

DCUSA DCP 105 Consultation Responses – Collated Comments

Questions for all Respondents			
	Question One	Do you understand the intent of DCP 105 and are you supportive of its principles? Provide supporting comments.	Working Group Comments
1	BOC	Yes, the principle of increased charge certainty within charging year is one which BOC supports.	Noted
2	Northern Power Grid	<p>Yes we understand the intent of DCP105, but we are not supportive of its principles as it does not allow a DNO to be cost reflective.</p> <p>The distribution licence, which takes precedence over DCUSA, allows a DNO to change charges at any time provided that they give the requisite period of notice (i.e. three months). As is stated in the change proposal DCUSA already has a 'reasonable endeavours' clause to limit changes to 1 April and 1 October and typically DNOs take this into consideration. That said, if a large correction to charges is required it may be better to change charges sooner rather than later so that the error does not distort the market. In fact an earlier implementation is likely to result in a smaller change to charges than if a DNO had to wait until the specified dates.</p> <p>In addition, the decision made by Ofgem on DCP001 in 2007 has been fit for purpose and thus there appears no purpose in changing the legal drafting. There have been limited changes outside the 1st April and 1st October charge setting dates which reinforces the soundness of Ofgem's original decision as DNOs have only changed prices outside these dates if it was a</p>	<p>Noted.</p> <p>The Working Group agreed that any licence takes president and will progress the CP then up to parties to decide if there is a conflict.</p> <p>The Working Group noted that cost reflectivity would be better reflected should DNOs make their changes straight away, however Suppliers have already budget for such prices and to change out of the two excepted times would impact them.</p>

		necessity.	
3	EDF Energy	Yes, the intent of DCP 105 is understood and supported by EDF Energy as it will allow Suppliers to forecast costs and price customers more accurately.	Noted.
4	Electricity North West Ltd	<p>We understand the intent of the change proposal but are not supportive of its principles.</p> <p>As the minutes of the first meeting indicate, the number of times that a change has been undertaken outside of the two dates stated in DCUSA is small. It would be worthwhile quantifying “small” so we understand the volumes over the number of years since DCP001a was implemented.</p> <p>Secondly, supporting justification for this change proposal is as a consequence of a change to prices due to a manifest error by a distributor. If they had not acted as they did, the change in October would have been more substantial due to less time being available to recover the potential under-recovery in order to meet the licence obligations. Delaying would have caused a bigger impact.</p> <p>We therefore would like to see evidence of the number of changes over the years to determine whether this change proposal will better facilitate the DCUSA objectives.</p>	<p>Noted.</p> <p>The Working Group agreed to include in the DCP 105 Change Report how many changes have been made outside of April or October since DCP 001A was implemented.</p>
5	EON	Yes we understand the intent, but are undecided if we are supportive of its principles.	Noted
6	ESP Electricity Ltd	We understand the intent of the CP and are supportive of its principles.	Noted
7	First Utility	We understand the intent of DCP 105 and are supportive of its principles. Restricting changes to DUoS tariffs to April 1 st and October 1 st will provide greater certainty to suppliers and allow	Noted and agreed to add an outline of any beneficiaries to Competition in the Change Report.

		<p>more accurate forecasting in this area. This should then also provide associated benefits to competition as this removal of risk around uncertainty will assist smaller players and act as an incentive towards new market entry.</p> <p>Restricting the number of annual DuoS tariff changes to two per distributor should also result in more efficient administration of the DCUSA as there will be no need to deal with ad hoc DuoS tariff changes as at present.</p>	
8	Haven Power	Yes, we understand the intent of DCP 105 and we are supportive of the principles.	Noted
9	Independent Power Networks	Yes	Noted
10	Npower	Yes. We support the intent of DCP105 and its principles. This change will provide much more certainty for suppliers and customers by fixing the dates when DuoS charges can change. Currently, while the 'best endeavours' clause exists, DNO's have the option to change DuoS tariffs at any point during the year. DCP105 limits that price changes <u>can</u> only occur in April and/or October.	Noted, See comments to response number 2.
11	Opus Energy	Yes, we are supportive of the principle that distributors should only be able to change their prices twice a year on 1 st April and 1 st October	Noted
12	Party 1	Yes	Noted
13	Power Data Associates Ltd	I agree with the principles	Noted
14	Smartest Energy	Yes we understand the intent of DCP105 and we are supportive of its principles. We agree wholeheartedly and unreservedly with the following paragraph in the consultation document:	Noted

		<p>“Uncertainty around the dates when DNOs can change their tariffs may make it difficult for Suppliers to forecast DUoS tariffs accurately. Ensuring that there are only two fixed dates where Distributors can change their DUoS tariffs will allow Suppliers to forecast and price customers more accurately. “</p>	
15	Scottish Power Energy Retail Ltd	<p>We understand the intent of DCP 105 and although we support the principle of fixing amendments to DUoS charges to specific points in the year, we believe that DNOs should be not restricted so that they are unable to make amendments when justified.</p> <p>The scale of any change is crucial in determining the impact this would have on parties but if a DNO was unable to amend their charges outside the named dates this may result in an even more significant over/under recovery. We are concerned that this will increase the magnitude of any changes that were introduced at the next available date and that the impact of these would be more material.</p>	Noted that there could be under over recovery from DNOs in that finical year, the CP is not seeking to prevent changes.
16	SP Manweb/SP Distribution	<p>SPEN understand the intent of DCP105 and are supportive of the principle of limiting DNOs’ ability to make multiple price changes during a given year. However, in view of the requirement on DNOs to take all appropriate steps to manage use of system charges to remain within the respective charge restriction (under CRC 3, extract below) we cannot support the proposed change from the current DCUSA provisions. The DNO must retain the ability to alter its charges as required if necessary to meet its licence obligations.</p> <p>[CRC 3.2 The licensee, in setting Demand Use of System Charges and Generation Use of System Charges, must take all appropriate steps within its power to ensure that, in</p>	Noted and agreed to include a section in the Change Report from the licence condition.

