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DCUSA Request for Information

DCP095 Treatment of LV Costs: Proposal to
split LV costs into Mains and Service Costs
Elements in the CDCM Price Control
Disaggregation Model (Method M)

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 DCP095 entitled the Treatment of LV Costs; Proposal to split LV costs into Mains and Service Costs Elements in the CDCM Price Control Disaggregation Model. The CDCM Price Control Disaggregation model is commonly referred to as the "Method M" model and shall be referred to as such hereafter in this document.
- 1.3 To enable the Working Group assess the impacts of DCP095 the Working Group requires DCUSA Distributor Parties that have a Distribution Service Area (hereafter referred to as "DNOs") to make modifications to the October 2011 version of their Method M model(s) and provide output data to the Working Group.
- 1.4 This purpose of this document is to:
 - 1.4.1 Request the required data from DNOs.
 - 1.4.2 Define the format in which the required data is to be returned to the Working Group secretariat.
 - 1.4.3 Provide a specification for the changes that can be made to the Method M model to assess the impact of DCP095.
 - 1.4.4 Give DNOs the opportunity to provide alternative ways of changing their Method M model(s) to satisfy the Intent of DCP095.
- 1.5 DNOs are invited to provide their responses using the forms attached as Appendix A to dcusa@electralink.co.uk by 5th August 2011.

2 INTENT OF DCP095

- 2.1 The Intent of DCP095 is that the LV costs in the Price Control Disaggregation Model be disaggregated into LV service costs and LV mains costs;
- 2.2 In calculating the discount factors for the LV:LV tariff 100% of service costs should be allocated to the downstream operator. The split of LV costs between upstream and downstream network operators using the ratio of the length of upstream and downstream LV mains should only apply to those costs allocated to LV mains.
- 2.3 The LV split (as described by paragraph 114 in Schedule 16 of DCUSA) should be amended to apply only to LV mains costs.

3 REQUIRED INFORMATION TO ASSESS THE IMPACT OF DCP095

- 3.1 The enable the Working Group complete their impact assessment of DCP095 the Working Group requires information from each of the DNOs.
- 3.2 Section 3.7 provides the detail on how the Method M model can be modified to assess the impact of DCP095. This is the method that was employed by the Change Proposer. DNOs are requested to complete their analysis based upon the specification in 3.7.
- 3.3 The output data from the amended Method M model is to be populated in the table 1037 in Appendix A. It is not anticipated that DCP095 will result in changes to CDCM tariffs all the way tariffs, however this assumption requires confirmation by DNOs. Any changes in all the way tariffs arising from DCP095 identified are to be populated in the table 3701 in Appendix A. Tables 1037 and 3701 are templates based on those tables used in the CDCM spreadsheet.
- 3.4 Where DNOs believe the Intent of DCP095 can be achieved by different changes to the model than those specified in section 3.7 they are invited to identify such changes and populate a second copy of the tables in Appendix A where the changes would result in different outputs from the model(s).
- 3.5 A track changed copy of the WPD Wales Method M model has been modified as per the specification in 3.7 to assist DNOs when amending their models. To view the track change history, select "Track Changes" followed by "Highlight Changes" from the Excel tools menu. Adjacent to the "When" tick box change the dropdown list from "Since I last Saved" to "all". This model has been chosen at random from those DNO models that are published wholly in the public domain.
- 3.6 The DCUSA Secretariat will anonymise the data returned from DNO(s) prior to its analysis by the Working Group.

