

DCUSA CHANGE REPORT	
CHANGE PROPOSAL	DCP 066 – Enhanced Provision of Cost Information
DATE OF ISSUE	17 November 2010
ISSUED TO	DCUSA Contract Managers
PARTIES ENTITLED TO VOTE	All Parties
RETURN DEADLINE (Voting End Date)	01 December 2010 – DCUSA@electralink.co.uk

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA. The Change Report details DCP 066 - Enhanced Provision of Cost Information.
- 1.2 Two variations are issued for voting – DCP 066 and DCP 066A.
- 1.3 The voting process for the proposed variations and the timetable for the progression of the Change Proposals (CP) through the DCUSA Change Control Process are set out in this document.
- 1.4 Parties are invited to consider the proposed amendments attached as Appendix A and Appendix B and submit votes using the form attached as Appendix C to dcusa@electralink.co.uk by 01 December 2010.

2 INTENT OF DCP 066

- 2.1 DCP 066 has been raised by British Gas following development through Workstream C of the Charging Methodologies programme.
- 2.2 The change aims to improve transparency and Supplier understanding of existing reports provided under Schedule 15 of the DCUSA, and seeks to build upon the cost information provided by DNOs under Clause 35A¹.
- 2.3 The proposal will obligate DNOs to submit additional information contained within the existing table in Schedule 15 ('Table 1') which should allow users to track revenues from Price Control to CDCM/EDCM with each significant element itemised.
- 2.4 In addition, the CP will introduce a new requirement for DNOs to provide a range of possible values for volatile items contained within the revised Schedule 15 as 'Table 2' which should aid users in understanding the level of uncertainty around future DUoS charges.

3 DCP 066 WORKING GROUP

- 3.1 The DCP 066 Working Group was established by the DCUSA Panel to review the CP. The Working Group comprised of Supplier and Distributor members as well as an Ofgem representative and met on 3 occasions between July

¹ As introduced by DCP 030 'Provision of Cost Information' implemented on 26 February 2009.

and October 2010 to assess the CP. The Working Group issued a consultation to all Parties on 02 August 2010 and a further request for information to DNOs on 20 September 2010.

4 DCP 066 CONSULTATION

- 4.1 DCP 066 was issued to all Parties for consultation on 02 August 2010. The collated consultation comments are attached as Appendix D.
- 4.2 All respondents understood the intent of the CP and the majority were supportive of its principles.
- 4.3 The majority of respondents considered that DCUSA Objective 2² was impacted by the CP and the majority further agreed that it is better facilitated on the basis that more information will lead to a 'level playing field' and facilitate competition between suppliers.
- 4.4 Respondents were asked if they had any comments on the proposed legal text. EDF Energy Networks noted that in the drafting for Table 1 states that the "CDCM Revenue" should be the value used in CDCM but identified that whilst the two values may be the same, they will not always be the same. EDF Energy Networks suggested that the Working Group should clarify whether the values E1 and E2 are to be the EDCM/CDCM element of Final Allowed Revenue Forecast as disclosed or a note of the values used in the EDCM/CDCM models. Electricity North West Ltd identified that the list of definitions is not aligned with the rest of the clause.
- 4.5 A number of respondents had concerns about the proposed timescales and frequency of submissions as set out in the original proposal. The proposal suggested that Table 1 should be submitted monthly, and Table 2 should be submitted quarterly. Distributor respondents in particular felt that there is not enough movement on a monthly basis to show any significant changes.

5 DCP 066 – WORKING GROUP CONSIDERATIONS

- 5.1 The Working Group considered the comments raised by EDF Energy Networks and clarified that the values E1 and E2 are to be the values used in the EDCM/CDCM models. The Working Group accepted the comments made by Electricity North West Ltd and agreed to update the terms and definitions accordingly. In addition to the comments received in the consultation, the Working Group agreed the CP would be further improved by referencing all significant incentive schemes in the final draft.
- 5.2 The Working Group noted the comments from Parties regarding the frequency of submissions. The Working Group issued an RFI to all DNOs seeking their views on an alternative variation to the original proposal. The alternative proposed that both Table 1 and Table 2 should be submitted on a quarterly basis. 5 responses were received to the RFI all of which supported the alternative proposal.

6 DCP 066 AND DCP 066A SUMMARY

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.

6.1 As a result of the consultation and RFI responses, two variations have been developed by the DCP 066 Working Group. Both variations require DNOs to submit the same information. The difference between the proposals relates solely to the frequency and timing of the submissions.

