DCUSA DCP 118 Consultation Responses – Collated Comments

Question One	**Do you agree with the intent of DCP 118?**
ENWL	Yes, we agree with the intent of the change proposal.
ESP Electricity	Yes, ESPE agree that as the costs and revenues associated with EHV sites are already recovered via the EDCM, steps should be taken to remove them from the PCDM.
GDF Suez	Yes
Northern Power Grid	Yes
Scottish Power Distribution[1]	*Provided only Impact Analysis
UKPN	Yes
WPD[2]	*Provided only Impact Analysis
Question Two	**Do you agree with the principles of DCP 118?**
ENWL	Yes, we agree with the principles of DCP 118.
ESP Electricity	See answer 1.
GDF Suez	Yes
Northern Power Grid	Yes
Scottish Power Distribution	
UKPN	Yes
WPD	
Question Three	**Does the CP better facilitate the DCUSA General Objective 2 and Charging Objective 3? Please provide supporting comments.**
ENWL	Yes, we believe that the change proposal better meets DCUSA general objectives 2 and 3.
ESP Electricity	ESPE believe that the CP better facilitates both DCUSA General Objective 2 and Charging Objective 3. In the present situation there

[1] *Provided only Impact Analysis
[2] *Provided only Impact Analysis

	is double counting in the PCDM of EHV elements which have already been recovered via the EDCM, which leads to a distortion of the costs in the PCDM – being over reported – causing the discount factors to be understated. These lower discount factors lower LDNO margins, therefore limit competition in the distribution of electricity (General Objective 2) and by double counting costs, are not cost reflective (Charging Objective 3).
GDF Suez	Yes, as the CP leads to more cost reflectivity of charges which in turn helps promote competition.
Northern Power Grid	Yes
Scottish Power Distribution	
UKPN	We believe that this change does better facilitate these two objectives; as a result we believe that the costs are more correctly allocated.
WPD	
Question Four	**Do you have any comments on the proposed legal drafting of DCP 118?**
ENWL	We have no comments on the legal text
ESP Electricity	ESPE have no comments to add with regards to the legal drafting.
GDF Suez	No
Northern Power Grid	No
Scottish Power Distribution	
UKPN	No, we are happy with the proposed legal text.
WPD	
Question Five	**Do you feel that you have access to all the data necessary to facilitate the progression of DCP 118? Provide supporting comments.**
ENWL	Yes
ESP Electricity	(blank)
GDF Suez	Yes
Northern Power Grid	Yes
Scottish Power Distribution	

UKPN	Yes
WPD	
Question Six	Both option 1 and option 2 as described above use MEAV data from EDCM and CDCM models to determine how the cost allocated to the DNO's EHV network in the PCDM should be adjusted to take account of the use of the EHV network by EDCM customers. This adjustment is referred to as the EHV Cost Reduction Driver and is used in two of the calculations in the PCDM: Firstly, in calculating the MEAV by voltage level, the EHV cost reduction driver is multiplied by the sum of the MEAV costs of the EHV asset categories. This results in a reduction of the percentage MEAV allocation for EHV assets. Secondly, the EHV cost reduction driver is also used to Net Capex calculation in the PCDM, where it is multiplied by the sum of the Net Capex of EHV and 132kV assets. This results in a reduction of the percentage Net Capex allocation for EHV assets. The Working Group considers that the EHV Cost Reduction Driver should be calculated using the following formula: EHV Cost Reduction Driver $\frac{\qquad\qquad\qquad\qquad}{}$ Where All Notional Assets in EDCM = Total sole use assets for demand + total notional capacity assets + total notional consumption assets + sole use assets generations only. These figures are calculated in the DNO's EDCM model table 4131. EHV assets in CDCM model = Assets 132kV + Assets 132kV/EHV + Assets EHV + Assets EHV/HV. This is sum of the modeled EHV asset values scaled by load factor that are used for the allocation of operating expenditure in the CDCM model. This equation is proposed based on two assumptions; firstly, that the MEAVs of the network levels that are inputted into the CDCM model from the 500MW model will contain EHV assets that are shared between EDCM and CDCM customers. Secondly, that by subtracting the figure for all notional Assets in the EDCM model the remaining numerator should represent the value of assets used by CDCM customers only. Do you believe that the method described that uses MEAV data to calculate the EHV Cost Reduction Driver is appropriate? If not please provide any alternative suggestions that you feel the Working Group should consider.
ENWL	***Assumption 1: that the MEAVs of the network levels that are inputted into the CDCM model from the 500MW model will contain EHV assets that are shared between EDCM and CDCM customers.*** – The 500MW network model is designed to accommodate 500MW of simultaneous (i.e. diversified) maximum demand at each voltage level. Consequently, the incremental load is added at

