

## DCUSA CHANGE DECLARATION

## DCP 066 and DCP 066A – Enhanced Provision of Cost Information

VOTING DATE: 01 December 2010

DCP 066	WEIGHTED VOTING			
	DNO	IDNO / OTSO	SUPPLIER	DG <sup>1</sup>
CHANGE SOLUTION	Reject	Reject	Accept	N/A
IMPLEMENTATION DATE	Reject	Reject	Accept	N/A
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 that voted.</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 that voted.</p>			
PART ONE	Part One – Authority Determination Required			

DCP 066A	WEIGHTED VOTING			
	DNO	IDNO / OTSO	SUPPLIER	DG
CHANGE SOLUTION	Accept	Accept	Accept	N/A

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<sup>1</sup> No votes were cast in this category of Parties

IMPLEMENTATION DATE	Accept	Accept	Accept	N/A
RECOMMENDATION	<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 greater than than 50% in all Categories.</p> <p><b>Implementation Date – 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 implementation date was greater than 50% in all Categories that voted.</p>			
PART ONE	Part One – Authority Determination Required			

PARTY	DCP 066 SOLUTION (A / R)	DCP 066A SOLUTION (A/R)	IMPLEMENTATION DATE DCP 066 (A/R)	IMPLEMENTATION DATE DCP 066 A (A/R)	Indication of Party preference (DCP 066 / DCP 066 A)	COMMENTS
<b>DNO PARTIES</b>						
Central Networks East	Reject	Reject	Reject	Reject	N/A	Central Networks put forward its reasons for rejecting this Change Proposal in its response to the recent consultation on this matter.
Central Networks West	Reject	Reject	Reject	Reject	N/A	As per comments for Central Networks East
Eastern Power Networks plc	Reject	Accept	Accept	Accept	N/A	N/A
Electricity North West	Reject	Accept	Reject	Accept	N/A	<p>Whilst we accept DCP 066A as an improvement to DCP 030 we offer the following comments over format , lack of understanding relating to some of the terms used and areas of further improvement:</p> <p>Table 1 All bar 'Forecast Over / (Under) Recovery' have a letter to denote the cell. Why is this the case?</p> <p>G1 and G2 – all sub numbers on the earlier rows are equal to the full letter (e.g. A=A1+A2) apart from these rows (G does not equal G1+G2, see formula to calculate G). Why therefore are we using such notation? Are they related to other rows in the table?</p>

						<p>Final Row – ‘Overall % change to Use of System Charges effective 1st April of Regulatory Year to balance (H)’ – we do not understand this row. We raised it in the consultation and have yet to receive a reply but do notice that the ‘*’ has now disappeared.</p> <p>Table 2 Low and High sensitivities. There is no explanation of what P10 and P90 means. We would expect them to be contained within the definition. Without such information how are we supposed to populate this table?</p> <p>Improvements Overall this data seems to be one way (Distributor to Supplier). The accuracy of these forecasts is dependent on the assumptions that the Distributor makes with regard to inputs to the charging models, and we believe that the Supplier community is better able to assist the Distributor in making these forecasts, for example, by forecasting like-for-like consumption movements over the forecast period, which are more likely influenced by overall energy prices. We will be considering the data Suppliers should be providing to support Distributors in producing the cost information set out in this modification in more</p>
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						detail and we intend raising a change proposal for further development.
London Power Networks plc	Reject	Accept	Accept	Accept	N/A	N/A
Northern Electric Distribution Ltd	Reject	Accept	Accept	Accept	N/A	<p>We agree with the intent of this change proposal. The extra detail in both tables could benefit suppliers by improving transparency, thereby helping them to understand DNO cost information and reduce the risks associated with uncertainty.</p> <p>However, we support the alternative proposal DCP 066A and not the original because the benefits brought by monthly forecast runs for Table 1 (a requirement of the original proposal) would not outweigh the costs. Our forecast estimates do not change that frequently meaning that the submission of Table 1 on a monthly basis would not give any extra useful information to suppliers. It would also use additional resources. We think that quarterly submissions of both tables are sufficient - there is not enough evidence to suggest that suppliers would really benefit from the submission of Table 1 on a monthly basis as per the original proposal.</p> <p>The proposal MAY better facilitate DCUSA</p>

						objective 3.1.2 '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', although this is not very clear.
Scottish Hydro-Electric Power Distribution plc	Reject	Accept	Reject	Accept	N/A	We believe that DCP 066A offers the most appropriate and balanced solution to the issue of provision of cost information. The proposal for monthly information submissions in DCP066 creates, in our view, an unduly onerous obligation on DNOs which is not counteracted or justified by benefits to suppliers.
South Eastern Power Networks plc	Reject	Accept	Accept	Accept	N/A	N/A
Southern Electric Power Distribution plc	Reject	Accept	Reject	Accept	N/A	As per comments for Scottish Hydro-Electric Power Distribution plc
SP Distribution Ltd	Reject	Accept	Reject	Accept	N/A	As stated in our earlier response we consider that documentation relevant to DCP066 is light in terms of providing clarification on the shortcomings of the existing process and the benefits to Users of the proposed changes.
SP Manweb Ltd	Reject	Accept	Reject	Accept	N/A	As per comments for SP Distribution Ltd.
Western Power	Accept	Accept	Accept	Accept	DCP 066A	N/A

