

DCUSA CHANGE DECLARATION**DCP 012 / 012A – INTRODUCTION OF CONTRACTUAL ARRANGEMENTS FOR THE PROVISION OF USE OF SYSTEM BETWEEN ONE DISTRIBUTOR AND ANOTHER DISTRIBUTOR****VOTING DATE:** 12 February 2008

In addition to voting on DCP 012 and DCP 012 all Parties were asked the following question:

Do you accept the principle of the introduction of Section 2B?

100% of respondents confirmed that they accepted the principle of the introduction of Section 2B

PARTY	VOTE	COMMENTS
DNO PARTIES		
Central Networks East	Accept	-
Central Networks West	Accept	-
EDF Energy Networks (EPN)	Accept	-
EDF Energy Networks (LPN)	Accept	-
EDF Energy Networks (SPN)	Accept	-
Electricity North West Limited	Accept	<p>This will be a major step forward in the development of Distributor to Distributor relationships. It centralises the generic terms under which each will operate and provides for industry wide consultation on any variation to such terms.</p> <p>Whilst we believe there will be a short term impact to the industry in 'migrating' the existing CUoSA agreements to the new Bilateral Connection Agreements we believe it will then ensure that we have one set of generic terms for the relationship between</p>

		<p>each party. Such an initiative, albeit not mandated, would be helpful for the industry and Ofgem to support.</p> <p>There is still work that needs to be undertaken covering such areas as 'the alternative solution' to a metered Connection Point and changes as a consequence to other Change Proposals currently under discussion but the governance will be in place to accommodate such issues.</p>
Northern Electric Distribution Plc (NEDL)	Accept	CE UK accept the principle of 2B as it should lead to less conflict over individual bilateral agreements
Scottish Hydro Electric Power Distribution	Accept	We consider that the introduction of Section 2B is consistent with the obligations set out in DCUSA, Schedule 12, Item 1 and better facilitates DCUSA objectives 3.1.1 to 3.1.4.
Southern Electric Power Distribution	Accept	We consider that the introduction of Section 2B is consistent with the obligations set out in DCUSA, Schedule 12, Item 1 and better facilitates DCUSA objectives 3.1.1 to 3.1.4.
SP Distribution	Accept	SP Energy Networks is supportive of the principle of the introduction of a common set of industry agreed arrangements for managing DNO to IDNO and DNO to DNO connections.
SP Manweb	Accept	SP Energy Networks is supportive of the principle of the introduction of a common set of industry agreed arrangements for managing DNO to IDNO and DNO to DNO connections.
Western Power Distribution (South Wales) Plc	Accept	<p>The inclusion of Section 2B within the DCUSA introduces consistency in Distributor to Distributor relationships. Each party's rights and obligations are transparent under the agreement, leading to efficiency for industry participants, which ultimately aids competition.</p> <p>Arrangements can be maintained within the DCUSA and changes more easily negotiated, updated and developed using the change control process.</p>
Western Power Distribution (South West) Plc	Accept	The inclusion of Section 2B within the DCUSA introduces consistency in Distributor to Distributor relationships. Each party's rights and obligations are transparent under the agreement, leading to efficiency for industry participants, which ultimately aids competition.

		Arrangements can be maintained within the DCUSA and changes more easily negotiated, updated and developed using the change control process.
Yorkshire Electricity Distribution Plc (YEDL)	Accept	CE UK accept the principle of 2B as it should lead to less conflict over individual bilateral agreements
IDNO PARTIES		
ESP Electricity Limited	Accept	<p>ESP Electricity (ESPE) firmly supports the introduction of Section 2B to formalise arrangements to the IDNO/DNO relationships. Currently DNO and IDNO arrangements are inefficient, inconsistent and do not conform to the applicable licence and DCUSA objectives. Previous to the introduction of the proposed Section 2B, a Connection Use of System Agreement (CUoSA) had to be formed for each and every inset/embedded network on the DNOs system, which proved cumbersome to administer due to inconsistencies in the market.</p> <p>A clear, consistent set of rules are essential to facilitate the development of competition in the sector.</p>
Independent Power Networks Ltd	Accept	We support the introduction of Section 2B as a sensible development to DCUSA. The proposal as drafted provides the base from which to develop and improve the distributor-to-distributor contractual relationship.
The Electricity Network Company Ltd	Accept	<p>We support the development of Section 2B. It brings transparency to the arrangements in place between distributors and equality of terms in place. The development of 2b is an important step forward and builds on the initial work to develop DCUSA.</p> <p>Historically, the only connections between distribution systems were where ex PES DNOs connected their distribution systems at GSP group boundaries. The contractual arrangements for such connections were in many cases informal and differed for each connection. Following implementation of the Utilities Act 2001 IDNOs have entered the market and are establishing licensed networks that connect to DNO distribution systems. Also, some DNOs are now establishing networks outside their distribution</p>