		Regulatory Year t, Regulated Combined Distribution Network Revenue does not exceed Combined Allowed Distribution Network Revenue.]	
17	SSE Power Distribution	<p>Yes, we understand the intent.</p> <p>Our view is that the existing DCUSA provisions should remain unchanged. Although we agree that price variations in any year should in normal circumstances be limited to no more than two and these should take effect from 1 April and/or 1 October, in <u>exceptional circumstances</u> DNOs must have the ability to effect a price change on other occasions.</p> <p>In such exceptional circumstance, the Distributor should however ensure that stakeholders are engaged with and kept fully informed.</p>	Noted
18	SSE Retail/Supply	Yes	Noted
19	The Electricity Network Co Ltd	Yes, we understand the intent of DCP 105. However, we are not supportive of its principles because we believe that the possible adverse impacts outlined in the following question responses would out-way the benefit of restricting the issuing of charges to two times a year.	Noted
20	The Renewable Energy Co Ltd	<p>Ecotricity understands the intent and are supportive of DCP 105 which seeks to remove the “reasonable endeavours” drafting of clause 19.1 of the Distribution Connection and Use of System Agreement (DCUSA). Thereby restricting changes for DUoS tariffs to the 1st of April and the 1st of October only.</p> <p>However at present DNOs tend not to change tariffs unless at 1st of April and 1st of October. Therefore we are unsure if much will be achieved by this change.</p>	Noted and agreed that the CP is trying taking away the risk of DNOs making changes outside April or October.

21	UK Power Networks	<p>We understand the intent of DCP 105 but we do not support its principles.</p> <p>We can appreciate that any unexpected change in DUoS prices can cause an issue for Suppliers looking to forecast where costs are going. As a DNO the amount of work to undertaken and implement a price, change should not be under estimated. Thus with this in mind we can understand why the removal of the 'reasonable endeavours' wording would greatly remove that extra risk for Suppliers.</p>	Noted that UK Power Networks were aware that Suppliers have an issue with price changes being changed outside April or October.
22	Western Power Distribution	We understand the principles. We are not supportive on account that intention we believe is too narrow. The current drafting already requires the 1 April/1 October under normal circumstances, but allows for exceptional circumstances. There is already sufficient protection against DNOs adopting other price change dates without good reason. This is in addition t the three month notice period.	Noted and agreed that Suppliers are at risk.
23	Westminster City Council	I believe that the intent of DCP 105 is to provide a more stable, predictable environment for this unpredictable requirement. This is a concept that I support, as it will aid with managing the risk, while the prices may change it is helpful to understand this will only happen at set points throughout the year.	Noted that as a consumer they wish to see prices twice a year.
	Question Two	What are the potential negative effects of price changes which are made outside of April or October?	
24	BOC	Any changes create an administrative workload from DNOs, through suppliers to customers. Additionally, where distribution charges are a pass through cost, there is a budgetary impact on customers should significant changes be made.	<p>The Working Group agreed to highlight in the Change Report the impact on all 4 categories that have been identified as impacted by the CP.</p> <p>And noted that there is an administrative workload placed on consumers, should a</p>

			change be made outside the April or October.
25	CE Electric	<p>From a DNO perspective there are no potential negative effects to price changes which are made outside of April or October. DNOs are empowered to set tariffs to recover allowed revenues. The control on this is the applicability of penalties if over/under-recovery goes outside defined limits. This proposed change has the potential to impair our ability to interact with this control.</p> <p>From a supplier perspective it may be an issue if pass-through arrangements of use system charges are not in place. That said, the level of concern may be different depending on whether charges are increasing or decreasing.</p>	<p>The Working Group noted that DNOs could face penalties if they under or over recover.</p> <p>The Working Group agreed to include a calendar in the Change Report, which will outline when DNOs will and won't be able to recover and if there is a window of risk.</p>
26	EDF Energy	The ability of DNO's to change their tariffs at 90 days notice causes significant uncertainty around the dates when the changes may occur. This makes it difficult for Suppliers to forecast DUoS tariffs accurately.	Noted
27	Electricity North West Ltd	<p>Any changes outside of the two set dates should be used as an emergency or specific to licence obligations such as the supplier of last resort. Failure to allow flexibility outside of these two dates would make prices more volatile (where an error has occurred and identified) and be a licence breach (Distribution licence 38.2)</p> <p>Additional Response:</p> <p>The rationale for the breach is covered in the responses item 117, a copy of which is below.</p> <p>Please note the supplier of last resort provision. Obligation to increase Use of System Charges 38.2 Where the licensee receives a Valid Claim, it must, during</p>	<p>The Working Group noted that they were unsure as to how the CP would make prices more volatile. There are credit cover arrangements under the DCUSA so that Supplier of last resort is not available.</p> <p>Working Group agreed to seek clarity from ENWL as to why they feel that they think Supplier of last resort is relevant here?</p> <p>Working Group agreed that there could be an issue, but the risk is minor as it has never happened in the past.</p>

		<p>the Relevant Regulatory Year, make an increase to its Use of System Charges relating to the distribution of electricity to premises in respect of that year to such an extent as it reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the Specified Amount.</p> <p>(Relevant Regulatory Year means, in relation to any Valid Claim:</p> <p>(a) where the claim was received by the licensee at least 60 days before the beginning of a Regulatory Year, that Regulatory Year; or</p> <p>(b) where the claim was received by the licensee less than 60 days before the beginning of a Regulatory Year, the next Regulatory Year.)</p> <p>Should this requirement occur after the October price window and before 60 days of the next Regulatory year, we would be in breach of this Licence obligation.</p>	
28	EON	There is a potential that Suppliers with non pass through of DUoS charges in contracts that are in place with customers, potentially may under recover DuOS charges that are invoiced by Distributors.	Noted
29	ESP Electricity Ltd	For us as an IDNO, under the terms of our current Charging Methodology whereby we 'mirror' the host DNO's charges – any prices changes made by the DNOs have to be reflected in our own Charging Statements. Additional changes outside April and October would cause extra administration work to update our Charging Statements and also with regards to the tariff	<p>The Working Group noted that IDNOs currently mirror the host DNO charges. However they do not have to do this under a licence condition.</p> <p>There will be admin and system changes</p>

