Yes	
UK Power Networks	We believe that the approach proposed for the allocation of these contributions by the use of the opex cost driver is appropriate.	
WPD	Yes	

Company	7. Do you have any comments on the impact analysis presented within Attachment C?	Working Group Comments
Electricity	We have no comments	

North West		
ESP Electricity	ESPE note that across the 14 regions, the impact on the ATW charge is negligible, with any changes (+0.1%) primarily due to rounding rather than a genuine change in the charge. The impact to the customer will therefore be negligible, with the only real change being in the charges to LDNOs connecting to the DNOs, due to the correction in the defect identified by this CP.	
Gas Transport ation Company	The impact to the all-the-way charges is very small and therefore have very little impact on suppliers or end customers.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	In all but one of the DNOs the affected tariffs are those that we would expect to see change if the objectives of the proposal are to be met. Which suggests that, the progression of this proposal, does have some merit.	
SP Manweb & SP Distributio n	No	

UK Power Networks	No.	
WPD	No	

Company	8. Are there any alternative solutions or matters that should be considered by the Working Group?	Working Group Comments
Electricity North West	The working group should consider treating the direct and indirect customer contributions as separate elements rather than deriving the residual and allocating it as income.	The Working Group noted that this comment is similar to ENWL's comment in Q6 and the Working Group will request additional clarity to consider the view further.
ESP Electricity	None	
Gas Transport ation Company	We are not aware of any other solutions or matters that need to be considered in the scope of this change proposal.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	None that we are aware of.	

SP Manweb & SP Distribution	No	
UK Power Networks	The Working Group will need to consider the timeline to produce the legal text and the need for a further consultation on the legal text.	The Working Group noted this comment and highlighted that the draft legal text will be prepared and distributed to Working Group members following the conclusions from this consultation. The Working Group will then issue another consultation that will focus on the legal text and DCUSA Objectives only.
WPD	No	

Company	9. The Working Group is proposing an implementation date of 01 April 2015, or where this is not possible, under the notice periods required under DCUSA, the earliest date that the notice periods under DCUSA permit for changes to such charges, do you agree with this date? Please provide supporting comments.	Working Group Comments
		The Working Group discussed the responses to this question, and noted that to meet the deadlines for an April 2015 implementation date would be hard to realise. Given those circumstances, the Working Group recommends an April 2016 implementation.
Electricity North West	We believe this DCP should be implemented in April 2016	

ESP Electricity	ESPE believe that if approved, this change should be implemented as soon as practicable, particularly as it has effectively been on hold for so long because of the delays with the Customer Contributions group.	
Gas Transport ation Company	<p>The impact to the all way charges is very small. We recognise that should the change proposal be successful it is unlikely to be approved in time for the publication of DNO indicative tariffs. However given that the impact to the all-the-way charges is very small we believe that if the change proposal is approved before the publication of the final charges it should take effect from April 2015.</p> <p>Consideration of the DCP has taken too long already</p>	
Northern Powergrid on behalf of Northern Powergrid (Northeas t) Ltd and Northern Powergrid (Yorkshire) plc	We believe April 2016 is a more realistic date	
SP Manweb & SP Distributio n	<p>Yes, we agree with the suggested implementation date of 1st April 2015 assuming that this change is approved by the Authority in time to be incorporated in the February 2015 Final publication.</p> <p>If not then this change would need to have the</p>	

	implementation date of the 1 st April 2016.	
UK Power Networks	In the absence of a timeline on the legal text and consultation we are unable to comment on an implementation date of 01 April 2015.	
WPD	WPD do not agree with the implementation date. At this late stage in the charging process the implementation date should be 1 st April 2016.	