		<p>services areas.</p> <p>Since 2001 the contractual relationship for a connection of one licensed distribution system to another has been covered by bilateral agreements for each connection. These bilateral Connection and Use of System Agreements are often referred to as "CUoSAs". Such agreements were developed by each DNO.</p> <p>The drafting of a number of these agreements is flawed and in many cases contains terms and conditions with which we would dispute in the normal course of events. However, we have resisted proposing variations and pursuing the resolution of issues through the disputes process on the basis that such those areas can be better addressed through the DCUSA change process should Ofgem approve Section 2B. If section 2B does not proceed we will review our position.</p> <p>To remain with the current arrangements will result in thousands of CUoSAs being required. As these evolve managing the industry would end up with many different versions. Establishing a single multilateral agreement that contains the principle terms for use of system and connection creates greater transparency to industry participants, ultimately improves the administrative burden on the industry, and creates an effective process for change management. We accept that in addition to section 2B parties will be required to enter into a bilateral connection agreement. However, this agreement should only cover the technical and operational characteristics that are specific to the connection. The bilateral agreement should not be abused by adding company specific commercial terms to augment the provisions in the DCUSA.</p> <p>There are certain aspects of the agreement with which we believe require further development. However, the agreement as presented by the change report provides a robust platform from which to build. We recognise that to address all the issues and concerns of parties through the development of section 2B would not have been achievable. Nonetheless, we note the proposed alternative change submitted by EDF in respect of Clause 52.9.</p> <p>We suspect that voting on this issue may be split between DNOs and IDNOs, as such the DCUSA Panel may be in a position where it is unable to recommend either DCP12 or DCP12a. Should this be the case we urge that Ofgem recommended to authorise one version as opposed to vetoing the entire change proposal.</p>
<p>SUPPLIER PARTIES</p>		

E.ON UK	Accept	We welcome the introduction of Section 2B in line with the work plan set out in Schedule 12 of the DCUSA.
RWE Npower Group	Accept	-
SSE Energy Supply Ltd	Accept	-

DCP 012 – WORKING GROUP PROPOSAL

DCP 012	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Reject	Accept	Accept
IMPLEMENTATION DATE	Accept	Accept	Accept
RECOMMENDATION	<p>Change Solution – REJECT 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 not more than 50% in all Categories.</p> <p>Implementation Date –ACCEPT. 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.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required.		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
DNO PARTIES			
Central Networks East	Accept	Accept	-
Central Networks West	Accept	Accept	-
EDF Energy Networks (EPN)	Reject	Accept	<p>The Working Group's proposal does NOT meet the first DCUSA Objective regarding efficient co-ordinated and economical networks.</p> <p>Although the Working Group's report makes reference to this objective being met, this is due to a misinterpretation of the objective as written in DCUSA. Condition 9B of the Licence is clear at paragraph 9(a) that the objective is "the development, maintenance and operation <u>by the licensee</u> of <u>an</u> efficient, co-ordinated and economical distribution system." In attempting to recognise that there is more than one Licensee a party to DCUSA, the objective has been reworded. Unfortunately this has made it open to misinterpretation and the Working Group has arrived at a "total system" interpretation which is clearly not intended.</p> <p>The outcome of the Working Group's proposal would be to make the Licensee consider the impact of any change on the User and, if this sets a precedent, all connectees. The Licensee will find it difficult to make that assessment and as a result will be constrained in managing its network efficiently and economically</p>
EDF Energy Networks (LPN)	Reject	Accept	See EDF Energy Networks (EPN) comments above.
EDF Energy Networks (SPN)	Reject	Accept	See EDF Energy Networks (EPN) comments above.
Electricity North West Limited	Accept	Accept	When you consider the work already undertaken by the Section 2B Steering Group prior to this Change Proposal, it will be over twelve months in its preparation and consultation by the time it is approved and implemented

