

DCP 395 'Allocation of Smart Meter Communication Licence costs within LDNO Tariffs'

Draft Legal Text

Amend Opening Paragraph of Schedule 29 as follows:

Implementation Date

This Schedule 29, version **12.1[n.nn]**, is to be used for the calculation of Use of System Charges which will become effective from, 01 April 2020**[n]** and remain effective until superseded by a later revised version.¹

Amend Paragraph 4 of Schedule 29 by the addition of (g) as follows:

4. For the calculation of discount percentages used in Schedule 16, in order to determine the allocation to network levels of each element of price control revenue, the DNO Party uses cost allocation drivers calculated from the following sources:
 - a) Regulatory Reporting Pack (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 2005/2006 - 2014/2015, broken down by network level.
 - c) Data from a version of the Forecast Business Plan Questionnaires (FBPQ) that would have been submitted by each DNO Party to the Authority before April 2010.
 - d) Forecast data that each DNO Party considers appropriately represents the gross modern equivalent asset values (replacement costs) for various asset types.

¹ Version number and date to be included on implementation.

- e) 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;
 - IV the sum of sole use asset values for generation only for all customers in the DNO Party's EDCM model.
- f) The CDCM notional asset values for each network level as referred to in paragraph 63 of Schedule 16.
- g) The 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as described in Table 1 of Schedule 15, expressed in 2007/08 prices (see paragraphs 11B and 11C below).

Amend Paragraph 5 of Schedule 29 by the addition of (e) as follows:

- 5. The calculation of discount percentages used in Schedule 17 and 18 is a two-part process. The first part of the process involves the calculation of the percentages used to allocate the DNO Party's Allowed Revenue to each network level. This is done for each element of the Allowed Revenue: the operating cost, depreciation and return on RAV elements. These are aggregated over the period 2005/2006 to 2009/2010 (the DPCR4 period). In order to determine the allocation to network levels of each element of price control revenue, the following cost allocation drivers are used:
 - a) Data submitted by the DNO Party to the Authority using the format prescribed in the Regulatory Reporting Pack (RRP) on units distributed and operating expenditure broken down by network level (relating to the year 2007/2008).

- b) Data from a version of the FBPQ that would have been submitted by each DNO Party to the Authority before April 2010.
- c) Data that each DNO Party considers appropriately represents the forecast of net capital expenditure and customer contributions for the period 2005/2006 - 2014/2015, broken down by network level.
- d) Forecast data that each DNO Party considers appropriately represents the gross modern equivalent asset values (replacement costs) for various asset types.
- e) The 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as described in Table 1 of Schedule 15, expressed in 2007/08 prices (see paragraphs 11B and 11C below).

Add a new Paragraph 6A of Schedule 29 and amend the table following Paragraph 6 as follows:

- 6. The DNO Party allocates operating expenditure in the 2007/2008 RRP by network level. The RRP already allocates some operating expenditure by network level.

6A The DNO Party allocates the 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as described in Table 1 of Schedule 15 by network level (see paragraphs 11B and 11C below).

Table: Allocation rules

	Allocation key		Direct cost
Load related new connections & reinforcement (net of contributions)	As described in this Schedule	100.0%	1
Non-load new & replacement assets (net of contributions)	MEAV	100.0%	1
Non-operational capex	MEAV	23.5%	1
Faults	MEAV	23.5%	1
Inspections, & Maintenance	MEAV	23.5%	1
Tree Cutting	MEAV	23.5%	1
Network Policy	MEAV	52.57%	
Network Design & Engineering	MEAV	52.57%	

Project Management	MEAV	52.57%	
Engineering Mgt & Clerical Support	MEAV	52.57%	
Control Centre	MEAV	52.57%	
System Mapping Cartographical	MEAV	52.57%	
Customer Call Centre	MEAV	52.57%	
Stores	MEAV	52.57%	
Vehicles & Transport	MEAV	52.57%	
IT & Telecoms	Do not allocate	52.57%	
Property Mgt	Do not allocate	52.57%	
HR & Non-operational Training	MEAV	52.57%	
Health & Safety & Operational Training	MEAV	52.57%	
Finance & Regulation	MEAV	52.57%	
CEO etc	MEAV	52.57%	
Atypical cash costs	Do not allocate		1
Pension deficit payments	Do not allocate	57.7%	1
Metering	Do not allocate		1
Excluded services & de minimis	Do not allocate		1
Relevant distributed generation (less contributions)	Do not allocate		1
IFI	Do not allocate		1
Disallowed Related Party Margins	Do not allocate		1
Statutory Depreciation	Do not allocate		1
Network Rates	Do not allocate		1
Transmission Exit Charges	Deduct from revenue		1
Pension deficit repair payments by related parties	Do not allocate		1
Non activity costs and reconciling amounts	See paragraph 11A below		See paragraph 11A below
Pass-through Smart Meter Communication Licence Costs	See paragraph 11B below		See paragraph 11B below

Add new Paragraphs 11B and 11C of Schedule 29 as follows:

11B. Costs included in the CDCM target revenue as described in Table 1 of Schedule 15 described as 'Pass-through Smart Meter Communication Licence Costs' shall be expressed in 2007/08 prices and shall be added to the final allocation of operating

expenditure and be 100% allocated directly to the LV Services level and treated as indirect costs.

11C Conversion to 2007/08 prices shall be undertaken using the price index adjustment factor applying under the charge restriction conditions of the DNO Party's Distribution Licence, by multiplying the input from the CDCM by the following price index adjuster:

$$\text{Price Index Adjuster} = \frac{\text{PI}_{2007/08}}{\text{PI}_t}$$

Where $\text{PI}_{2007/08}$ is the price index in 2007/08 and PI_t is the price index for the charging year for which charges are being calculated under this Schedule 29.

Amend Paragraphs 29 of Schedule 29 as follows:

29. The DNO Party calculates the [HV direct proportion] and the [LV direct proportion] on the basis of the allocation of RRP operating expenditure and 'Pass-through Smart Meter Communication Licence Costs' across network levels set out in paragraphs 6, 6A and 7 of this Schedule (before the adjustment for capitalisation rates is made). Before this calculation is performed, any negative figure is set to zero.