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Amendments to Schedule 16 (CDCM), Paragraph 100

100 In order to determine the allocation to network levels of each element of price control revenue, the DNO Party uses the costs allocation drivers calculated from the following sources:

a) RRP data on units distributed and operating expenditure broken down by network level.

b) Data that each DNO Party considers appropriately represents the forecast of net capital expenditure and customer contributions for the period 2005/06–2014/15, broken down by network level.

c) Forecast data that each DNO Party considers appropriately represents the gross modern equivalent asset values (replacement costs) for various asset types.

d) The value of all notional assets calculated in each DNO Party's EDCM model. This comprises the aggregate of:

(I) the sum of notional site-specific asset values of all network levels allocated to capacity for all customers in the DNO Party's EDCM model;

(II) the sum of notional asset values at all network levels allocated to demand for all customers in the DNO Party's EDCM model;

(III) the sum of sole use asset values allocated to demand for all customers in the DNO Party's EDCM model; and

(IV) the sum of sole use asset values for generation only for all customers in the DNO Party's EDCM model.

e) The CDCM notional asset values for each network level as referred to in paragraph 63 of this schedule.

Amendments to Schedule 16 (CDCM), Paragraph 102

102 Indirect operating costs are allocated to network levels on the basis of an estimate of modern equivalent asset value by network level. The operating cost percentage for each level is a weighted average of the direct and indirect percentages. Estimated gross modern equivalent asset values used for this purpose are derived from asset counts and gross modern equivalent asset values (replacement costs) for various asset types. The estimated gross modern equivalent asset value at the EHV network level is adjusted by multiplying it by the EHV Reduction Ratio.

Amendments to Schedule 16 (CDCM), Paragraph 105

105 For each network level, the relevant net capital expenditure is calculated by adding up total condition based replacement (proactive and reactive replacement), combined in the case of LV services, LV mains, HV and EHV with connections spend minus customer contributions for connections at that voltage level, general reinforcement capital expenditure at that voltage level, and fault reinforcement capital expenditure at that voltage level. The net capital expenditure at the EHV network level is adjusted by multiplying it by the EHV Reduction Ratio.

Amendments to Schedule 16 (CDCM), Paragraphs 110 to 113

110 The DNO Party determines a breakdown of price control allowed revenue over the period from 2005/2006 to 2009/2010 between (1) operating expenditure, (2) depreciation and (3) return on regulatory asset value. Each of these 3 components of price control allowed revenue is then allocated across each network level using the percentage cost drivers as calculated for each such network level in accordance with the provisions of paragraphs 99-108 above. The resultant allocations are aggregated by network level to obtain a percentage per network level of total price control allowed revenue for the period 2005/2006 to 2009/2010.

111 For the purpose of paragraph 110, ~~that calculation, allowed revenue is adjusted by deducting:~~ the price control allowed revenue (stated as the "Total allowed revenue" in the price control disaggregation model) for the relevant charging year is adjusted by deducting the Revenue not to share. The Revenue not to share comprises the aggregate of:

a) the net amount earned or lost by the DNO Party under price control financial incentive schemes; and

b) Transmission exit charges.

112 ~~These allocations of the operating expenditure, depreciation and return elements of allowed revenue are combined using weights from the price control breakdown.~~ This adjusted price control allowed revenue (stated in the model as the "Total revenue to share") is then allocated to each network level using the weighted average percentage allocations calculated in accordance with paragraph 110. Before making this allocation however, the Total revenue to share must be further adjusted to deduct a portion of the price control allowed revenue that is to be recovered from EHV customers. This adjusted Total revenue to share is derived by deducting the following:

$$\left(\text{EHV Revenue} * \frac{\text{Total revenue to share}}{\text{Total allowed revenue}}\right)$$

Where:

Total allowed revenue = the price control allowed revenue

Total revenue to share = Total allowed revenue − Revenue not to share

EHV Revenue = the revenue to be recovered from EHV customers for the relevant charging year.

112A The revenue not to share must also be adjusted to deduct a portion of the price control allowed revenue that is to be recovered from EHV customers. This adjusted Revenue not to share is derived by deducting the following:

$$\left(\text{EHV Revenue} * \frac{\text{Revenue not to share}}{\text{Total allowed revenue}}\right)$$

Where

Revenue not to share = as per paragraph 111 above.

Total allowed revenue = the price control allowed revenue

EHV Revenue = the revenue to be recovered from EHV customers for the relevant charging year.

113 ~~The weighted average allocations are then rescaled by the estimated number of units flowing through each network level, and normalised so that they sum to 100 per cent.~~ The adjusted price control allowed revenues allocated to each network level are then rescaled by the estimated number of units flowing through each network level. The Revenue not to share is re-scaled by all units flowing into the DNO Party's EHV network. The resultant revenues, scaled by units flowing, are then normalised so that they add up to 100 per cent. The result of this calculation is a set of percentage allocations for each of the LV services, L~~W~~V mains, HV/LV, HV and EHV network levels and the Revenue not to share.

Additional terms to be added to Glossary of Terms in Schedule 16 (CDCM)

EDCM	means the EHV distribution charging methodology as described in Schedule 17 or Schedule 18 (as applicable to each DNO Party).
EHV Reduction Ratio	A factor applied to the EHV network drivers in the price control dissagregation that reduces the allocation of costs to the EHV network level to account for revenues recovered from EDCM customers. The EHV Reduction Ratio is calculated as follows:
$EHV\ Reduction\ Ratio = \frac{\text{EHV assets in CDCM model (£)} - \text{all notional assets in EDCM model (£)}}{\text{EHV assets in CDCM model (£)}}$	
	where: EHV assets in the CDCM model = the sum of the notional values in £ of the EHV assets described in paragraph 100(e) of this schedule, namely 132kV, 132kV/EHV, EHV, EHV/HV, and 132kV/HV assets; all notional assets in the EDCM model = the total notional value in £ of the assets described in paragraph 100(d) of this schedule; and EHV assets in CDCM model = the sum of notional asset values of EHV assets in the CDCM model.
Revenue not to share	means the amount described as such in paragraph 111.

Wragge & Co LLP
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