

## DCUSA CHANGE DECLARATION

## DCP 123 - Revenue Matching Methodology Change

VOTING END DATE: 4 July 2014

DCP 123 - Revenue Matching Methodology Change	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
<b>CHANGE SOLUTION</b>	Accept	Accept	Accept	n/a	n/a
<b>IMPLEMENTATION DATE</b>	Accept	Accept	Reject	n/a	n/a
<b>RECOMMENDATION</b>	<p><b>Change Solution – ACCEPT</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 more 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>				
<b>PART ONE / PART TWO</b>	<b>Part One</b> – Authority Determination Required				

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
<b>DNO PARTIES</b>				
<b>Electricity North West Ltd</b>	Accept	Accept	We agree with the working groups view contained within the change report that this change proposal better meets DCUSA charging objectives 2 and 3.	n/a
<b>Northern Powergrid - Northern Electric Distribution Ltd</b>	Accept	Accept	We agree with the working group’s assessment against the relevant objectives.	We understand the working group has considered many solutions to date. We believe that this change supports the principal of the change and should result in more equitable and cost reflective charges.
<b>Northern Powergrid - Yorkshire Electricity Distribution plc</b>	Accept	Accept	<p><b>Charging Objective 3</b> - That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.</p> <p>The proposed approach will apportion the unallocated costs on a much more equitable basis. By allocating unallocated allowed revenue across each of the different charging elements of the tariff rather than primarily into one time band – ensuring that the unit costs in those peak time bands (day or Red unit rates) better reflect the underlying cost message and are less likely to be unduly excessive. The DCP 123 hybrid approach maintains the pre-scaled</p>	

			<p>cost differentials between tariffs and voltage levels and therefore ensures that the final tariffs better reflect the incremental cost signals provided by the pre-scaled tariffs.</p> <p><b>Charging Objective 2</b> - that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences).</p> <p>There is a small improvement against this objective as applying revenue matching to all tariff elements rather than just the red timeband/day units should result in more predictable revenue forecasting than the current approach. Therefore, levels of over and under recover, and their impact on future tariffs, should be more predictable.</p>	
<b>Scottish Power - Manweb</b>	Accept	Accept	We believe that the proposal better facilitates Charging Objective three by increasing cost reflectivity in calculating the CDCM charges.	None.
<b>Scottish Power - Distribution</b>	Accept	Accept		

<b>SSE</b> - Scottish Hydro-Electric Power Distribution plc	Accept	Accept	Arguably, DCUSA General Objective 3 and Charging Objective 3 are better met by the implementation of DCP123. Reducing the scaling weighting on the unit rates and scaling the fixed charge rates in the proposed manner is moving in the right direction. However, the Impacts in Attachment 10 show that this is not without unwelcome consequences for the unit 3 rates for some customer groups.	Whilst we support the principles and intent of DCP123, we have concerns, as mentioned above, regarding the unintentional consequences of this. We note, particularly, that the HV HH customer unit 3 rates increase significantly, as do the average annual charge for these customers in the majority of the DNO Areas. We understand that other DCPs currently progressing may mitigate this issue.
<b>SSE</b> - Southern Electric Power Distribution plc	Accept	Accept		
<b>UKPN</b> - Eastern Power Networks	Accept	Accept	We agree that charging objectives 2 and 3 are better facilitated as a result of this change proposal. We believe that this change allocates the scaling in a much more cost reflective manner, which will better facilitate competition.	n/a
<b>UKPN</b> - London Power Networks	Accept	Accept		
<b>UKPN</b> - South Eastern Power Networks	Accept	Accept		
<b>Western Power Distribution</b> - East Midlands plc	Accept	Accept	General Objective 2 & Charging Objective 3	n/a
<b>Western Power Distribution</b> - South Wales plc	Accept	Accept		
<b>Western Power Distribution</b> - South West plc	Accept	Accept		
<b>Western Power Distribution</b> - West Midlands plc	Accept	Accept		
<b>IDNO PARTIES</b>				

