DCUSA Request for Information

DCP097 Changes to the method of cost allocation employed in the Price Control Disaggregation Model for DNO indirect cost categories specifically associated with the volume of customers using the DNO network.

1   PURPOSE

1.1   The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.

1.2   A DCUSA panel Working Group has been established to assess the impact of Change Proposal DCP097 entitled "Changes to the method of cost allocation employed in the Price Control Disaggregation Model for DNO indirect cost categories specifically associated with the volume of customers using the DNO network".   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 DCP097 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 DCP097.

1.4.4   Give DNOs the opportunity to provide alternative ways of changing their Method M model(s) to satisfy the Intent of DCP097.

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 DCP097

2.1   The Intent of DCP097 is to change the driver used to determine the percentages used to allocate operational expenditure (as undertaken in the "WPD –Opex Allocation" worksheet of the Method M model) as follows:

Cost Category	Cost Allocation Driver	
	Current	Proposed
Customer Call Centre	MEAV	Customer Numbers
HR & Non-operational Training	MEAV	Customer Numbers
Finance & Regulation	MEAV	Customer Numbers
CEO etc	MEAV	Customer Numbers
Property Management	Do Not Allocate	MEAV/ Customer Numbers*
IT & Telecoms	Do Not Allocate	MEAV/ Customer Numbers*

2.1.1   The IT/Telecoms costs and Property Management costs should be allocated as opposed to being assigned "do not allocate". The intent of DCP097 is that Customer Numbers or MEAV be used as the cost driver for these costs

2.1.2   The Change Proposer used LV Only as a proxy for customer numbers connected directly to each voltage tier when completing his impact assessment when CP097 was raised. As a result LV only is the driver suggested in the sections 3.7 and 3.8. It is unlikely that using actual customer numbers directly connected to each network tier will make any difference as more than 99% of all customers are directly connected to the low voltage network.

3   IMPACT ANALYSIS OF DCP097

3.1   The enable the Working Group complete their impact assessment of DCP097 the Working Group requires information from each of the DNOs.

3.2   Sections 3.7 and 3.8 provides the detail on how the Method M model can be modified to assess the impact of DCP097. 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 and 3.8.

3.3   The output data from the amended Method M models are to be populated in the table 1037 in Appendix A. It is not anticipated that DCP097 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 DCP097 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 DCP097 can be achieved by different changes to the model than those specified in section 3.7 and 3.8 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   Two track changed copies of the WPD Wales Method M model have been modified as per the specification in 3.7 and 3.8 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 DNOs 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   Change "Calc- WPD Opex Allocation" worksheet cell L18 from its current value of "MEAV" to "LV Only"

3.7.3   Change "Calc- WPD Opex Allocation" worksheet cell L23 from its current value of "MEAV" to "LV Only"

3.7.4   Change "Calc- WPD Opex Allocation" worksheet cell L25 from its current value of "MEAV" to "LV Only"

3.7.5   Change "Calc- WPD Opex Allocation" worksheet cell L26 from its current value of "MEAV" to "LV Only"

3.7.6   Change "Calc- WPD Opex Allocation" worksheet cell L21 from its current value of "Do no allocate" to "MEAV"

3.7.7   Change "Calc- WPD Opex Allocation" worksheet cell L22 from its current value of "Do no allocate" to "MEAV"

3.8   The Working Group requests that each of the DNOs also complete the following steps:

3.8.1   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.

3.8.2   Change "Calc- WPD Opex Allocation" worksheet cell L18 from its current value of "MEAV" to "LV Only"

3.8.3   Change "Calc- WPD Opex Allocation" worksheet cell L23 from its current value of "MEAV" to "LV Only"

3.8.4   Change "Calc- WPD Opex Allocation" worksheet cell L25 from its current value of "MEAV" to "LV Only"

3.8.5   Change "Calc- WPD Opex Allocation" worksheet cell L26 from its current value of "MEAV" to "LV Only"

3.8.6   Change "Calc- WPD Opex Allocation" worksheet cell L21 from its current value of "Do no allocate" to "LV Only"

3.8.7   Change "Calc- WPD Opex Allocation" worksheet cell L22 from its current value of "Do no allocate" to "LV Only"

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 DCP097 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 (DCP097 Table 1037 & DCP097 3701)
- Appendix B1 – Example track changed model (DCP097 changes to WPD Wales METHOD M 3_7 spec)
- Appendix B2 – Example track changed model (DCP097 changes to WPD Wales METHOD M 3_8 spec)