		amendments in to our billing system and business quotation systems.	impacted on IDNOs as a result of the CP.
30	First Utility	Price changes occurring outside these two dates create uncertainty and add potential risk by making it more difficult to accurately forecast and price DUoS charges.	Noted
31	Haven Power	For a supplier, price changes outside of a defined timetable can lead to under recovery of Use of System (UoS) charges unless customer pricing can be revisited. This is only practical in a limited number of cases. The uncertainty faced by suppliers may lead them to factor in a risk premium to cover unexpected changes in UoS charges and this is detrimental to customers. Both suppliers and customers could be subject to unexpected changes in cash flow as a result of ad-hoc UoS charge changes.	Noted
32	Independent Power Networks	Additional administration to update IPNL charging documents and prices in systems. This could potentially happen for each DNO a number of times a year so limiting these changes to twice a year will reduce the additional administration in such instances.	Noted
33	Npower	Suppliers need to forecast DUoS prices for several years out in order to reflect these costs into customer contracts and tariffs as accurately as possible. The current wording leaves uncertainty around the dates when prices can change. Any changes outside of April and October, while valid, are out of 'the norm' and cause issues for suppliers' forecasts of DUoS charges. This results in less cost-reflectivity of tariffs to customers on 'non-pass through' DUoS contracts where DUoS prices are incorporated into the overall rates that the customer sees. This may also result in the need for suppliers to introduce risk margin into contract prices to cover for price changes outside the	Noted that the issue is around certainty. Suppliers cannot forecast changes if there is a change.

		<p>normal April and October periods.</p> <p>Price changes outside of April or October can result in unexpected price changes for customers on 'pass through' DUoS tariffs. This may cause budgetary issues for customers.</p>	
34	Opus Energy	These changes are difficult to predict and can leave suppliers unable to accurately reflect the distribution tariffs that they are being charged.	The Working Group noted that the CP will ensure the predictability of tariffs.
35	Party 1	Price changes outside of April and October create inconsistency within the industry and are counterproductive in relation to the goals of the CDCM	<p>Working group thought that CDCM is about methodology for calculating charges.</p> <p>Agreed to seek clarity as to why they feel that the CP will be counterproductive of the CDCM?</p> <p>The Party failed to respond.</p>
36	Power Associates Ltd	Data Customers and industry parties have to continually check if the DUoS charges have changed. This is time consuming. Any price modelling/comparison is easier if only two fixed date changes per year	<p>Noted that DNOs are under an obligation to notify Parties that prices have changed.</p> <p>There is the facility for consumers to find the change in prices, but they are not present at Supplier teleconferences.</p> <p>Working Group noted that DNOs should proactively contact consumers should their prices change outside April or October.</p>
37	Smartest Energy	Changes outside of April and October cause unnecessary operational aggravation in terms of updating systems and can also lead to suppliers taking pricing risk on customers who have signed up to a fixed contract. Where the customer is on pass through (which is quite rare) there is additional system/billing	It was noted that pass through contracts are rare and operate in different markets.

		updates which need to be made.	
38	Scottish Power Energy Retail Ltd	<p>Any additional price changes (outside April and October) would require additional work to update supplier's pricing and billing systems.</p> <p>Were fixed contracts already signed with customers (based on old charging statements) then there may be a financial impact on suppliers. Depending upon the scale of the change this could be material. This may result in a significant change in customer's charges when their current contract is renewed.</p>	Noted
39	SP Manweb/SP Distribution	We acknowledge the benefits to suppliers of having a reasonable degree of certainty, where possible, in forecasting their costs in setting prices.	The Working Group noted that SP Manweb and Distribution agreed that Suppliers have difficulty in predicting costs as a result of a unexpected price change.
40	SSE Power Distribution	<p>Suppliers may not be able to effect the price change to their customers due to contractual constraints. There may also be potential adverse reaction from customers.</p> <p>If the DNO is unable to adjust tariffs to target a zero recovery, outside the two proposed fixed change dates, Suppliers and their customers may have to bear significant tariff adjustments in year t+1, which cannot be good for stability in pricing.</p>	Noted
41	SSE Retail/Supply	They force Suppliers to add a risk premium to fixed price customer contracts to cover the possibility of an unexpected DuoS price rise. They are not consistent with the OFGEM Retail Market Review proposals.	Noted that there is a risk that Suppliers won't be able to pass through unexpected changed to network. Greater risk premium built into that tariff.
42	The Electricity Network Co Ltd	<p>The potential negative effects of price changes made outside of April and October are:</p> <ul style="list-style-type: none"> • The administrative burden placed on suppliers and IDNOs, particularly if different DNOs choose to issue in 	Noted

		different months.	
43	The Renewable Energy Co Ltd	It is a positive step to definitively restrict any change periods other than 1 st of April and 1 st of October throughout the year. However, Ecotricity are concerned that a lack of change periods will lead to more volatility in tariff changes at the 1 st of April and 1 st of October respectively. If there was more volatility it could have an adverse impact upon our fixed business contracts, as these contracts usually span twelve month periods. Consequently, our customers will have two different DUoS rates but only have one priced into them. If the rates differ greatly it could leave us out of pocket.	Noted that there was concern that it might lead to more volatility in 1 st April.
44	UK Power Networks	As a DNO we have, a concern that should a price change be required due to an unforeseen revision of data being required (such as the correction of a data input error) then this change would significant limit the options available in order to correct it within a reasonable period.	Noted
45	Western Power Distribution	<p>They would obviously be a surprise to suppliers; they could add uncertainty although for any change to take place then there must be at least a 3 month notice period, so this reduces the element of surprise.</p> <p>Working Group agreed to ask WPD if their interpretation was correct?</p> <p>Additional Response:</p> <p>we did not intend for risk margins to be put in place. We were merely commenting on the fact that tariff changes at times other than April/October wouldn't be a normal course of events so it may be a surprise to suppliers – they would still though get 3 months notice of it happening.</p>	<p>Working Group interpreted this response as the CP adding uncertainty and not about adding risk margins.</p> <p>Working Group concluded that there will be a notice period.</p>