- 3.7 The Working Group requests that each of the DNOs complete the following steps:
- 3.7.1 Make a copy of the October 2011 version of their Method M model(s) and make changes to the copy(s) as per the following steps.
 - 3.7.2 **[Calc- Drivers] Worksheet Changes**
 - 3.7.3 Select the [Calc- Drivers] worksheet array of cells C16 to G27 and drag the selection to the right by one cell width, thus leaving cells C16 to C27 blank.
 - 3.7.4 Copy the format of D16 to D27 to cells C16 to C27.
 - 3.7.5 Change the [Calc- Drivers] worksheet cells C16 from its current value of "" to **"LV Service"**
 - 3.7.6 Change the [Calc- Drivers] worksheet cells D16 from its current value of **"LV"** to **"LV Mains"**
 - 3.7.7 Change the [Calc- Drivers] worksheet cells C18, D18, E18 and F18 with the assumed percentage breakdown of customer numbers connected to each network tier of LV Service, LV main, HV/LV, HV and EHV. For the purpose of the initial analysis please assume 100% of customers are connected to LV Service tier, alternative figures can be proposed in a second copy of the model.
 - 3.7.8 The MEAV percentage for the LV network tier needs to be split between LV Mains and Services. The LV Mains element can be calculated by expressing total LV cost excluding services as a ratio of total LV cost and applying this ratio to the LV MEAV percentage of total system MEAV. To achieve this, change the [Calc- Drivers] worksheet cells D22 from its current value of `"='Calc-MEAV'!H6"` to `"='Calc-MEAV'!H6* (('Calc-MEAV'!G6-'Calc-MEAV'!I21-'Calc-MEAV'!I30)/'Calc-MEAV'!G6)"`.
 - 3.7.9 Change the [Calc- Drivers] worksheet cell C22 from its current value of `"='Calc-MEAV'!H6"` to `"='Calc-MEAV'!H6* (('Calc-MEAV'!I21+'Calc-MEAV'!I30)/'Calc-MEAV'!G6)"`
This will provide the LV Service element of the LV MEAV.
 - 3.7.10 Change the [Calc- Drivers] worksheet cell D17 from its current value of `"='Calc-Net capex'!H6"` to `"='Calc-Net capex'!D6*SUM('FBPQ NL1'!D14:M16)/SUM('FBPQ NL1'!D10:M16)"`
 - 3.7.11 Change the [Calc- Drivers] worksheet cell C17 from its current value of "" to `"='Calc-Net capex'!D6*SUM('FBPQ NL1'!D10:M13)/SUM('FBPQ NL1'!D10:M16)"`

3.7.12 [Calc- WPD Opex Allocation] Worksheet Changes

- 3.7.13 Change the [Calc- WPD Opex Allocation] worksheet cells P5, V5 and AB5, AH5 & AR4 from their current value of "LV" to "LV Mains"
- 3.7.14 Change the [Calc- WPD Opex Allocation] worksheet cell Q5, W5 and AC5 & AS4 from their current value of "" to "LV Service"
- 3.7.15 Change the [Calc- WPD Opex Allocation] worksheet cells M42, N42, O42, and P42 from their current values of, "5.0", "4.0", "3.0" and "2" to new values of "6.0", "5.0", "4.0" and "3.0" respectively. This will ensure that the lookup formulas return the correct values from the [Calc Drivers] worksheet following its amendment to account for LV service drivers.
- 3.7.16 Change the [Calc- WPD Opex Allocation] worksheet cell Q42 from its current values of "" to "2.0".
- 3.7.17 Select the [Calc- WPD Opex Allocation] worksheet array of cells P6 to P38 and copy to cells Q6 to Q38.
- 3.7.18 Select the [Calc- WPD Opex Allocation] worksheet array of cells V6 to V38 and copy to cells W6 to W38.
- 3.7.19 Change the [Calc- WPD Opex Allocation] worksheet cell AB6 from its current value of " $=IF(\$L6="Do not allocate", "", V6+H6)$ " to " $=IF(\$L6="Do not allocate", "", (\$H6*P6/(\$P6+\$Q6)+V6))$ "
- 3.7.20 Select the [Calc- WPD Opex Allocation] worksheet cell AB6 and copy to cells AC6 to AC38.
- 3.7.21 Select the [Calc- WPD Opex Allocation] worksheet cell AB36 and set to 0. This is to cater for 100% of the Transmission Exit Charge being allocated to the EHV.
- 3.7.22 Select the [Calc- WPD Opex Allocation] worksheet array of cells AB6 to AB38 and copy to cells AC6 to AC38.
- 3.7.23 Select the [Calc- WPD Opex Allocation] worksheet cell AC36 and set to 0. This is to cater for 100% of the Transmission Exit Charge being allocated to the EHV.
- 3.7.24 Change the [Calc- WPD Opex Allocation] worksheet cell AC40 from its current value of "" to " $=SUM(AC6:AC38)$ ".
- 3.7.25 Change the [Calc- WPD Opex Allocation] worksheet cell Y39 from its current value of " $=SUM(Y40:AB40)$ " to " $=SUM(Y40:AC40)$ ".
- 3.7.26 Change the [Calc- WPD Opex Allocation] worksheet cell AC41 from its current value of "" to " $=AC40/\$Y\39 ".
- 3.7.27 Select the [Calc- WPD Opex Allocation] worksheet array of cells AB46 to AB49 and copy to cells AC46 to AC49. The text notes in AC 46 and 47 can be dragged one space right.