			<p>within DCUSA. In our opinion it delivers a consensus position with the majority of impacted Parties being involved in the process.</p> <p>I agree that it should be implemented outside of the normal implementation timetable.</p> <p>Also, due to the complexity and significance of such a change to DCUSA, it is sensible to allow flexibility on the implementation date.</p>
Northern Electric Distribution Plc (NEDL)	Reject	Accept	CE UK reject this in favour of 12a
Scottish Hydro Electric Power Distribution	Reject	Accept	This option proposes in its Clause 52.9, the introduction of an obligation that does not reflect the current liability for a User to meet the costs of modifications required to be made by the User as a result of a modification made by SHEPD. We therefore reject this proposal to help ensure consistent treatment of all categories of User.
Southern Electric Power Distribution	Reject	Accept	See Scottish Hydro Electric Power Distribution comments above.
SP Distribution	Reject	Accept	SP Energy Networks considers that DCP012 is unreflective of current industry practice in relation to the compensation provisions for connected parties resulting from Modifications to DNO networks.
SP Manweb	Reject	Accept	See SP Distribution comments above.
Western Power Distribution (South Wales) Plc	Reject	Accept	<p>WPD still has reservations about clause 52.9 as currently worded under DCP012. We concur with EDF's concerns as outlined under the last change report.</p> <p>We seek clarification regarding a DNO's right to pass on costs to a person requesting a connection.</p> <p>Under WPD's charging methodology the costs to be</p>

			<p>recovered in the connection charge will be determined from the estimated costs of the minimum scheme that would be designed to meet the person's capacity requirements.</p> <p>If a person wished to connect to WPD's distribution system in the same locality as an embedded network it is possible that connecting that person could have an adverse effect on the technical characteristics of the embedded network.</p> <p>The minimum scheme may require the IDNO to carry out a modification which, under the proposed wording of 52.9, WPD would have to compensate the IDNO for.</p> <p>It is not clear whether WPD would be able to pass this cost on to the person requesting the connection. We believe therefore that before accepting the proposal the Authority should provide a steer regarding its expectations.</p> <p>Although not for this forum, we also believe that further discussion is required relating to the expectations on the IDNO for determining any modification works required and the costs of those works. The IDNO should be expected to provide information in a timely manner, perhaps in a manner similar to that laid down for standards of service for non-contestable services under LC4F.</p> <p>In summary, we believe the status quo should be maintained to align with other industry agreements until further discussion has taken place, or a clear steer been given. The change proposal would only be acceptable if it were clear the costs could be passed on to the person requesting the connection.</p>
Western Power Distribution (South West) Plc	Reject	Accept	See Western Power Distribution (South Wales) Plc Comments above.
Yorkshire Electricity Distribution Plc	Reject	Accept	CE UK reject this in favour of 12a

(YEDL)			
IDNO PARTIES			
ESP Electricity Limited	Accept	Accept	<p>A clear, consistent set of rules are essential to facilitate the development of competition in the sector. Formal arrangements to regulate the IDNO/DNO relationships was recognised as necessary as part of the DCUSA drafting process but timing constraints did not permit the matter to be substantively addressed.</p> <p>Section 2B contains the core terms for connecting to another DNOs distribution system and will create greater transparency and predictability, and therefore less risk. It necessarily follows that a single multi-lateral agreement will greatly reduce the administration of agreements and allows for more effective and efficient change management.</p>
Independent Power Networks Ltd	Accept	Accept	<p>We have been thoroughly engaged in the working group discussions and believe that this version best facilitates the DCUSA Objectives. It will also protect the nascent independent electricity distribution market from the potential of unexpected costs which they themselves were not the cause nor contributed to and which are difficult to control or avoid. With this solution the Company will be more likely to consider the impact that modifications to its network may have on any connected networks, encouraging the implementation of a least-cost solution.</p>
The Electricity Network Company Ltd	Accept	Accept	<p>We support the development of Section 2B. It brings transparency to the arrangements in place between distributors and equality of terms in place. The development of 2b is an important step forward and builds on the initial work to develop DCUSA.</p> <p>Historically, the only connections between distribution systems were where ex PES DNOs connected their distribution systems at GSP group boundaries. The</p>