6.2 The variations are set out in the table below.

	DCP 066	DCP 066A
Table 1 Frequency	5th working day of each month.	5th working day of May, August, November and February
Table 2 Frequency	5th working day of January, April, July and October	5th working day of May, August, November and February
DNO hosted teleconferences	Quarterly	Quarterly
Central Costs ³	Incremental £6000 p/a	No additional costs

7 DCUSA CENTRAL COSTS

7.1 There is an existing annual cost of £3000 for ongoing publication of data on the DCUSA website on a quarterly basis. Under DCP 066A this charge would remain unchanged as, although the publication months have altered, the frequency of data uploads is unchanged. Under DCP 066 an additional cost of £6000 p/a would also be incurred reflecting the requirement for eight additional publications over and above the existing quarterly uploads.

7.2 The costs will be funded from the DCUSA Budget.

8 DCP 066 – WORKING GROUP CONCLUSIONS

8.1 The DCP 066 Working Group fully supports the intent and principles of DCP 066. Members consider that at present the DCUSA Clause 35A report does not allow users to see the detailed assumptions DNOs have made in each area of revenue. This means Suppliers are unable to fully assess the basis and reliability of the information, reducing the usefulness.

8.2 The Working Group considers that the extra detail that both tables will bring is of benefit and that both CPs will also address certain risk scenarios. Currently, users have to form their own view of the potential range around DNO forecasts. Suppliers will generally have less information to form these views than DNOs, and so DNOs are in a better position to make these assessments. As a guide, the scenarios are intended to be reflected the high-end of plausible scenarios- roughly reflecting P90 and P10 scenarios.

8.3 The Working Group has concluded that the proposed changes further increase transparency and understanding of DNO cost information, ensuring all suppliers have a level playing field regardless of analytical resource available. This improves supply competition, whilst also reduces the risk associated with uncertainty.

8.4 The majority of the Working Group supports the original proposal DCP 066. These members consider that increasing the frequency of the reports from

³ See section 7 for breakdown of charges

DNOs will be of benefit to Suppliers who are pricing contracts on an ongoing basis and so require up-to-date information to ensure costs are reflected accurately to end-users. At present, it is possible that movements will be not reflected in submissions for nearly 3 months which is recognised as an additional risk on Suppliers. The intent of the CP is to gain information in relation to charges from DNOs that is not already in the public domain. By changing the frequency of submissions to monthly, this would allow Suppliers to gain an early indication of any material changes to charging.

- 8.5 DCP 066A is supported by EDF Energy Networks Plc who considers that the provision of information is central to the CP and accepts the Distributor view that quarterly submissions are sufficient on the basis that there is not enough movement on a monthly basis to show any significant changes. DCP 066A proposes moving the quarterly submission dates from January, April, July and October to May, August, November and February. These submission dates were supported by Distributors in the RFI on the basis that they are more inline with their re-pricing work and would therefore ensure that published information is more in line with their final charges.

9 PROPOSED AMENDMENT AND LEGAL DRAFTING

- 9.1 The proposed legal drafting for DCP 066 and DCP 066A has been reviewed by Wragge and Co and is attached as Appendix A and Appendix B.

10 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 10.1 It is considered that both the Change Proposals will better facilitate DCUSA General Objective 3.1.2.⁴ The proposals build on the information provided under clause 35 A, which has resulted in the regular and transparent provision of relevant information on revenues and charges to those that are directly affected by these significant costs. This has helped ensure that all Suppliers are operating in a 'level playing field' when forecasting distribution price changes and as a result minimising pricing distortion.

11 IMPLEMENTATION

- 11.1 Both changes are deemed to be a Part 1 matter in accordance with Clause 9.5.2 of the DCUSA as they impact Clause 35A. The CPs will therefore require Authority consent.
- 11.2 The proposed implementation date has been set as 10 Working Days following Authority Consent⁵ to give Parties sufficient time to prepare for the February submission.

12 PANEL RECOMMENDATION

- 12.1 The Panel approved the DCP 066 Change Report at its meeting on 20 October 2010.
- 12.2 In accordance with Clause 12.4 of the DCUSA the Panel has determined that DCP 066 and DCP 066 A should be issued to all Parties for voting for a period of 10 Working Days.

⁴ 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.

⁵ Approximately 28 January 2010.

12.3 In accordance with Clause 11.24, the Panel has directed that Parties may vote either: to accept one variation and reject the other; or to accept both variations; or to reject both variations.

12.4 The timetable for the progression of both Change Proposals is set out below:

ACTIVITY	DATE
Change Report Agreed	17 November 2010
Party Voting	17 November – 01 December 2010
Change Declaration	03 December 2010
Authority Consent	14 January 2010 - As soon as reasonably practical
Implementation	10 Working Days Following Authority Consent.

Appendices:

- A. DCP 066– Legal Drafting
- B. DCP 066A - Legal Drafting
- C. DCP 066 – Voting Form
- D. DCP 066 – Collated Consultation Comments