- 3.7.28 Select the [Calc- WPD Opex Allocation] worksheet array of cells AR6 to AR38 and copy to cells AS6 to AS38.
- 3.7.29 Select the [Calc- WPD Opex Allocation] worksheet array of cells AR40 to AR41 and copy to cells AS40 to AS41.
- 3.7.30 Change the [Calc- WPD Opex Allocation] worksheet cell AO39 from its current value of `"=SUM(AO40:AR40)"` to `"=SUM(AO40:AS40)"`

3.7.31 [WPD Final Allocation] Worksheet Changes

- 3.7.32 Change the [WPD Final Allocation] worksheet cells J44, O44 and P73 from their current value of `"LV"` to `"LV Mains"`
- 3.7.33 Change the [WPD Final Allocation] worksheet cells K44 and P44 from their current value of `" "` to `"LV Service"`
- 3.7.34 Change the [WPD Final Allocation] worksheet cells F51, H51, I51, and J51 from their current value of `"5"`, `"4"`, `"3"` and `"2"` respectively to new values of `"6"`, `"5"`, `"4"` and `"3"`. This will ensure that the lookup formulas return the correct values from the [Calc Drivers] worksheet following its amendment to account for LV service drivers.
- 3.7.35 Change the [WPD Final Allocation] worksheet cell K51 from its current value of `" "` to `"2"`.
- 3.7.36 Select the [WPD Final Allocation] worksheet array of cells J45 to J47 and copy formula to cells K45 to K47.
- 3.7.37 Change the format of cells P45 to P49 to match that of O45 in the [WPD Final Allocation] worksheet
- 3.7.38 Change the [WPD Final Allocation] worksheet cell P45 from its current value of `" "` to `"=$D45*K45"`.
- 3.7.39 Select the [WPD Final Allocation] worksheet cell P45 and copy to cells P47 and P49.
- 3.7.40 Change the [WPD Final Allocation] worksheet cell P50 from its current value of `" "` to `"=P49/SUM(L49:P49)"`.
- 3.7.41 Change the [WPD Final Allocation] worksheet cell O50 from its current value of `"=O49/SUM(L49:O49)"` to `"=O49/SUM(L49:P49)"`.
- 3.7.42 Change the [WPD Final Allocation] worksheet cell L50 from its current value of `"=L49/SUM(L49:O49)"` to `"=L49/SUM(L49:P49)"`
- 3.7.43 Change the [WPD Final Allocation] worksheet cell M50 from its current value of `"=M49/SUM(L49:O49)"` to `"=M49/SUM(L49:P49)"`

