

Model documentation: Update models & guidance for DCP 379 (Request C01-4)

DCUSA/ElectraLink

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1. INTRODUCTION

This document describes charging models and supporting documentation developed for DCUSA to support DCUSA Change Proposal (DCP) 379. The following sections set out the:

- specification for the new files, including the identity of the reference files for the revisions noted here within and the new file names; and
- revisions to the models.

DCUSA has confirmed that an impact assessment is not required for this change.

2. SPECIFICATION

2.1. OVERVIEW

Changes have been proposed to the electricity distribution licence in light of changes to regulatory arrangements due to the COVID-19 pandemic. Suppliers may take part in the Network Charge Deferred (NCD) scheme (run by the Energy Networks Association (ENA)) if COVID-19 has had an impact on their cash flow. Failure of these suppliers will result in bad debt costs for the DNO. This will be introduced into the licence as a new pass-through item through a proposed change to Charge Restriction Condition 2B “Calculation of Allowed Pass-Through Items” (CRC2B).

If this licence change is implemented, then Schedule 15 of DCUSA will also need to be updated. In addition, the DCUSA Change Proposal (DCP) for 379 specifies that:

“the combined allowed revenue from both the existing Pass-through ‘Eligible Bad Debt Adjustment’ row, and the proposed Pass-through ‘COVID-19 Bad Debt Adjustment’ row, should be treated in the same way as the existing Pass-through ‘Eligible Bad Debt Adjustment’ in the charging models.”

Therefore, implementation of this DCP requires changes to be made to the charging models to account for the new pass-through cost (particularly within the CDCM and ARP, which directly reproduce Schedule 15 within their inputs) and then to ensure that it is treated consistently with the other pass-through costs. This means including this pass-through cost within the fixed charge adder that is added to demand tariffs after the application of LDNO discounts.

2.2. REFERENCE FILES

The following table sets out the reference versions of the charging models used as the starting point for the revisions described in this document.

Table 2.1: Reference files

Model	Model file name	Date sent
2022/23	CDCM	CDCM_v7_20201106
	ARP	ARP_v7_20201106
	EDCM (LRIC)	EDCM-LRIC_v9_20201211
	EDCM (FCP)	EDCM-FCP_v9_20201211
2021/22	CDCM	CDCM_v6_20200130
	EDCM (LRIC)	EDCM-LRIC_v7_20200130
	EDCM (FCP)	EDCM-FCP_v7_20200130

2.3. NEW FILES

The following table sets out the versions of the charging models provided to the DCP 379 Working Group in response to the request described above.

Table 2.2: New files

Model		Model file name	Date sent
2022/23	CDCM	CDCM_v7_DCP379_20210129	29/01/2021
	ARP	ARP_v7_DCP379_20210129	
	EDCM (LRIC)	EDCM-LRIC_v9_DCP379_20210129	
	EDCM (FCP)	EDCM-FCP_v9_DCP379_20210129	
2021/22	CDCM	CDCM_v6_DCP379_20210129	
	EDCM (LRIC)	EDCM-LRIC_v7_DCP379_20210129	
	EDCM (FCP)	EDCM-FCP_v7_DCP379_20210129	

We understand that the new files listed in Table 2.2 will be considered by the DCP 379 Working Group and may be shared for consultation.

2.4. ASSUMPTIONS AND CLARIFICATIONS

2.4.1. Treatment of new pass-through costs

While the intent to treat the new pass-through cost is clear in the Change Proposal form (as quoted above), this is not actually set out in the legal text in Schedules 16, 17 and 18. We understand that this is the result of a deliberate decision to minimise the extent of legal text changes necessary to accommodate change to CRC2B.

Currently, the fixed charge adder calculations specifically reference by name the pass-through costs which are to be used from Schedule 15. These are Pass-through Supplier of Last Resort Adjustment (applied to all domestic tariffs) and Pass-through Eligible Bad Debt Adjustment (applied to all demand tariffs).

