

### DCUSA CHANGE DECLARATION

#### DCP 136 – Notice Period for Asset Cost Changes in the CDCM

**VOTING DATE: 8 November 2012**

DCP 136	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Reject	Accept	Accept
IMPLEMENTATION DATE	Reject	Accept	Accept
RECOMMENDATION	<p><b>Change Solution –REJECT.</b>                      In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was less than 50% in all Categories.</p> <p><b>Implementation Date – REJECT.</b>                      In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was less than 50% in all Categories.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
<b>DNO PARTIES</b>			
Eastern Power Networks	Reject	Reject	<p>We believe that this change proposal undermines the DCUSA Charging Objective on cost reflectivity, in that it delays a DNO from applying revisions of input costs to the charging models for over a year. It should be noted that a significant piece of work is currently underway to construct and implement a common 500MW model (DCP133). This work was part of the original acceptance criteria by Ofgem for the CDCM. The acceptance of DCP136 would prevent any revised data resulting from the use of the new 500MW model from being used for over a year. Again this appears to be against the DCUSA Charging Objective on cost reflectivity. For these reasons we reject this change proposal.</p>
London Power Networks	Reject	Reject	<p>We believe that this change proposal undermines the DCUSA Charging Objective on cost reflectivity, in that it delays a DNO from applying revisions of input costs to the charging models for over a year. It should be noted that a significant piece of work is currently underway to construct and implement a common 500MW model (DCP133). This work was part of the original</p>

			<p>acceptance criteria by Ofgem for the CDCM. The acceptance of DCP136 would prevent any revised data resulting from the use of the new 500MW model from being used for over a year. Again this appears to be against the DCUSA Charging Objective on cost reflectivity.</p> <p>For these reasons we reject this change proposal.</p>
South Eastern Power Networks	Reject	Reject	<p>We believe that this change proposal undermines the DCUSA Charging Objective on cost reflectivity, in that it delays a DNO from applying revisions of input costs to the charging models for over a year. It should be noted that a significant piece of work is currently underway to construct and implement a common 500MW model (DCP133). This work was part of the original acceptance criteria by Ofgem for the CDCM. The acceptance of DCP136 would prevent any revised data resulting from the use of the new 500MW model from being used for over a year. Again this appears to be against the DCUSA Charging Objective on cost reflectivity.</p> <p>For these reasons we reject this change proposal.</p>
Electricity North West Ltd	Accept	Accept	<p>We believe this change proposal will remove volatility but retain cost</p>

			reflectiveness of the charges.
Northern PowerGrid (North East)	Accept	Accept	None
Northern PowerGrid (Yorkshire)	Accept	Accept	None
SP Distribution and SP Manweb	Reject	Reject	N/A
SSE Power Distribution	Reject	Reject	If this proposal is approved, it will introduce a longer lead time for changes in asset costs to be reflected in charging.
Western Power Distribution (East Midlands) plc; Western Power Distribution (West Midlands) plc; Western Power Distribution (South West) plc; Western Power Distribution (South Wales) plc;	Accept	Accept	N/A
<b>IDNO PARTIES</b>			
The Electricity Network Company	Accept	Accept	We find it difficult to see how this CP better meets the objectives.  Improved predictability CDCM does not mean improved cost reflectivity. However, we support the CP because we believe it delivers benefits to customers. Increased predictability should mean lower costs for

		<p>customers because supplier will incur lower costs in hedging against volatility.</p> <p>We recognise and support the requirement for predictable and stable pricing. DNO distribution systems and costs of operating distribution systems do not change fundamentally from year to year. It is the way the CDCM uses those costs which brings about the volatility. To reign in the costs and to try and constrain changes in prices appears to be counter to what the CDCM set out to achieve in respect of cost reflectivity. The CP might be looking at the wrong solution to correct the problem identified.</p> <p><b>DCUSA General Objective 2</b></p> <p>As indicated above we support the objective of improving predictability, however, it has not been explained why this better facilitates competition. Suppliers and generators have access to the same information, so one supplier is disadvantaged from another. The change report does not show why competition is better facilitated.</p> <p><b>DCUSA General Objective 3</b></p> <p>Whilst we agree that there is a general licence requirement to review the charging</p>
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			<p>methodology, we remain to be convinced why raising the change proposal in its self does satisfies the licence obligation (particularly since the CP was raised by a supplier and not a distributor).</p> <p><b>DCUSA Charging Objective 1</b></p> <p>We're not sure why the methodology is improved by the CP. Increasing timescales increases the likelihood that the methodology will become less cost reflective (even the charges may become more predictable). Also, the methodology by and large is not changed – all that is proposed to change is to introduce notice periods for making changes to input data.</p> <p><b>DCUSA Charging Objective 2</b></p> <p>See our comments to DCUSA General Objective 2. The change could potentially result in reduced cost reflectivity and as a consequence distort competition.</p>
<b>SUPPLIER PARTIES</b>			
British Gas	Accept	Accept	<p>This change will add predictability to data items in the CDCM which can cause volatility in DUoS tariffs and will therefore bring benefits to consumers.</p> <p>We note that the decision on this DCP is</p>

			<p>unlikely to be provided in time for indicative 2013/14 tariffs. This creates unwelcome uncertainty for both DNOs and suppliers with regards to the approach to take for tariff setting.</p> <p>The sensible approach to us would be to fix the relevant 2013/14 CDCM inputs at 2012/13 levels for indicative and final tariffs. This was the intention of the working group and would remove any uncertainty associated with the timing of Ofgem decision on this change. Whilst DNOs are obliged to review all model inputs for tariff setting we note that some DNOs have not changed the values in the relevant tables affected by this DCP since the CDCM was introduced in 2010 and therefore we can see no compliance concerns with holding the values constant for this single year.</p>
EDF	Accept	Accept	N/A
GDF Suez	Accept	Accept	N/A
Scottish Power Energy Retail Ltd	Accept	Accept	N/A
SSE Energy Supply Ltd	Accept	Accept	N/A