46	Westminster City Council	<p>The negative points of ad-hoc price changes include</p> <ul style="list-style-type: none"> • Inability to accurately forecast and profile budget expenditure • Inability to accurately prepare for the negative impact of price change (increased cost) therefore higher risk and contingency is required. • Higher management awareness and reactivity required “over and above” the scale of the risk involved 	Noted
	Question Three	What are the benefits restricting price changes to April and/or October?	
47	BOC	Price certainty, budgeting, reduction in administration. An incentive for stable pricing models.	Noted
48	CE Electric	<p>From a DNO perspective there are no benefits from restricting price changes to April and/or October. In fact it could seriously impair our ability to balance revenue allowances.</p> <p>From a supplier perspective it would reduce risk as it would remove uncertainty of UoS charges, allowing suppliers to forecast tariffs with more accuracy.</p>	Noted
49	EDF Energy	Ensuring that there are only two fixed dates when Distributors can change their DUoS tariffs will allow Suppliers to forecast costs and price customers more accurately.	Noted
50	Electricity North West Ltd	It is understood that consistency of price changes will help suppliers manage their costs and risk.	Noted
51	EON	Restricting price changes to two defined instances a year mitigates some of the risk described in the previous answer.	Noted

52	ESP Electricity Ltd	Static administration charges for departmental budget purposes. No additional work required for additional price changes. Greater confidence in tenders quoted based on current & forecast prices.	Noted that production of prices is more secure.
53	First Utility Ltd	As described in our answer to Question 1, this will provide greater certainty and more accurate forecasting and pricing from a supplier point of view as well as potentially providing benefits to competition as a consequence of the reduction in risk which implementation would provide.	Noted
54	Haven Power	For suppliers the benefits are certainty over timing of price changes – this helps to reduce risk in cost recovery from customers and cash flow. The same benefits apply to customers too.	Noted
55	Independent Power Networks	See above.	Noted
56	Npower	Fixing the DUoS price changes to April and October will make it easier for suppliers to forecast DUoS tariff changes since there are only 2 months in the year where prices can change. It will therefore result in more cost reflective tariffs for customers on 'non pass through' DUoS contracts as well as reducing risk margins which may be applied. For customers on 'pass through' contracts, tariffs will change at known times.	Noted
57	Opus Energy	This would remove the potential uncertainty that currently exists with additional tariff changes, allowing suppliers more certainty when pricing customer contracts. Less risk can only lead to lower costs.	Noted
58	Party 1	Suppliers are able to provide a more stable pricing structure and are able to provide customers with certainty for pre defined	Noted

		time periods. It could also help reduce costs by mitigating some of the risk that comes with not knowing when a distributor may change prices	
59	Power Data Associates Ltd	Customers and industry parties have to continually check if the DUoS charges have changed. This is time consuming. Any price modelling/comparison is easier if only two fixed date changes per year	Noted
60	Smartest Energy	Less operational hassle and less financial risk for suppliers.	Noted
61	Scottish Power Energy Retail Ltd	Restricting price changes to fixed dates would mitigate the effects described in the question above. The scale of any benefits/negative impacts are dependent on the change that a DNO would introduce at a price change.	Noted
62	SP Manweb/SP Distribution	We accept that the proposed change would deliver greater certainty for suppliers, but believe that the current arrangements deliver a high degree of assurance while being consistent with DNOs' licence obligations.	Noted
63	SSE Power Distribution	Suppliers can plan their prices with more certainty, as the dates of UoS tariffs are determined.	Noted
64	SSE Retail/Supply	It is easier to offer customers fixed price contracts. It reduces the frequency of domestic price changes. It is more consistent with the OFGEM Retail Market Review proposals.	Noted
65	The Electricity Network Co Ltd	The potential benefits in restricting price changes to April / October are: <ul style="list-style-type: none"> Removes the administrative burden to Suppliers and IDNOs of repeated amendments to their charges 	Noted
66	The Renewable Energy Co Ltd	The restriction will reduce workload for system updates. Furthermore, the twice yearly change should enable us to	Noted

		forecast DUoS costs and price fixed contracts more accurately.	
67	UK Power Networks	By only allowing changes to DuoS prices on these two dates, it ensures that all parties (especially Suppliers and IDNO's) are aware of when a price change can be expected and can plan / forecast accordingly.	Noted
68	Western Power Distribution	Possibly more certainty	Noted
69	Westminster City Council	<p>The benefits to set timescales are</p> <ul style="list-style-type: none"> • Improved visibility and therefore improve ability to manage any potential impact of the changes • Potentially improved forecasting • Ability to align contract periods to set timescales • Reduced risk and contingency 	Noted
	Question Four	Do you have any comments on the proposed legal text?	
70	BOC	No comments.	Noted
71	CE Electric	<p>Removing “reasonable endeavours” and restricting tariff changes to twice a year conflicts with the distribution licence which allows a DNO to change charges at any time provided that they give the requisite period of notice (i.e. three months).</p> <p>As is stated in the change proposal DCUSA already has a ‘reasonable endeavours’ clause to limit changes to 1 April and 1 October and typically DNOs take this into consideration.</p>	Noted
72	EDF Energy	The legal text is clear and meets the change proposal objective.	Noted
73	Electricity North West Ltd	Notwithstanding our stance on this change proposal the legal text is contradictory. The second sentence refers to ‘at any	The Working Group agreed to update the first sentence “when the company varies charges

		time' and the third sentence refers to two fixed times.	they must give the requisite period of written notice" from "the company may change at any time."
74	EON	No.	Noted
75	ESP Electricity Ltd	None	Noted
76	First Utility	This seems appropriate and we agree that it will achieve the desired aim should the Change Proposal be implemented.	Noted
77	Haven Power	No	Noted
78	Npower	This meets the intent of the consultation.	Noted
79	Opus Energy	No	Noted
80	Power Data Associates Ltd	No	Noted
81	Smartest Energy	No	Noted
82	Scottish Power Energy Retail Ltd	The legal text meets the intent of the proposal.	Noted
83	SP Manweb/SP Distribution	The legal drafting appears to deliver the change as proposed.	Noted
84	SSE Power Distribution	No	Noted
85	SSE Retail/Supply	No	Noted
86	The Electricity Network Co Ltd	The proposed legal text contradicts the second sentence of 19.1.	Agreed to update the proposed legal text as set out in point 73.
87	The Renewable Energy Co Ltd	Ecotricity have no concern with the current proposed legal text, the draft meets the requirements of the proposal to restrict changes for DUoS tariffs to the 1st of April and the 1st of	Noted