			<p>contractual arrangements for such connections were in many cases informal and differed for each connection. Following implementation of the Utilities Act 2001 IDNOs have entered the market and are establishing licensed networks that connect to DNO distribution systems. Also, some DNOs are now establishing networks outside their distribution services areas.</p> <p>Since 2001 the contractual relationship for a connection of one licensed distribution system to another has been covered by bilateral agreements for each connection. These bilateral Connection and Use of System Agreements are often referred to as "CUoSAs". Such agreements were developed by each DNO.</p> <p>The drafting of a number of these agreements is flawed and in many cases contains terms and conditions with which we would dispute in the normal course of events. However, we have resisted proposing variations and pursuing the resolution of issues through the disputes process on the basis that such those areas can be better addressed through the DCUSA change process should Ofgem approve Section 2B. If section 2B does not proceed we will review our position.</p> <p>To remain with the current arrangements will result in thousands of CUoSAs being required. As these evolve managing the industry would end up with many different versions. Establishing a single multilateral agreement that contains the principle terms for use of system and connection creates greater transparency to industry participants, ultimately improves the administrative burden on the industry, and creates an effective process for change management. We accept that in addition to section 2B parties will be required to enter into a bilateral connection agreement. However, this agreement should only cover the technical and operational characteristics that are specific to the connection. The bilateral agreement should not be</p>
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			<p>abused by adding company specific commercial terms to augment the provisions in the DCUSA.</p> <p>There are certain aspects of the agreement with which we believe require further development. However, the agreement as presented by the change report provides a robust platform from which to build. We recognise that to address all the issues and concerns of parties through the development of section 2B would not have been achievable. Nonetheless, we note the proposed alternative change submitted by EDF in respect of Clause 52.9.</p> <p>We suspect that voting on this issue may be split between DNOs and IDNOs, as such the DCUSA Panel may be in a position where it is unable to recommend either DCP12 or DCP12a. Should this be the case we urge that Ofgem recommended to authorise one version as opposed to vetoing the entire change proposal.</p>
SUPPLIER PARTIES			
E.ON UK	Accept	Accept	<p>We believe this is the best compromise solution for section 2B. As with the original DCUSA document not all parties will agree on the wording of all clauses, but the normal change process should be used to introduce changes to this baseline. Responses to the consultation for DCP 012 also show support for this solution.</p> <p>A separate release date outside the normal scheduled dates is sensible.</p>
RWE Npower Group	Accept	Accept	-
SSE Energy Supply Limited	Reject	Accept	-

DCP 012 A – ALTERNATIVE VARIATION

DCP 012A	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Accept	Reject	Reject
IMPLEMENTATION DATE	Accept	Accept	Accept
RECOMMENDATION	<p>Change Solution – REJECT 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 not more than 50% in all Categories.</p> <p>Implementation Date –ACCEPT. 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.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required.		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
DNO PARTIES			
Central Networks East	Reject	Accept	The alternate proposal makes a case for retention of the existing modification arrangements specified in our Connection Agreements with customers. In practice Central Networks does not envisage forcing a customer to make extensive changes to his own connection equipment at his own cost to accommodate changes that we would wish to make to our connection. In addition Ofgem have indicated on a number of occasions that they would not expect to see

			IDNO boundary connections as mirroring ordinary customer connections.
Central Networks West	Reject	Accept	See Central Networks East comments above.
EDF Energy Networks (EPN)	Accept	Accept	<p>The Alternate Proposal does meet the first DCUSA Objective regarding efficient co-ordinated and economical networks.</p> <p>Condition 9B of the Licence is clear at paragraph 9(a) that the objective is "the development, maintenance and operation <u>by the licensee</u> of <u>an</u> efficient, co-ordinated and economical distribution system."</p> <p>See also further rationale in the Change Report.</p>
EDF Energy Networks (LPN)	Accept	Accept	See EDF Energy Networks (EPN) comments above.
EDF Energy Networks (SPN)	Accept	Accept	See EDF Energy Networks (EPN) comments above.
Electricity North West Limited	Reject	Accept	<p>This alternative proposal concerns a variation to one particular clause number (52.9). This particular clause has been discussed at length by the Section 2B Steering Group, the Change Proposal Working Group and also within our Company resulting in a sensible compromise that we believe holds a minimal risk to the Company. It must be noted that the protection is both ways i.e. an IDNO can be the Company and the DNO a User.</p> <p>It would have been more helpful if this clause had formed part of the consultation review.</p>
Northern Electric Distribution Plc (NEDL)	Accept	Accept	<p>CE UK accept DCP012A (alternative proposal) as it more closely aligns to CE's current business strategies than DCP012</p> <p>CE UK accept the proposed implementation date</p>
Scottish Hydro Electric Power Distribution	Accept	Accept	We consider that this option's Clause 52.9 provides for more consistent treatment of liability for modifications undertaken

