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| **Assumptions** | | | | | | | | | |
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| **ID** | **DCUSA text reference** | **Assumption** | **Worksheet reference** | **Description** |  | **Type** | **Justification** | **Grouping** | **Proposed Solution** |
| 1 | Schedule 29 paragraphs 4(a), 5(a), 6, 7, 29, 30, 31, 32 | Operating expenditure terminology | - | In these paragraphs, the DCUSA text refers to “operating expenditure” for values that would in fact be better described simply as “expenditure” as they contain both capex and opex.  It has been assumed that in these cases, “operating expenditure” can be interpreted as “expenditure” with no further adjustment required to convert expenditure values to “operating expenditure”. |  | Part 2 | Clarification only. | PCDM - Housekeeping (minor) | Amend ‘operating expenditure’ to ‘expenditure’ in Schedule 29 paragraphs 4(a), 5(a), 6, 7, 29, 30, 31, 32 |
| 2 | Schedule 29, paragraph 2 | List of network levels | - | A list of the network levels into which the DNOs network is split does not acknowledge that the combined EHV and 132kV level is split into four levels for the calculation of EDCM discounts |  | Part 2 | Clarification Only | PCDM – Housekeeping (minor) | Amend para 2:  ‘For the purpose of calculating discount percentages, the DNO Party’s network is split into five levels: (i) LV services, (ii) LV mains, (iii) HV/LV, (iv) HV and (v) a single level covering EHV and 132kV (including EHV/HV), *although for the purpose of applying discounts in respect of designated HV and LV properties where the DNO to IDNO boundary is at EHV or above EHV and 132kV network levels are split into a further four levels: 0000, 132kV* |
| 3 | Schedule 29, paragraph 3 | List of CDCM discount calculation steps | - | This paragraph sets out a list of steps that the calculation of CDCM discounts includes. This list is high-level and non-comprehensive and is not assumed to have any impact on the calculations. |  | Part 2 | Removing unnecessary clauses | PCDM - Housekeeping (removing unnecessary clauses) | Remove clause 3 and create a more comprehensive list in the user guide |
| 4 | Schedule 29, paragraph 4 | List of CDCM discount inputs | - | This paragraph sets out a list of inputs for the calculation of CDCM discounts. The list, however, is high-level and non-comprehensive. As such, it has been assumed that omissions from the list or inputs referred to, but not used, can be ignored. |  | Part 2 | Removing unnecessary clauses | PCDM - Housekeeping (removing unnecessary clauses) | Remove clause 4 and create a more comprehensive list in the user guide |
| 5 | Schedule 29, paragraph 5 | EDCM discount steps | - | This paragraph notes that the calculation of EDCM discounts is a two-part process but then only goes on to describe what it refers to as the first part of the process: allocating allowed revenue to network levels. It has been assumed that it is not an issue that this part of the legal text, which appears to be introductory in nature, does not appear to describe the second part of the process. |  | Part 2 | Removing unnecessary clauses | PCDM - Housekeeping (removing unnecessary clauses) | Remove clause 5 and create a more comprehensive list in the user guide |
| 6 | Schedule 29, paragraphs 6 and 9 | Expenditure spit between LV services and LV amins | PCDM; “Expenditure” sheet | There is no legal text describing how expenditure values allocated to the LV level are split between LV services and LV mains.  Consistent with the approach implemented in the charging models to date, it has been assumed that these values must be split based on the relative MEAV value for LV services and LV mains, where “MEAV” is indicated in the “Allocation rules” table. Where “MEAV” is not indicated in the “Allocation rules” table (such as for “Load related new connections & reinforcement (net of contributions)”, values must be fully allocated to LV mains |  | Part 2 | Clarification only | PCDM - Housekeeping (minor) | Amend clause 9 (a):  ‘General reinforcement costs reported in table 2.4 of the 2007/2008 RRP. These are reported by network level. The amount related to the HV *and LV* system*s* is allocated entirely to the HV network *and LV mains* level*s respectively*. No allocation is made for the HV/LV *or LV services* network level*s.* |
| 7 | Schedule 29, Allocation rules table | Blank percentages capitalised | - | The table contains no value in the “Percentage Capitalised” column for some cost categories. It has been assumed that no value is equivalent to specifying a rate of zero. Currently in each case where there is a blank, the value it would be applied to is equal to zero, so this assumption has no impact. |  | Part 2 | Clarification only | PCDM – Housekeeping (minor) | Include 0 in place of blanks in ‘Allocation Rules’ table |
| 8 | Schedule 29, Allocation rules table | Percentage capitalised for pension deficit payments | - | The table contains a value in the “Percentage capitalised” column for pension deficit payments but under the current methodology there are no cases where this value has an impact.  This result arises as no DNO Party allocates any pension deficit payments to specific network levels and the “Allocation key” column of the table indicates “Do not allocate”, meaning that the 2007/2008 RRP value is not split across levels based on the relative MEAV value calculated for each network level. |  | N/A | Value is unused but has no impact, so no action needed | No action |  |
| 9 | Schedule 29, paragraph 14 | LV/HV vs. HV/LV | - | The reference to “LV/HV” can be interpreted as equivalent to “HV/LV”, the terminology used elsewhere. |  | Part 2 | Clarification Only | PCDM – Housekeeping (minor) | Amend clause 14: ‘The DNO Party calculates the net capital expenditure split by LV, *[LV/HV] [HV/LV],* HV, and EHV and 132kV (which includes EHV/HV) |