	the GSP and the assets at the lower voltage levels are calculated based on the equivalent load at that voltage level, by taking the diversity into account. The assumed diversity takes account of the customers that connect at each voltage level, including EHV customers and therefore, we agree that this is a good assumption to make. ***Assumption 2: that by subtracting the figure for all notional Assets in the EDCM model the remaining numerator should represent the value of assets used by CDCM customers only*** – The notional assets used in the EDCM is a good representation of the actual assets used by EDCM customers. This value is calculated using the Network Use Factors (NUFs) and capacity at the level of connection or peak consumption at voltage levels above the level of connection. However, the NUF used within the calculation currently allocates too much spare capacity to some EDCM customers. This has been identified by Ofgem when they made the decision to approve the EDCM and is subject to DCUSA change proposal 138. Notwithstanding this issue, which we expect to be resolved by April 2014, we agree that it is appropriate to subtract the notional assets.
ESP Electricity	ESPE is unable to provide a better alternative solution for calculating the EHV Cost Reduction Driver, therefore we support the proposal to use the MEAV data.
GDF Suez	Yes
Northern Power Grid	We believe that the method described that uses MEAV data to calculate the EHV Cost Reduction Driver is appropriate and removes the double counting of EHV cost allocations.
Scottish Power Distribution	
UKPN	We are uncomfortable in calculating a percentage based in part upon data taken from the EDCM model, as by its very nature this only existed since 2012. This approach would not seem to be appropriate considering that the majority of data in the PDCM for most DNOs is taken from 2007/08 reporting periods.
WPD	
Question Seven	The Working Group did consider an alternative method to use MEAV data to calculate the EHV Cost Reduction Driver. This is as follows: EHV Cost Reduction Driver ——————————————— This option was based on an assumption that the EHV assets in the 500MW model are used exclusively by CDCM customers. This working does not believe this to be the case and therefore rejected this option and in favor of the equation shown in section 5. Do

	you agree with the Working Group's assertion?
ENWL	We agree with the working group's assertion.
ESP Electricity	We agree with the Working Group's assertion.
GDF Suez	Yes
Northern Power Grid	Yes
Scottish Power Distribution	
UKPN	Yes we do not believe that this option allocates the costs correctly.
WPD	
Question Eight	**Do you believe the application of EHV Cost Reduction Driver to the MEAV and Cal Net Capex calculations is an appropriate means of reducing the costs allocated to the EHV network levels to take account of the partial funding of these assets by EDCM customers? Is there another way this could be done using data that is readily available to DNOs?**
ENWL	We agree that the application of the EHV cost reduction driver to the MEAV and Cal Net Capex calculations is appropriate.
ESP Electricity	ESPE is unable to provide a more appropriate method of reducing the costs allocated to the EHV network levels, but accept that this area of PCDM needs to be made more cost reflective. Given this, ESPE is comfortable with the working group's proposal to use the EHV Cost Reduction Driver.
GDF Suez	No Comment
Northern Power Grid	We believe that this is a reasonable proxy as the only alternative would be to replicate the assets as used in the load flow analysis for EDCM site specific customers.
Scottish Power Distribution	
UKPN	We do not believe that there are any other alternatives which are more appropriate which should be considered at this time, based on the information which is available to parties.
WPD	
Question Nine	The RFI issued in August 2012 required the PCDM to be amended to reduce the "Total revenue to share" in the PCDM between the DNO and IDNO by removing the revenues recovered from EDCM type customers. Upon examination of some of the impact assessment data returned from DNOs (as part of the August 2012 RFI) the Working Group has noted that the removal of the EHV

	revenue only from the "Total revenue to be share" in the PCDM actually has the effect of moving some costs away from the lower voltage network levels. This is because removing the EHV revenue from the "Total revenue to share" only increases the percentage of the "Total allowed revenue" that is "Total revenue not to share" by the PCDM, as result of the equation below: Total allowed revenue = Revenue not to share[3] + Total revenue to be share This outcome was unintended; the EHV revenue should have been reduced from the "Total allowed revenue" as opposed to the "Total revenue to share". This issue is addressed in this RFI by removing the EHV revenue from the PCDM by deducting the EHV revenue from both the "Total revenue to share" and the "Revenue not to share" in proportion to the ratio of "Total revenue to share" and the "Revenue not to share" to the "Total allowed revenue" respectively. These deductions are carried out using the following formulae: Revenue to share deduction = $\frac{\text{Total revenue to share}}{\text{Total allowed revenue}}$ Revenue not to share deduction = $\frac{\text{Revenue not to share}}{\text{Total allowed revenue}}$ Where Total revenue to share = Total allowed revenue − Revenue not to share. Revenue not to share = Transmission Exit Charges + Incentive Revenue. Total allowed revenue = the Total allowed revenue for relevant regulatory year (being either the 2007/2008 or 2008/2009 charging year). EHV revenue = EHV component of the base revenue (Brt) relating to EHV connected customers for relevant charging year (being either the 2007/2008 or 2008/2009 charging year). Depending on the option selected, this value will be determined using a breakdown of BRt data for the relevant charging year, or a ratio of EDCM to Target Revenue from the CDCM and EDCM models for the current charging year.