- 3.7.44 Change the [WPD Final Allocation] worksheet cell N50 from its current value of `"=N49/SUM(L49:O49)"` to `"=N49/SUM(L49:P49)"`
- 3.7.45 Change the [WPD Final Allocation] worksheet cell S82 from its current value of `"=SUM(M82:Q82)"` to `"=SUM(M82:Q82)+T82"`.
- 3.7.46 Change the [WPD Final Allocation] worksheet cell P82 from its current value of `"=P78/$S78"` to `"=$P78/$S78*$O50/($O50+$P50)"`
- 3.7.47 Change the [WPD Final Allocation] worksheet cell T82 from its current value of `" "` to `"=$P78/$S78*$P50/($O50+$P50)"`.
- 3.7.48 Change the [WPD Final Allocation] worksheet cell T73 from its current value of `" "` to `"LV Service"`.
- 3.7.49 Change the [WPD Final Allocation] worksheet cell J75 from its current value of `"=S67*O50"` to `"=S67*(O50+P50)"`

3.7.50 **[Allocation Summary] Worksheet**

- 3.7.51 Select the [Allocation summary] worksheet column B and insert a new column.
- 3.7.52 Match the formats of cells B4 to B10 with those of C4 to C10
- 3.7.53 Change the [Allocation Summary] worksheet cell B4 from its current value of "" to "LV Service".
- 3.7.54 Change the [Allocation Summary] worksheet cell C4 from its current value of "LV" to "LV Mains".
- 3.7.55 Change the [Allocation Summary] worksheet cell B5 from its current value of "" to "='WPD - Final Allocation'!K47"
- 3.7.56 Change the [Allocation Summary] worksheet cells B6 and B7 from their current values of "" to "='WPD - Final Allocation'!K45" and "='WPD - Final Allocation'!K46" respectively.
- 3.7.57 Change the [Allocation Summary] worksheet cell B8 from its current value of "" to "='WPD - Final Allocation'!P50"
- 3.7.58 Change the [Allocation Summary] worksheet cell B9 from its current value of "" to "='WPD - Final Allocation'!T82"
- 3.7.59 Change the [Allocation Summary] worksheet cell B10 from its current value of "" to "='Calc - WPD Opex Allocation'!AC48"

3.7.60 **[Splits and results] Worksheet**

- 3.7.61 Change the [Splits and results] worksheet cell C11 from its current value of "='Allocation Summary'!C9*(1-'Allocation Summary'!C10*'Splits and results'!D3)" to "='Allocation Summary'!C9*(1-'Allocation Summary'!C10*'Splits and results'!D3)+'Allocation Summary'!B9"
- 3.7.62 Change the [Splits and results] worksheet cell D11 from its current value of "='Allocation Summary'!C9+'Allocation Summary'!D9" to "='Allocation Summary'!C9+'Allocation Summary'!D9+'Allocation Summary'!B9"
- 3.7.63 Change the [Splits and results] worksheet cell E11 from its current value of "='Allocation Summary'!D9/(1-'Allocation Summary'!C9)" to "='Allocation Summary'!D9/(1-'Allocation Summary'!C9-'Allocation Summary'!B9)"

- 3.7.64 Change the [Splits and results] worksheet cell F11 from its current value of
"='Allocation Summary'!E9*(1-D4*'Allocation Summary'!E10)/(1-'Allocation
Summary'!C9-'Allocation Summary'!D9)" to
"='Allocation Summary'!E9*(1-D4*'Allocation Summary'!E10)/(1-'Allocation
Summary'!B9-'Allocation Summary'!C9-'Allocation Summary'!D9)"

4 NEXT STEPS

- 4.1 Following the receipt of the requested information the responses will be considered by the Working Group when completing the impact assessment of DCP094 in preparation for a consultation with the relevant Parties in the middle of August 2011. The Working Group will also prepare a change report to be presented to the DCUSA panel. The Change Proposal will then be issued to for voting and following the vote will be issued to Ofgem for final determination.
- 4.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3011.

5 APPENDICES

- Appendix A – Impact Analysis tables (DCP095 Table 1037 & DCP095 3701)
- Appendix B – Example track changed model (DCP095 changes to WPD Wales METHOD M)