		October only.	
88	UK Power Networks	The Legal Text as drafted is in line with the intent and is sufficient for the change.	Noted
89	Western Power Distribution	None	Noted
90	Westminster City Council	No	Noted
	Question Five	Please state any other comments or views on the Change Proposal.	
91	CE Electric	<p>There have been limited occurrences where DNOs have changed charges outside of 1 April and 1 October. However, the flexibility needs to be maintained to allow a tariff change to be introduced at other times if deemed necessary.</p> <p>If the “reasonable endeavours” was to be removed and DNOs restricted to the twice a year change then should there be a tolerance to make an acceptable change outside these 2 dates?</p> <p>In addition, the decision made by Ofgem on DCP001 in 2007 has been fit for purpose and thus there appears no purpose in changing the legal drafting. There have been limited changes outside the 1st April and 1st October charge setting dates which reinforces the soundness of Ofgem’s original decision as DNOs have only changed prices outside these dates if it was a necessity.</p>	The Working Group agreed that this is outside the intent of the CP and should be raised under the discussions DCP 104.
92	Electricity North West Ltd	We accept that suppliers want to know a degree of certainty where prices are concerned. There needs to be a balance between allowing distributors the flexibility to meet their licence obligations and providing consistency of prices by using pre-set dates. The current DCUSA wording is a balance between	Noted

		the two.	
93	EON	The downside of limiting changes to these two dates, is that a gross over or under recovery cannot be rectified earlier and so may lead to larger increases and decreases and therefore unstable prices.	Noted
94	ESP Electricity Ltd	For clarity, we consider amendments to prices due to 'typos' in a Charging Statement not part of a general price change.	The Working Group agreed that this is outside the intent of the CP and should be raised under the discussions DCP 104.
95	Haven Power	In light of ad-hoc changes to UoS charges seen by suppliers and customers since the introduction of the Common Distribution Charging Methodology (CDCM) this change is to be welcomed. It will improve efficiency and certainty over UoS charges for both suppliers and end customers and we fully support its implementation.	Noted
96	Npower	<p>This proposal continues to give the DNOs the flexibility to implement 2 price changes per year but, by restricting it to April and October only, gives suppliers and customers more certainty over when these changes will take place.</p> <p>A lot of good work has been put in over recent year to provide suppliers with information to improve transparency and predictability of tariffs. This CP seeks to further enhance this by providing certainty over when tariffs will change.</p>	Noted
97	Opus Energy	None	Noted
98	Power Data Associates Ltd	If a Distributor was to identify an error in their charges, would the under/over charge apply until the next six monthly review date? If so, then certain groups of customers (and industry parties) could be significantly adversely impacted by a genuine error – perhaps introducing some significant cash flow issues	Noted and agreed that there is an impact on customers but that any discussions criteria for errors are outside the scope of this CP.

		<p>and undesirable 'swings' in charges.</p> <p>Should a criteria be added for significant identified errors in charge statements be allowed for? Although would expect Distributors to check and get them right first time – we are all human...</p>	
99	Smartest Energy	None	Noted
100	Scottish Power Energy Retail Ltd	None.	Noted
101	SP Manweb/SP Distribution	We consider the current DCUSA wording, and “reasonable endeavours” obligation, to be fit for purpose and a sufficient hurdle for DNOs to ensure that price changes are, where possible, restricted to occurring in April and / or October. As stated above, the proposed change could conflict with DNOs’ licence obligations in relation to charge restrictions.	Noted a conflict with licence obligations.
102	The Electricity Network Co Ltd	<p>We do not support this change proposal. The current drafting of DCUSA only allows distributors to make changes at times other than April/ October where it is reasonable to do so.</p> <p>We do not think that it is appropriate to prevent distributors from making changes to their charging statement where there is a material impact to the distributor or to different classes of user.</p>	Noted.
103	The Renewable Energy Co Ltd	Ecotricity would like to suggest that perhaps the restriction should go even further to once a year only. If the DUoS tariff changes were to occur once a year, it would be in line with our annual fixed contracts. Ecotricity believe it is possible for DNO’s to calculate their DUoS tariffs once a year only.	Out of scope of the CP to be discussed under DCP 104.
104	UK Power Networks	Neither this CP nor this consultation considers the wider external drivers that may also cause a DNO to be required to	The Working Group noted that the difference in the definition best and reasonable

		<p>revise its charges. These include:</p> <ul style="list-style-type: none"> • Changes in legislation and the implementation date thereof. • Changes in the distribution licence and the implementation date thereof. • Changes in one of the use of system methodologies and the implementation date thereof. <p>The restriction of the ability for DNOs to revise charges in these circumstances is unreasonable, as it would force them into breach. In this circumstance, the replacement of the “reasonable endeavours” clause with a “best endeavours” clause would be more reasonable.</p>	<p>endeavors is not material.</p> <p>Noted that the CP does not count for changes in legislation, something outside the control of the industry.</p>
105	Western Power Distribution	Please see answer to first question.	Noted
106	Westminster City Council	It appears that the changes are only the removal of “reasonable endeavours” this appears to be a positive progression on current situation.	Noted
Questions for Distributors			
	Question Six	What are the potential impacts of formalising the condition of only being able to change your prices April and /or October, as set out in this CP?	
107	CE Electric	The distribution licence, which takes precedence over DCUSA, allows a DNO to change charges at any time provided that they give the requisite period of notice (i.e. three months). As is	Noted