			by any connected party.
Southern Electric Power Distribution	Accept	Accept	See Scottish Hydro Electric Power Distribution comments above
SP Distribution	Accept	Accept	SP Energy Networks considers that DCP012A better reflects current industry practice in relation to the compensation provisions for connected parties resulting from Modifications to DNO networks In addition, and as previously stated, Energy Networks will agree a timetable for the migration of existing bilateral agreements to the DCUSA with existing Users.
SP Manweb	Accept	Accept	See SP Distribution comments above.
Western Power Distribution (South Wales) Plc	Accept	Accept	Whilst accepting EDF's proposal as it stands, we believe that it may need to be refined. There may be justification in preparing a hybrid version of the DCP012 and DCP012A proposals which will add clarity.
Western Power Distribution (South West) Plc	Accept	Accept	See Western Power Distribution (South Wales) Plc Comments above.
Yorkshire Electricity Distribution Plc (YEDL)	Accept	Accept	CE UK accept DCP012A (alternative proposal) as it more closely aligns to CE's current business strategies than DCP012 CE UK accept the proposed implementation date
IDNO PARTIES			
ESP Electricity Limited	Reject	Accept	ESPE rejects the alternative proposal put forward by EDF Energy. EDF's reasoning is based on the fact that it is the 'industry norm' for distributors to pay for modifications on their own networks and not seek compensation from upstream parties. To substantiate this point, EDF make reference to industry codes such as CUSC and its own historical agreements. We feel it is essential to point out that as this is a relatively

			<p>new industry relationship – i.e. a distributor connecting to another distributor's network – there can be no 'precedent' or 'industry norm' for emerging relationships.</p> <p>We also feel it is essential to point out that IDNOs should NOT be considered as 'ender users' or 'customers' by the DNOs, as IDNOs are in effect providing an independent extension to the incumbent DNO's network that DNOs would otherwise have to provide.</p> <p>It is unreasonable to expect IDNOs to pay for modifications on their own networks required purely as a result of the DNO making alterations to their own networks upstream, regardless of whether costs can be obtained from a third party (especially if there is no obligation in the agreement to oblige the DNO to seek compensation from a third party in the first place).</p> <p>An IDNO should have the confidence that the core characteristics of that point of connection will be maintained in the future, and should not be concerned with, or exposed to, substantial financial risk that essentially the IDNO has no control over. Currently, the price control arrangements do not make provision for IDNOs to fund such works.</p> <p>To conclude, we believe that EDF's proposal does not better facilitate the objectives of the DCUSA. In the original DCP012, the DNO is better incentivised to develop a modification that is an efficient and economic solution for the TOTAL system (including the IDNOs extension to the network). This will result in lower overall costs and better protects consumers.</p> <p>ESPE regard EDF's alternative proposal to the Working Group's recommendation as anti-competitive, and therefore evidently inferior to the DCP012 original.</p>
Independent Power Networks Ltd	Reject	Accept	The intention of the original proposal was to place a common agreement between distributors into DCUSA. While it may be assumed this would mainly include the translation of the