| 10 | Schedule 29, paragraph 26 and 46 | Multiple “U” variables | PCDM; “Rev allocation” sheet | Schedule 29 refers to two variables named “U”. Given their different roles in the methodology are quite different (one deals with adjustments for loses, while the other deals with the share of revenue not discounted) it has been assumed that their scope is limited to their respective paragraphs and that there is no interaction between them. |  | Part 2 | Clarification only | PCDM - Housekeeping (minor) | Amend references to “U” in clause 26 to “U\_1” and reference to “U” in clause 46 to “U\_2” |
| 11 | Schedule 29, paragraph 38 | Allocations to the 132kV/EHV substations level in Scotland | - | This paragraph notes that the percentage allocated to the EHV and 132kV level is split into four levels. In doing so, it notes in parentheses that the “132kV circuits” and “132kV/EHV substations” levels are “England and Wales only”.  The two Scottish DNOs currently do have positive asset counts for assets that are mapped to the 132kV/EHV substations level: “33kV circuit breaker, indoors” and “33kV circuit breaker, outdoors”. The basis for this mapping is set out in the “MEAV EDCM mapping” table.  If those two asset types would otherwise be mapped to the EHV level, no impact on PCDM discounts for the Scottish DNOs has been identified as the movement between those two categories would only affect “EDCM boundary 132kV/EHV” and “EDCM boundary 132kV/EHV” discounts, which are not applied in Scotland.  Given the above, no restriction has been made to stop these values flowing through for Scottish DNOs. |  |  |  |  |  |
| 12 | Schedule 29, paragraph 46 | U | PCDM; “EDCM discounts” | Paragraph 46 currently defines the variable “U” as follows:  *“U is the ratio of the sum of the DNO Party’s total incentive revenue and the transmission exit charge, and the DNO Party’s total Allowed Revenue including any incentive revenue and transmission exit charge”.*  To retain consistency with the approach applied to shares of the all-the-way tariffs allocated to network levels, it was assumed that for the development of the new PCDM the definition of “U” in Paragraph 46 could be assumed to be as follows:  *“U is the percentage that the [Revenue not to share per unit] represents the sum of the [Revenue to share per unit] across all network levels and the [Revenue not to share per unit].”* |  | Part 2 | Clarification only | PCDM - Housekeeping (minor) | Amend definitions under para 46:  *“[U is the ratio of the sum of the DNO Party’s total incentive revenue and the transmission exit charge, and the DNO Party’s total Allowed Revenue including any incentive revenue and transmission exit charge.]”* to *“U is the percentage that the [Revenue not to share per unit] represents of the sum of the [Revenue to share per unit] across all network levels and the [Revenue not to share per unit].”* |
| 13 | Schedule 29, multiple paragraphs | Price base of financial value inputs | PCDM; “DNO inputs” sheet | The DCUSA text does not specify the price base in which DNO Parties must state financial values. It has been assumed, therefore, that the onus in on DNO Parties to ensure that their input values are consistent with appropriate use of inflation adjustments, where necessary. |  | N/A | No change needed – methodology follows logical order, with the step to bound being after this step. | No Action |  |
| 14 | Schedule 29, paragraph 11A (introduced in DCP306) | Interaction of Paragraph 11A with earlier paragraphs in Schedule 29 | EDCM: “Expenditure” sheet | It has been assumed that the direct allocation of LV services happens after the allocation to network levels within the RRP and after the allocation to network levels by MEAV. This assumes that the “Ofgem Licence Fees” input is a single value to be entered into Input 402-G rather than values which vary across voltage level to be entered into Input 402-H. It has therefore been assumed that Paragraph 11A is enacted within Paragraph 6, and that any subsequent mentions in Schedule 29 of allocated operating costs refer to those as allocated by Paragraph 6 and Paragraph 11A. This means that this part of the legal text is non-linear. |  | Part 2 | Clarification only | PCDM - Housekeeping (minor) | Quick fix:  Costs described in table 2.6 of the 2007/2008 RRP as “Ofgem Licence Fees” shall be: *input as a single value covering all voltage levels;* 100% allocated directly to the LV services level *once all other costs have been allocated;* and treated as indirect costs.  Longer term resolution:  Address legal text clauses surrounding the allocation rules table to flow more logically and be clear on how expectations should be dealt with. |
| 15 | Schedule 29, paragraph 11A (introduced in DCP 306 | Direct and Indirect costs within Paragraph 11A | EDCM; “Direct” sheet | It is assumed that the “direct cost indicators” for Ofgem licence fees is 0, but for all other non-activity costs it is 1. This means that the Ofgem licence fees are treated as an indirect cost, and the other non-activity costs are treated as direct costs. This assumes that, within this part of the legal text, references to expenditure being “directly allocated” refer to direct allocation to LV services in the context of paragraph 6, rather than direct and indirect costs in the context of Paragraph 29-32. Paragraph 11A explicitly specifies that Ofgem licence fees are treated as indirect costs and therefore the indicator is 0. As the legal text does not specify the direct cost indicator for the other costs, this has assumed to be 1, as this is consistent with the previous versions of the legal text. |  | Part 2 | Clarification only | PCDM - Housekeeping (minor) | Amend clause 11A:  ‘RRP costs described in the table at 6 above as “Non activity costs and reconciling amounts” shall be allocated as follows:   1. Costs described in table 2.6 of the 2007/2008 RRP as “Ofgem licence fees” shall be 100% allocated directly to the LV services level and treated as indirect costs. 2. *[NO]* other costs shall *not* be directly allocated *and will be treated as direct costs’* |