		<p>stated in the change proposal DCUSA already has a 'reasonable endeavours' clause to limit changes to 1 April and 1 October and typically DNOs take this into consideration, which is compatible with the licence.</p> <p>If a large correction to charges is required it may be better to change charges sooner rather than later so that the error does not distort the market. In fact an earlier implementation is likely to result in a smaller change to charges than if DNO had to wait until the specified dates (i.e. the proposal could introduce more volatility into the market as DNOs endeavour to balance revenues).</p> <p>Restricting tariffs impacts on a DNO's ability to be cost reflective as it does not allow DNOs to reflect the latest forecast volumes or the give them the flexibility to change UoS charges quickly.</p>	
108	Electricity North West Ltd	<p>We will not be able to meet our licence obligation associated with Condition 38 covering a supplier of last resort provision.</p> <p>Notwithstanding the process of checking and counter checking the data entry inputs there is also likely to be more volatile prices should a significant error be made in setting prices that are not picked up prior to final submission.</p>	Noted
109	ESP Electricity Ltd	As an IDNO, and under the terms of our Charging Methodology whereby we mirror the host DNO, this benefits us as outlined in the responses above. We see no adverse impact for an IDNO.	Noted
110	Independent Power Networks	As a change in the DNO price results in a change in the IPNL charging	Noted
111	SP Manweb/SP Distribution	<p>The potential impacts of formalising the condition of only being able to change prices in April and/or October are:</p> <ul style="list-style-type: none"> • Unable to change prices due to a manifest error or 	Noted

		<p>another reason which is out of the DNO's control.</p> <ul style="list-style-type: none"> • Impact on cash flows 	
112	SSE Power Distribution	Price changes due to exceptional circumstances would not be immediately rectified and would have to be recovered via under/over recovery of 'K' at the next price change. This may result in a significant price disturbance in the charging year.	Noted
113	The Electricity Network Co Ltd	<p>Limiting DUoS changes brought about the April/October restriction could lead to:</p> <ul style="list-style-type: none"> • Delays in bringing about changes in price changes that better meet the objectives and the requirements of competition law. • It does not allow for the correction of material errors, <p>It can distort the DNO price control position compared to target revenue.</p> <p>Additional Response:</p> <p>The DCUSA puts in place an open governance process for changes to the methodology. Recent experience has shown that even a well defined change proposal can take in excess of 9 months to progress through DCUSA governance.</p> <p>If a change proposal identifies a defect with the current methodology, which results in reduced margins to an IDNO, any failure or delay to implement changes in a timely manner will mean that the IDNO faces a margin squeeze. We feel that it is wholly inappropriate that such changes should be restricted to twice a year since this would have the effect of starving LDNOs</p>	<p>Working Group agreed to seek clarity as to what impact the CP has on competition law and the known variables?</p> <p>Working Group concluded that although there maybe margin squeezes, its not a fault with this CP, its an error within the system, not a deliberate attempt. But agreed that it is not a competition issue.</p>

		<p>from the margins they are entitled to.</p> <p>If charges are to be limited to twice a year then we would look to retrospective application.</p> <p>We recognise that distributors endeavour to get the charges right, there is a potential for error. Whilst minor errors can be carried forward for correction at April/October, If a material error is discovered then we feel it is appropriate that DNOs should be entitled to make changes outside of the April/October dates.</p>	
114	UK Power Networks	<p>As mentioned elsewhere in this response, whilst as a DNO we can appreciate that any unexpected change in DuoS prices can cause an issue for Suppliers, by making this change to the wording it does very much restrict the options, which the DNO has to correct an issue, which they may have with a set of prices. This could be as a result of an error or an unexpected revision to the baseline that was priced against, which in turn could lead to the DNO being accused of significantly over or under recovering against their Allowed Revenue target.</p>	Noted
115	Western Power Distribution	<p>There is the potential impact of having too high a price or too low a price being charged for an extended period. This could have an impact on competition.</p> <p>Additional Response:</p> <p>If for example of say something happening mid year which meant that a price change ought to take place in July to reduce prices but a DNO can't do that until Oct 1st - then the DNO would have too high a price for that period. Perhaps this may impact on competition in some way that it would require even greater price change in October than July – and it may therefore</p>	<p>Working Group agreed to seek clarity as to what impact the CP has on competition?</p> <p>Noted.</p>

		be that such volatility could impact adversely on new suppliers.	
	Question Seven	Are there additional Licence Conditions, other than Licence Condition 14A, that affect the under/over recovery of allowed revenues that the implementation of this CP may impact? If so please give supporting comments and references to the specific Condition(s)?	
116	CE Electric	We assume the above reference to Licence Condition 14A is really a reference to part A of charge restriction condition 14 'Distribution Charges: supplementary restrictions' which details the interest adjustment for over and under recoveries of revenue.	Working Group agreed to highlight in the Change Report its findings in relation to Charge restriction 14 or Licence Condition 14A.
117	Electricity North West Ltd	<p>Please note the supplier of last resort provision.</p> <p>Obligation to increase Use of System Charges 38.2 Where the licensee receives a Valid Claim, it must, during the Relevant Regulatory Year, make an increase to its Use of System Charges relating to the distribution of electricity to premises in respect of that year to such an extent as it reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the Specified Amount.</p> <p>(Relevant Regulatory Year means, in relation to any Valid Claim: (a) where the claim was received by the licensee at least 60 days before the beginning of a Regulatory Year, that Regulatory Year; or (b) where the claim was received by the licensee less than 60</p>	<p>The Working Group agreed to add a calendar to the Change Report highlighting the window of risk for Parties.</p> <p>Also agreed to highlight its findings in relation to the Supplier of last resort and what makes a valid claim.</p>