			<p>current arrangements in use between DNOs and IDNOs such consideration could not preclude debate over those arrangements and their suitability. Indeed, one of the reasons behind introducing Section 2B into DCUSA was to standardise what was a disparate set of arrangements between IDNOs and DNOs across the industry. In discussing such issues the Working Group would have been taking full account of the need to 'better facilitate the objectives of the DCUSA' including 'the efficient co-ordinated and economic networks'.</p> <p>There has been useful dialogue on a number of issues of importance which has resulted in the Working Group Proposal and which represents compromises from both DNOs and IDNOs. In particular the drafting in DCO012 for clause 52.9 represents a compromise position developed by the Working Group.</p> <p>We believe that it would be a retrograde step to go with an alternative version, DCP012A, which ignores these discussions. Should this version be accepted then the IDNOs will need to consider raising further modifications to address these issues. This would be an inefficient use of resource, in terms of both administration and repeating discussions over issues already considered. Especially, when a compromise position had been reached.</p> <p>The proposer of this alternative comments that <i>'It is not the norm in electricity that the providing distributor should bear the cost of a modification's impact on others and this helps to keep the providing distributor's costs and hence prices down. To open that to debate may open it up to all other connectees and expose companies to increased cost.'</i> We disagree as to what constitutes 'the norm' in that we believe the only position for which a consensus may currently exist is that modifications should not insulate licensee's from the consequences of their proposals, should not impose costs on other parties who have not caused those costs. Costs and prices will only be kept down if licensees have to bear the consequences of their actions themselves. We do not believe</p>
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			<p>that this contention is controversial and have difficulty understanding why any such contention should not be endorsed.</p> <p>The proposer has commented that the drafting of clause 59.2 in the DCP 012 could have a wider industry impact. We disagree. The clause is specific to the DNO IDNO relationship. This relationship is not a DNO to customer relationship, but a relationship between two licensed entities.</p>
The Electricity Network Company Ltd	Reject	Accept	<p>We disagree that just because such term appears in EDF's other agreements and in CUSC that it should be in Section 2B. We have resisted challenging terms of existing connection and use of system agreements offered to IDNOs whilst section 2B is developed. We believe such an approach to be a pragmatic use of resources for all parties.</p> <p>We do not accept EDF's argument that because it was EDF's 'norm' in the past as justification for the same arrangements being perpetuated into the future. Further, IDNO to DNO relationships are relatively new. The relationship of a DNO to an IDNO differs from that to an end customer. IDNOs are licensees in the same way that DNOs are. They have obligations placed on them by the Act and the distribution licence in the same way that DNOs do. In effect IDNOs are providing the last mile of network that DNOs would otherwise have to provide.</p> <p>We dispute EDF's assertion that their proposal represents the norm. No such obligations exist in the National Terms of Connection or under Former Tariff Customer Schemes developed pursuant to the Utilities Act 2000, Schedule 7, Part III. Given that the vast majority of customers have their connection terms specified in such arrangements we contend that it is these arrangements that are the norm. Typically, the majority of the premises connecting to IDNOs' networks are domestic and SME premises who have their terms of connection determined by National Terms of</p>