[3] This term is referred to as not to be split in the PCDM but for consistency is changed her to Revenue not to share. This is consistent with the proposed legal drafting and should be included in the PCDM when it is taken under DCUSA governance.

	Do you agree with the method(s) proposed to remove the revenue recovered from EHV customers? and do you think it is appropriate to adjust the revenue "not to share" percentage using the correction factor shown above? Please give reasons for your answer.
ENWL	We agree that the total revenue to share should be adjusted and that this can be achieved as set out above, by adjusting both the "revenue to share deduction" and the "revenue not to share deduction".
ESP Electricity	We understand and support the working group's suggestion to use a correction factor to adjust the revenue "not to share" percentage. ESPE is unable to suggest a more appropriate method to remove the revenue recovered from EHV customers from the PCDM.
GDF Suez	**Yes, Total Allowed Revenue should be reduced overall.** ∴ both should be adjusted
Northern Power Grid	We believe that the EHV revenue should have been reduced from the "Total allowed revenue" as opposed to the "Total revenue to share" and that this RFI addresses the previous unintended consequence.
Scottish Power Distribution	
UKPN	Having been party to the discussions in the working group, we would agree that the result of the RFI in August was not as intended, and this adjustment would appear to be correct.
WPD	
Question 10	**Please provide comments on the strengths and weaknesses of each of the proposed options to change the PCDM to implement DCP118 and indicate your preferred option.**
ENWL	We agree with the working group's assertion that the cost reduction driver should be derived using option 1 (the MEAV of the EDCM notional assets relative to all EHV assets in the CDCM). Option 2, which uses units billed, ignores capacity which is particularly relevant at EHV. The amount of EHV revenue to subtract should be based on the 2007/08 values as the rest of the spreadsheet is also based on these values. The EHV revenue should only be increased to current values, when the total allowed revenue and all other data is also updated. Option 1 is our preferred option

ESP Electricity	ESPE believe that all 4 options are preferable to the status quo, although of the 4, we prefer Option 2; using the MEAV Driver to reduce costs allocated to the EHV Network Level and using the 2012 Target Revenue Ratio from the CDCM model to reduce the "Total allowed revenue" to account for EHV customer revenues. We believe that this will give the most cost reflective outcome, and that as the LDNO discount is being calculated using current (2012) data, it ensures consistency with the way that the CDCM ATW tariff is calculated.
GDF Suez	Option 2 – Simpler and easier to understand.
Northern Power Grid	In the consultation 4 options are described yet options 3 & 4, which use the units billed driver, do not appear to be discussed further in the questions asked so far. We believe using MEAV to reduce the EHV level network costs is appropriate.
Scottish Power Distribution	
UKPN	We have concerned with options 2 and 4 as they are using data from the current CDCM, which is looking at 2012/13, where the majority of the data in the PCDM is from 2007/08. Thus is would seem more appropriate to select option 1 or 3, however we do not have a clear preference between these two.
WPD	
Question 11	**Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.**
ENWL	DCP 138 looks at the calculation of network use factors and will have an impact on this change proposal. This will make the calculation of the EDCM notional assets more cost reflective. This change proposal should be brought in at the same time as DCP 138 (April 2014).
ESP Electricity	No and it is ESPE's opinion that this CP should be considered predominantly on its own merits, given the extent to which it better facilitates the relevant general DCUSA objectives.
GDF Suez	No
Northern Power Grid	No
Scottish Power Distribution	
UKPN	Whether the PCDM is the model we should be using to calculate LDNO discounts is questionable, when the data for all but one DNO being used at the current time is as reported to Ofgem for 2007/08. The PCDM requires data from the RRP, when the data is now reported in a different (RIGs) format, this might change yet again when in 2015/16 we are in the RIIO-ED1 period, and

	consideration should be given to having a wholesale review of the way these discounts are calculated. The issue of whether the PCDM is appropriate at the current time might result in any changes being limited in their impact.
WPD	
Question 12	**Are there any alternative solutions or matters that should be considered by the Working Group? DNOs are requested to consider if the Intent of DCP118 can be achieved by different changes to the model than those specified in section 6.1. They are invited to identify such changes and populate a second copy of the tables in Appendix C where the changes would result in different outputs from the model(s).**
ENWL	(blank)
ESP Electricity	ESPE supports the four options proposed by the working group and therefore do not have any alternative solutions to put forward to the working group.
GDF Suez	No Comment
Northern Power Grid	We have not identified any further options.
Scottish Power Distribution	
UKPN	We are not able to identify any further changes at the current time.
WPD	