<p><b>The Electricity Network Company; Independent Power Networks Limited</b></p>	<p>Accept</p>	<p>Accept</p>	<p>DCUSA General Objective 3 DCUSA Charging Objectives 1, 3. We believe that the current approach of scaling leads to disproportionate and unduly discriminatory treatment of different customer classes. It seems appropriate that all customers should bear a proportionate burden in the balancing of differences between modelled output revenues and those deemed under price control settlement. In this respect we believe the proposed approach is better than the status quo.</p>	<p>We think that scaling masks some fundamental flaws in the CDCM. As a consequence we believe scaling will still result in the incorrect allocation of costs to the wrong network tier and to wrong customer groups. In particular we are concerned that customers connected at the high voltage tier will be providing an undue subsidy to customers at the LV tier</p>
<p><b>SUPPLIER PARTIES</b></p>				
<p><b>British Gas Retail</b></p>	<p>Accept</p>	<p>Accept</p>	<p>Charging Objective 3 is better facilitated by allocating unallocated allowed revenue across each of the different charging elements of the tariff on a fixed adder basis, rather than primarily into one time band. This ensures that the unit costs in those peak time bands (day or Red unit rates) will better reflect the underlying cost message (by virtue of being distorted less than the current method of scaling). Cost reflectivity is also improved by maintaining the cost differential between unit rates across all tariffs and all timebands.</p>	<p>It is acknowledged that the current method of scaling can significantly distort the cost differential between timebands. This can result in uneconomic decision making by users and therefore inefficient use of the network. We note that there are other change proposals progressing through open governance (DCP 169 and DCP 179) which would significantly increase the application of time of day DUoS charging and we consider that this change, which would maintain the pre-scaled time of day cost signals provided by the CDCM,</p>

				is an important improvement to the CDCM which would facilitate any increased roll out of time of day charging.
<b>Npower</b>	Accept	Reject (we believe that April 2017 would be more appropriate)	DCUSA charging objective 3 could be considered to be better facilitated by this change as the pre scaled forward looking cost signals will be distorted less than under the current methodology.	Whilst we accept that this is an improvement to the cost reflectivity of the methodology, due to the cost impact to customers we believe that a longer lead time would be appropriate.
<b>SSE Energy Supply Ltd</b>	Reject	Reject	Facilitates:- DCUSA General Objective 3 by correcting a known fault in the calculation of DUoS prices. DCUSA Charging Objective 3 by correcting a known fault in the calculation of DUoS prices; thereby making the prices more cost reflective.	Whilst the methodology is sound the CP causes significant changes to business and domestic DUoS prices which are difficult to reconcile with Government initiatives to hold consumer prices steady. The price changes are not clearly identified, and are not explained well in the consultation.  <b>The price impacts require further review before the change can be implemented; changes of 1 p/kWh are not acceptable.</b>
<b>Gazprom Energy</b>	Reject	Reject	We do not believe the DCUSA objectives are better facilitated. In particular we feel that Objective 2 of both the General Objectives and Charging Objectives would be less well facilitated as a result of this change. The impact assessment shows significant changes to tariffs (i.e. +1000% increases) with an	n/a

			<p>insufficient notice period.</p> <p>If implemented, this will negatively impact on suppliers, particularly non-domestic suppliers with fixed price contracts. It will also negatively impact on non-domestic consumers who may see large increases in their DUoS charges with little notice.</p>	
<b>EDF Energy</b>	Accept	Accept	<p>DCP123 better facilitates DCUSA general objectives and DCUSA charging objective 3 in that it maintains the economic cost differential between tariffs and voltage levels.</p>	<p>DCP123 preserves the pre-scaled incremental cost signals created by the CDCM charging methodology, spreading the scaling elements across all elements of the charge avoids an overly inflated red price as is currently seen in the CDCM model. Due to the size of the impact on DUoS tariffs as much notice as possible should be given to both Suppliers and customers.</p>
<b>DISTRIBUTED GENERATOR PARTIES</b>				
N/A				
<b>GAS SUPPLIER PARTIES</b>				
N/A				