For consistency with the Change Proposal form, we therefore assume that, where Schedule 16, Schedule 17 and Schedule 18 refer to “Pass-through Eligible Bad Debt Adjustment”, the exact same calculations should be repeated for “Pass-through COVID-19 Bad Debt Adjustment” (in Paragraphs 100 and 103 of Schedule 16 and in Paragraphs 13.2, 16.6 and 24.1 of Schedule 17 and Schedule 18). These assumptions will be added to our assumption logs in our updated user-guides if and when models reflecting this change are prepared for publication following the approval of the modification by Parties.

Note that we have assumed that the new pass-through cost should be carried through the model separately to the other pass-through costs, but with the exact same calculations applied. This is equivalent to aggregating both types of bad debt together at the input stage but is more consistent with our general modelling principles which aim to maximise transparency and traceability of the models.

2.5. OUTSTANDING LEGAL TEXT ISSUES

We have not identified any further legal text issues (subject to the assumption described above).

3. MODEL REVISIONS

3.1. ADDITIONAL OR MODIFIED INFORMATION SECTIONS

In the CDCM, EDCM and ARP, changes were made in the following sheets:

- **‘Cover’**. The model title was changed to reflect its status as a pre-release for the DCP379 working group.
- **‘Version control’**. A new entry in the version control log was added for these updates.

3.2. ADDITIONAL OR MODIFIED INPUT SECTIONS

In the CDCM and ARP, changes were made in the following sheet:

- **‘Fixed inputs’**. A new row was added to the Map of Applicable MPANs section to account for COVID-19 Bad Debt Adjustment. This was set up to apply this pass-through cost to all demand tariffs.

In the CDCM, further changes were made in the following sheet:

- **‘General inputs’**. A new row was added to the CDCM Target Revenue section to account for the COVID-19 Bad Debt Adjustment, as set out in the proposed changes to Schedule 15.

In the ARP, further changes were made in the following sheet:

- **‘ARP_General inputs’**. A new row was added to the CDCM Target Revenue section to account for the COVID-19 Bad Debt Adjustment, as set out in the proposed changes to Schedule 15.

In the EDCM, changes were made in the following sheets:

- **‘General inputs’**. A new row was added to the Revenue Pass-through Cost for fixed cost adders input (Input 202-G/302-G) to account for the COVID-19 Bad Debt Adjustment pass through cost.

3.3. ADDITIONAL OR MODIFIED CALCULATION SECTIONS

In the CDCM and ARP, changes were made in the following sheets:

- **‘Revenue matching’**. A new row was added in the Inputs to Revenue Matching section to include the “Pass-through COVID-19 Bad Debt Adjustment” term from General Inputs. The “Target CDCM net revenue” was updated to include this value.
- **‘Fixed Charge Adder’ (2021/22 model)/ ‘SoLR & Bad Debt Adders’ (2022/23 model)**. New rows were added in this section for COVID-19 bad debt, in every table where the existing pass-through costs were already present. Calculations were updated to include the new pass-through cost within the fixed charge adder. This includes updates to the checks on this sheet.

In the ARP, further changes were made in the following sheets:

- **‘General inputs’**. A new row was added to the CDCM Target Revenue section to account for the COVID-19 Bad Debt Adjustment, as set out in the proposed changes to Schedule 15.

In the EDCM, changes were made in the following sheets:

- **‘Import Capacity’**. A new row was added to the Calculation of DNO revenues section (Section 208-G/308-G) to include the “Pass-through COVID-19 Bad Debt Adjustment” cost. This was then included in the allowed revenue calculation.

3.4. PLANNED CHANGES TO USER GUIDES

The user guides could be updated to ensure that, wherever there was a reference to the pass-through costs for supplier of last resort costs and bad debt, this was extended to also reference COVID-19 bad debt.

A specific additional change would be to include a new assumptions log within the user guide(s) reflecting the assumption set out in Section 2.4.1.

It may also be prudent to include some explanation of the fact that, following this change, there are two parallel sets of models (2021-22 and 2022-23) into which this DCP has been implemented.



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