		<p>days before the beginning of a Regulatory Year, the next Regulatory Year.)</p> <p>Should this requirement occur after the October price window and before 60 days of the next Regulatory year, we would be in breach of this Licence obligation.</p>	
118	ESP Electricity Ltd	Not applicable to us as an IDNO.	Noted
119	The Electricity Network Co Ltd	<p>Licence Condition 13.1 requires that the license “<i>must at all times have in force...</i>” <i>have a methodology that continues to meet the objectives. If a methodology defect is identified, but introduction is delayed for more than six months (given that 40 days notice is required to implement revised charges), then the distributor may be in breach of the licence condition. The working group will be able to form its own conclusion from reading LC 13.</i></p>	Noted
120	SP Manweb/SP Distribution	<p>We wonder if this is meant to be a reference to CRC14 part A, which refers to interest rates for under or over-recoveries. As noted above, CRC3.2, which sets out an overall requirement on the DNO to remain within the charge restriction limit is also relevant (see extract below)</p> <p>3.2 The licensee, in setting Demand Use of System Charges and Generation Use of System Charges, must take all appropriate steps within its power to ensure that, in Regulatory Year t, Regulated Combined Distribution Network Revenue does not exceed Combined Allowed Distribution Network Revenue.</p>	Noted
121	SSE Power Distribution	We are not aware of any.	Noted

122	UK Power Networks	CRC 3.2 also refers to not exceeding the years 'Combined Allowed Distribution Network revenue', which we would need to ensure that this DCUSA change does not place DNOs at risk of breaching. In addition, rebates do not appear to have been considered, which are defined in part A1 section (e) of appendix 1 of the Licence.	Working Group noted that rebates had not been considered as part of the assessment of the CP.
123	Western Power Distribution	<p>However some flexibility is needed for unusual circumstances where the DNO is required or has the right to increase prices - but is prevented from keeping to the 1 April or 1 October convention.</p> <p>SLC38 - Last Resort Payment Claims. Take a scenario such as the following; a large supplier goes bankrupt and the DNO receives a valid claim from another supplier via the last resort procedure on 2 October. This CP would prevent the DNO from increasing prices in a timely manner.</p>	See response 117.
	Question Eight	<p>What are the potential scenarios which would require a change in prices outside of April or October? If these changes were not made, what would be the impact on cash flows?</p> <p>Please provide supporting comments.</p>	
124	CE Electric	If there is an error in the inputs to the charging model or there are exceptional economic or environment conditions driving significant changes to the expected revenue recoveries, then restricting changes in prices would impact on cost reflectivity and cash flows.	<p>The Working Group agreed to highlight all scenarios in its Change Report.</p> <p>Environmental conditions, normal over and under recovery.</p>
125	Electricity North West Ltd	<p>These have been identified above.</p> <p>Emergency changes that affect under/over recovery and LC38.</p>	Noted
126	ESP Electricity Ltd	As an IDNO, we do not change the prices based on an outcome	Noted

		of internal calculations. As stated above, we do not consider re-issuing a Statement due to a typo in a published charge, a price change.	
127	Independent Power Networks	IPNL would mirror the DNO e.g. if the DNO under-recovered in year “x” they would recover this lost revenue in year “y”. IPNL would do the same so does not anticipate this to cause any issues.	Noted
128	SP Manweb/SP Distribution	<p>The potential scenarios which would require a price change outside of April and October include:</p> <ul style="list-style-type: none"> • A manifest error in pricing statements or settlement data used for pricing models. • An income adjusting event notified by Ofgem. • Revenue changes triggered by other factors outside the DNO control. <p>This would lead to suppliers/customers being charged incorrectly in between the fixed time periods for the price change. If price changes are not allowed at other times to resolve issues such as these then this could lead to greater price movements at the April and October price changes.</p>	Noted
129	SSE Power Distribution	Significant data error in the model (input or output) which results in material under/over recovery of revenues in a charging year. If not rectified immediately or at the earliest opportunity, the correction at the next price change could result in significant price disturbance.	Noted
130	The Electricity Network Co Ltd	<p>Potential scenarios which would require a change in prices outside of April or October are:</p> <ul style="list-style-type: none"> • DNOs price Control position, 	Noted

		<ul style="list-style-type: none"> • Correction of significant errors, • New tariffs, • Determinations by the Authority / Courts on a charge, and • Delays in change to the Methodology brought about by the Governance process, typically > 9 months. <p>The impact on cash flows is dependant on the size of the change and the effect that a change would have on such charge. For a large generator or EHV site the cash flow impact could be significant. For IDNOs the impact is determined by the number of connections and size (%) of tariff change.</p>	
131	UK Power Networks	A significant error in an input or calculation, or an unexpected forecast change could mean that under the current arrangements a DNO could look to make a change outside of either April or October. This could result, depending upon whether it was an over or under recovery in a cash flow issue for the DNO, which could impact upon the successfully operation of that DNO, or in turn upon a IDNO who has a significant level of sites in that region.	Noted
132	Western Power Distribution	Please see answer above. Another scenario might be if there is a very unexpected step change in the economic conditions which reduces sales dramatically – this could potentially have a serious consequence for cash flows.	Noted
Questions for DCUSA Parties			
	Question Nine	Do you consider that the proposal better facilitates the DCUSA Objectives? Please provide supporting	

		information. <ol style="list-style-type: none"> 1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity. 3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences. 4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it. 	
133	CE Electric	<p>The proposal suggests that effective competition will be promoted by this modification as it will reduce unexpected price changes for Suppliers and consumers. This assists suppliers offering contracts where DUoS charges are consolidated into the customers' overall rates since it allows them to reduce risk premia within their contracts. This also allows consumers on pass-through contracts to forecast their costs. This will result in more cost reflective tariffs, thereby improving competition in supply.</p>	<p>Noted that there is reduced risk for Suppliers, so Objective 2 is facilitated.</p>

		If DNOs lose the freedom to change use of system charges this may lead to fewer but larger DUoS corrections (either April or October). We would argue that this may work against the interests of smaller suppliers who do not have a diverse portfolio and cannot spread the risk of DUoS charges being either absorbed or passed through to the customer should we need to delay a change until October (therefore increasing the level of the change). This change would therefore work against small suppliers' interests and diversity in the market.	
134	EDF Energy	The proposal better facilitates DCUSA Objective 2 by allowing Suppliers to forecast costs and price customers more accurately.	Noted that Objective 2 is facilitated.
135	Electricity North West Ltd	No. 1 is neutral 2 could be worse in that a larger variance could apply if you have to wait for the next opportunity to amend your prices due to manifest errors occurring. 3 is definitely worse in that it may prevent us meeting our licence obligation 4 is not applicable.	Noted that the CP is detrimental to Objective 2.
136	EON	1. Neutral 2. Possibly better facilitates, as gives more predictability of prices. 3. Possibly worse depending on the Distributors	Noted that Objective 2 is facilitated.