Distribution (South Wales) plc						
Western Power Distribution (South West) plc	Accept	Accept	Accept	Accept	DCP 066A	N/A
Yorkshire Electricity Distribution Plc	Reject	Accept	Reject	Accept	N/A	As per comments for Northern Electric Distribution Ltd
<b>IDNO PARTIES</b>						
ESP Electricity Ltd	Reject	Accept	Reject	Accept	N/A	We support DCP 066A over DCP066 as we consider that the provision of quarterly submissions is sufficient and therefore not overly burdensome administration-wise on distributors.
The Electricity Network Co	Reject	Accept	Reject	Accept	N/A	The proposal, nor the change report, quantifies the benefits of DCP 066/66A. Whilst the Change Report identifies additional DCUSA costs of £6,000, there is no analysis of what additional costs DNOs would incur in providing the information on a monthly basis. This is something which the Working Group should have evaluated. Whilst paragraph 8.4 of the Change Report indicates that the majority of the Working Group supported DCP 066, we note that the group comprised 4 Supplier representatives, 1 Ofgem representative, 1 IDNO representative and only 1 DNO representative.

						<p>Notwithstanding this, we recognise the provision of DCUSA requires members to act as independent experts.</p> <p>In the consultation responses to DCP 066 we note that DNOs, whilst supporting the principles, did not support the change of frequency. They, amongst other things, cited the additional burden of resources along with lack of materiality in changes from one month to another as reasons against the change.</p>
UK Power Networks (IDNO) Ltd	Reject	Accept	Accept	Accept	N/A	N/A
<b>SUPPLIER PARTIES</b>						
British Gas	Accept	Accept	Accept	Accept	DCP 066	<p>Our preference is DCP 066 (monthly report) We would prefer a monthly report as we believe forecasted numbers have moved significantly between quarterly submissions on a number of occasions in the past. We are pricing contracts on an ongoing basis and so require up-to-date information to ensure costs are reflected accurately to end customers. At present it is possible that movements will not be reflected in submissions under DCP 030 for nearly 3 months which places additional risk on Suppliers.</p> <p>The additional detail that we have asked to be added will allow Suppliers to see the detailed</p>



						<p>assumptions made by DNOs in each area of revenue. This means Suppliers will be more able to assess the basis and reliability of the information provided thereby increasing its usefulness.</p> <p>By adding the High, Low and Central forecasts Suppliers will be provided with a potential range of forecasts from the DNOs. Currently Suppliers have to form their own view of the potential range and Suppliers will generally have less information to form these views than DNOs. DNOs are in a better position to make these assessments.</p> <p>In summary, the proposed changes further increase transparency and understanding, ensuring all suppliers have an approximately level playing field regardless of analytical resource available. This improves supply competition, whilst also reducing the risk associated with uncertainty.</p>
EDF Energy Customers Plc	Accept	Accept	Accept	Accept	DCP 066	Our preference would be to have the monthly report as detailed in DCP 066. However, if this was rejected by the majority we would still want DCP 066A to be implemented.
EON UK	Reject	Accept	Reject	Accept	N/A	We believe the quarterly reports are adequate for our forecasting purposes. A monthly would be too onerous a task for Distributors and impose additional costs on parties.

Npower Ltd	Accept	Accept	Accept	Accept	DCP 066	<ul style="list-style-type: none"> <li>• RWE npower acknowledge that DCP 066A itself is an improvement over existing arrangements aligning better than current cost recovery information, with Supplier driven time-tables;</li> <li>• However, RWE Npower prefer DCP 066 as: <ul style="list-style-type: none"> <li>○ DCP066 provides a more transparent solution, due to the increased frequency of provision of information, allowing Suppliers to improve their analysis of the elements that feed into the DNOs allowed revenue that are otherwise difficult for Suppliers to obtain;</li> </ul> </li> </ul> <p>To obtain this information monthly will result in a greater understanding of allowed revenue and hence will ultimately result in less risk premia being fed into end customer prices by Suppliers.</p>
SSE Energy Supply Limited	Reject	Accept	Reject	Accept	N/A	We only accept DCP 066A on the assumption that Distributors will also undertake to provide this information simultaneously with any announcements of a change in tariff or notification of indicative tariffs