			<p>Connection.</p> <p>We disagree that the proposal put forward by EDF better facilitates the objectives of DCUSA. By placing the duty on the DNO to fund the downstream works that arise as a consequence of modification works the DNO chooses to undertake (and which the IDNO has no control over) the DNO is better incentivised to develop a modification that is an efficient and economic solution for the total system; i.e. the DNO system and the IDNO system. This results in lower overall costs and better protects consumers. If the DNO does not bear the costs of the downstream works then it may choose a least cost solution for in respect of its network, but one which imposes higher cost solutions on the operators of downstream networks.</p> <p>We believe that the original proposal is consistent with DCUSA proposals and consistent with DNOs' obligations to maintain efficient, co-ordinated and economical systems of distribution.</p> <p>It is important to note that the DCP12 proposal is specific on the circumstances under which the DNO should bear the costs; i.e. they relate to circumstances where the technical characteristics specified in the bilateral connection agreement change. Therefore such payment would only arise as a consequence of the DNO seeking to vary the bilateral connection agreement.</p> <p>In making a connection request, and agreeing the characteristics of the connection, it is not unreasonable that the IDNO should have some certainty that the connection characteristics it agrees at the time of connection will be maintained going forward at no additional cost other than those made through DUoS charges. We recognise that DNOs have to modify their systems from time to time. However, where the DNO undertakes, or proposes to undertake, work that will modify the connection characteristics specified in the bilateral connection agreement they should bear the liability</p>
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			<p>for consequential works required.</p> <p>If the IDNO has to bear the costs for modifying its network because the DNO has changed the connection characteristics, in the IDNO in turn will need a mechanism to recover its costs from their end customers. However, the relative price control arrangements currently in place for IDNOs, and the use of system charges levied by DNOs on IDNOs, do not make provision for the IDNO to fund such works.</p> <p>EDF portray the drafting of DCP 12 as being of much wider significance to the industry and deviating from the status quo. We disagree. DCP12 relates to the specific DNO and IDNO relationship. We contend that, with respect to DNO to IDNO relationships, there is no agreed status quo.</p> <p>It is important to note that existing connection agreements that EDF refers to are in respect of agreements with end (typically HV) consumers. Such customers have a direct relationship with the DNO. We understand that typically the circumstances where consumers have had to modify their installations are where the modification works have resulted in an increase in the maximum prospective short circuit current. We understand that such circumstances are not common. Other characteristics of supply, such as voltage limits, are prescribed in the ESQCRs. Therefore, when the DNO undertakes modification works it has a duty to maintain statutory supply characteristics to end consumers.</p> <p>The issues are different in respect of consumers connected to IDNO networks. Many DNO to IDNO connections are provided at low voltage. Whilst the IDNO has the duty (under the ESQCRs) to provide the supply to its consumers within prescribed statutory limits, the upstream distributor has no duty to consumers connected to the IDNO system. The DNO will only have statutory obligations on the characteristics of supply at its boundary to the IDNO network.</p> <p>In requesting a connection from the upstream distributor the</p>
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			<p>IDNO will pay particular attention to the volt drop at the boundary such that he can maintain a voltage of supply to end consumers that is within statutory limits. If the DNO modifies his distribution system so that the voltage at the DNO/IDNO boundary changes (but still remains within prescribed limits), the voltage at which the IDNO connects customers may be exceed statutory limits.</p> <p>EDF's proposal is to only compensate the IDNO where they recover the costs from a third party. However, issues associated with modifications are unlikely to be identified at the time of making a connection quote. The drafting places no duty on EDF to attempt to recover such costs from third parties. Also, there will be circumstances where a modification is not as a direct consequence of a specific connection request.</p> <p>Comparison with CUSC is not valid. We understand that in providing connections to the Transmission System DNOs are only liable for connection assets. DNOs do not pay TUoS charges. Modification charges are likely to relate to the works that the DNO has to take as a consequence of changes to connection assets, not as a result in change of connection characteristics.</p> <p>EDF comment that they believe the objective of the work should be to rationalise the number of agreements between distributors with little change to the base content. As we have explained above, whilst we have a number of issues with existing agreements, we have focussed our efforts on the development of Section 2B in lieu of formally disputing terms of company specific bilateral arrangements. The model DUoSA was subject to industry development and formal industry debate (through the JPW workstreams) and involved participation from both suppliers and DNOs. Following this the agreement was subject to a number of determinations prior to go live in 1998. Previous to the development of section 2B no such process has been followed in respect of DNO to IDNO issues. It is unrealistic to</p>
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			<p>assume that IDNOs should give DNOs carte blanche to replicate the terms and principles contained in the CUoSAs developed by DNOs. Other aspects of the proposed section 2B have involved significant debate in agreeing the drafting.</p> <p>However, having said that, both IDNOs and DNOs have accepted a number of compromises in developing the agreement. Parties have accepted that specific issues can be raised by change proposals once (and if) the section 2B) The drafting of clause 52.9 put forward in DCP12 is the drafting developed by the working group and represents a compromise developed by the working group following submission of the change proposal.</p> <p>Given that we do not accept that the bilateral agreements form an agreed established baseline; we do accept EDF's claim that modification liabilities are established between DNOs and IDNOs. Such relationships are new.</p> <p>Modification liabilities in respect of CUSC or connections to end consumers are outside this debate. The issues raised here are specific to the IDNO/ DNO relationship and are separate to issues arising in other industry agreements.</p> <p>It should be recognised that the proposal to change DCUSA has been raised in an appropriate way. A working group was established in January 2007 to develop a straw man drafting provided by The Electricity Network Company limited. Throughout the process 5 of the 7 DNO groups and 3 of the IDNOs have attended meetings. The proposed drafting has been subject to significant consultation; parties have had ample opportunity to fully consider the proposal. Ofgem has attended all meetings.</p> <p>If the issue is of significant concern then our view is that DCP12 should be accepted and that EDF should have raise a specific change proposal to DCUSA should Ofgem approve the agreement. Whilst EDF may have concerns on the broader implications we believe that such issues should be</p>
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			debated with the arrangements to which they relate.
SUPPLIER PARTIES			
E.ON UK	Reject	Accept	We believe that this proposal does not reflect the consensus view of the working group made up of industry experts. We therefore reject this alternate proposal in favour of DCP012.
RWE Npower Group	Reject	Accept	-
SSE Energy Supply Limited	Accept	Accept	-