		view of their licence conditions. 4. Neutral	
137	ESP Electricity Ltd	We believe Objective 2 is better facilitated as it allows Suppliers to forecast and price customers more accurately, and provides confidence also to IDNOs when they are issuing quotes and forecasts to their own clients.	Noted that Objective 2 is facilitated.
138	First Utility	We consider that the following DCUSA Objectives will be better facilitated by the implementation of the Change Proposal: 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity. 4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.	Noted that Objective 2 is facilitated and agreed to highlight in the Change Report that Objective 4 may also be facilitated.
139	Haven Power	The change will improve efficiency for suppliers, customers and DNOs by avoiding ad-hoc changes to UoS charges.	Noted
140	Independent Power Networks	1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of	Agreed to note that one IDNO felt Objective 1 was facilitated.

		<p>such competition in the sale, distribution and purchase of electricity.</p> <p>3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.</p> <p>4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.</p> <p>Both objectives 1 & 4 are fulfilled through more efficient use of IPNL resources as changes to our charging statements and systems will be limited to twice each year.</p>	
141	Npower	<p>Effective competition [2] will be promoted by this modification as it will remove unexpected price changes for suppliers and customers. This assists suppliers offering contracts where DUoS charges are consolidated into the customer's overall rate (non-pass through) since tariffs will be more predictable. It should also reduce risk premia for DUoS in these contracts. This will result in more cost reflective tariffs, thereby improving competition in supply.</p>	Noted that Objective 2 is facilitated.
142	Opus Energy	<p>This better fulfils objective 2:</p> <p>When suppliers are faced with changes outside the normal window then they may have to swallow these</p>	Noted that Objective 2 is facilitated and agreed to highlight in the Change Report that Objective 4 may also be facilitated.

		<p>costs in the short-term. Larger suppliers are more likely to have the cashflow resources to do so than recent entrants. This measure would therefore increase equitable competition.</p> <p>And also objective 4:</p> <p>This rule would restrict the quantity and timing of distribution tariff changes. It would therefore reduce the workload associated with implementing these changes. This would increase efficiency.</p>	
143	Smartest Energy	<p>This proposal definitely meets criteria 2 and 3 above. Consistency of changes across DNOs must be better for competition in supply in that it will be less of a barrier to entry. In terms of efficiency, what can be more efficient than outlawing random mid year changes?</p>	<p>Noted that Objective 2 is facilitated and agreed to highlight in the Change Report that Objective 3 may also be facilitated.</p>
144	Scottish Power Energy Retail Ltd	<p>We believe that the proposal will better objective 4 by allowing parties better visibility of when charges will be made. We are concerned however that the proposal will not allow DNOs to address immediate issues and that this may result in exacerbating these.</p>	<p>Agreed to highlight in the Change Report that Objective 4 may also be facilitated.</p>
145	SP Manweb/SP Distribution	<p>We do not believe that the proposal better facilitates the DCUSA objectives, and in particular the change would conflict with objective 3 in view of DNOs' existing licence obligations in relation to use of system charge restrictions.</p>	<p>Noted that Objective 3 is not facilitated.</p>
146	SSE Power Distribution	<p>We do not believe the proposal necessarily better facilitates the DCUSA objectives, because any significant exceptional events that require price changes should be addressed at the earliest</p>	<p>Noted</p>

		opportunity.	
147	SSE Retail/Supply	2. It's consistent with the OFGEM Retail Market Review proposals.	Noted that Objective 2 is facilitated.
148	The Electricity Network Co Ltd	<p>1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.</p> <p><i>No. By restricting changes to two times a year it can lead to the less efficient and economic management of the distribution system.</i></p> <p>2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.</p> <p><i>No. See comments on competition.</i></p> <p>3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.</p> <p><i>No. Current arrangements do this. Current provisions already place a reasonable endeavours condition on IDNOs, i.e. IDNOs cannot unreasonably change tariffs at times other than April and October.</i></p> <p>4. The promotion of efficiency in the</p>	Noted

		<p>implementation and administration of this Agreement and the arrangements under it.</p> <p><i>No. Current arrangements do this. Current provisions already place a reasonable endeavours condition on IDNOs, i.e. IDNOs cannot unreasonably change tariffs at times other than April and October.</i></p>	
149	UK Power Networks	<p>Against Charging Objective One (discharging obligations), this CP neither better meets nor hinders the objective.</p> <p>Against Charging Objective Two (competition) this CP may better meet the objective of facilitating competition by reducing the number of occasions on which DUoS prices could be revised. Against this, all parties are exposed to the same risks of DUoS prices changing which would neither promote nor hinder competition (indeed, it could be argued that it creates opportunities for forecasting advantages among suppliers). The inability of DNOs to implement prices at other times is likely to cause larger and more volatile price changes when they do occur and this will hinder this objective by creating more uncertainty. This is particularly material since the intent of this CP is to reduce uncertainty!</p> <p>Against Charging Objective Three (cost reflectivity) this CP hinders the objective because by restricting the DNO to price changes ONLY in April and / or October it does not allow the DNO to be fully economic as it would not allow for a revision of charges when they might be required to be cost reflective.</p>	Noted that Objective 2 maybe facilitated by the CP and that License Conditions should takes president over any code.

		<p>In particular reference to Objective Three there appears to be a conflict between certain clauses in the licence (specifically CRC 3.2 and SLC 14a) and what this change is attempting to do, and as the licence will always take precedence over DCUSA (or any other code) this needs to be fully understood prior to a change being made.</p> <p>Against Charging Objective Four (business development) this CP neither better meets nor hinders the objective.</p>	
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