

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 325:</h1> <p>Reviewing the requirements of Sections 35A ('Provision of Cost Information'), 35B ('Production of the Annual Review Pack'), Schedule 15 ('Cost Information Table') and Schedule 20 ('Production of the Annual Review Pack')</p> <p>Date raised: 11 July 2018</p> <p>Proposer Name: Andrew Enzor</p> <p>Company Name: Northern Powergrid</p> <p>Company Category: DNO</p>	<div style="border: 1px solid black; padding: 5px;"> <p style="background-color: #008000; color: white; padding: 2px;">01 – Change Proposal</p> <p style="padding: 2px;">02 – Consultation</p> <p style="padding: 2px;">03 – Change Report</p> <p style="padding: 2px;">04 – Change Declaration</p> </div>	
<p>Purpose of Change Proposal:</p> <p>The intent of this change is to combine, review, and if appropriate amend the requirements of Section 35A, Section 35B, Schedule 15 and Schedule 20 to improve transparency and efficiency in the data published by DNOs.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> Treated as a Part 2 Matter Treated as a Standard Change Proceed to a Working Group <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: All</p>	
	<p>Impacted Clauses: Section 35A, Section 35B, Schedule 15 and Schedule 20</p>	

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3	Why Change?	Code Administrator
4	Solution and Legal Text	 DCUSA@electricalink.co.uk
5	Code Specific Matters	 020 7432 3011
6	Relevant Objectives	Proposer:
7	Impacts & Other Considerations	Andrew Enzor
8	Implementation	 andrew.ensor@nort hernpowergrid.com
9	Recommendations	 07834 618994
Indicative Timeline		
The Secretariat recommends the following timetable:		
Initial Assessment Report		11 July 2018
Consultation Issued to Industry Participants		TBC
Change Report Approved by Panel		21 November 2018
Change Report issued for Voting		23 November 2018
Party Voting Closes		14 December 2018
Change Declaration Issued to Parties		18 December 2018

1 Summary

What?

Section 35A (supported by Schedule 15) of the Agreement requires each DNO Party to publish cost information on a quarterly basis. This consists of:

- a forecast of its revenue allowances for the current regulatory year and the following four regulatory years ('table 1');
- an indication of the likely range within which given allowances could vary ('table 2'); and
- illustrative Common Distribution Charging Methodology (CDCM) tariffs for the years for which a forecast of allowed revenue is provided where charges have not already been published.

Section 35B (supported by Schedule 20) of the Agreement requires each DNO Party to publish an 'annual review pack' (ARP) at the time of setting charges in December each year. This consists of:

- historical CDCM input information for the previous three years;
- forecast CDCM input information for at least the next five years;

- illustrative tariffs for at least the next five years based on the forecast inputs provided;
- functionality to enable a user to amend any of the forecast inputs and recalculate illustrative tariffs; and
- details of the values calculated for each year where CDCM inputs have been calculated based on a three-year average, most notably the load characteristics and peaking probabilities.

This change seeks to:

1. combine the requirements of the two sections and two accompanying schedules;
2. review the requirements to determine whether the information provided is useful to stakeholders, whether it is presented in a useful format, and whether some duplication could be removed; and
3. if appropriate following stage two, amend the requirements to enable DNOs to provide stakeholders with better quality information whilst reducing duplication.

Why?

There is significant crossover between the requirements of Section 35A and Section 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.

Recent feedback from industry parties during the process of developing the new DCUSA models suggests that parties do not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. This may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is only of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. This functionality adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided.

It should be straightforward for DNOs to provide more useful information in a more succinct manner – thus improving both the efficiency of provision and usefulness of the output.

Section 35A also requires DNOs to convene a meeting to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the Distribution Charging Methodologies Development Group (DCMDG).

How?

The requirements of Section 35A and Section 35B should be combined, reviewed, and if appropriate amended, alongside combining the details given in Schedule 15 and Schedule 20 into a single publication. A 'first draft' of a proposed template for submission is provided as attachment one. This template seeks to standardise the years for which data is provided, and link the years required more closely to the Price Control Periods, so would require publication of data from the start of the Price Control Period which was in place two years prior to the current year up to the later of four forecast years or the end of the current Price Control Period. This template is provided as a starting point for discussions, and is not intended to restrict the ability of a Working Group to review and if appropriate amend the requirements of the combined sections in full.

The publication timetable should also be considered – a simple amalgamation of the publication requirements of Section 35A and Section 35B would result in five publications of the same template each

year (quarterly in February, May, August and November as per Section 35A, and annually with the publication of final charges by December 31st as per Section 35B); however this could be given further consideration to ensure the timing of publications is appropriate, for example taking into account HM Treasury RPI forecasts which are currently released shortly after the quarterly submissions, rendering the information out of date very soon after publication. A Working Group should ensure, by consultation with industry, that any information or functionality which the solution seeks to remove is not detrimental to stakeholders.

A Working Group should also consider whether the provision of a model template (as is currently the case in Schedule 20) would be appropriate once the two sections have been combined.

Finally, the requirement on DNOs in Section 35A to convene a meeting should be amended to require that the Secretariat convenes such a meeting, at which all DNOs will be required to present their latest forecast information, and to which all supplier and IDNO Parties will be invited.

2 Governance

Justification for Part 1 and Part 2 Matter

This change has no impact on Use of System charges calculated, and only on the supplementary information published. Whilst the change may result in less information being directly published (e.g. if the functionality to recalculate charges based on forecast input data were removed), the same level of information would be published to enable users to calculate this information, simply using the data in the published CDCM model. Hence the change is not expected to have an impact on competition, and does not impact any of the other areas listed in clause 9.4, so is considered to be a Part 2 matter.

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 2 Matter
- Be treated as a Standard Change
- Proceed to a Working Group

The Working Group should ensure that a broad spectrum of users is consulted to ensure that the data to be provided continues to meet user requirements. This could include (but not be limited to) raising the issue at one of the quarterly meetings required under Section 35A, raising the issue at the Distribution Charging Methodologies Development Group, and ensuring all DCUSA parties are consulted.

3 Why Change?

There is significant crossover between the requirements of Section 35A and Section 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.

For example, both Section 35A and Section 35B effectively require a completed 'table 1' to be published (explicitly for Section 35A, and because it is a CDCM input and so required for Section 35B). The implications of the requirement to give 15 months' notice of a change to Use of System charges (introduced by DCP 178 – 'Notification Period for Change to Use of System Charges') has created an

inconsistency in the years provided (Section 35A requires four forecast years from the current regulatory year, whilst Section 35B requires CDCM input information for the next five years at the time of publication – these were aligned prior to DCP 178, but now result in Section 35B requiring an extra year forecast to Section 35A).

Both Section 35A and Section 35B require a view of illustrative charges for the forecast years, but this is currently provided in a different format in the two templates. It would be more efficient, both for the DNOs when populating the information and users when receiving it, if both datasets were in a consistent format.

The ARP currently requires DNOs to populate a forecast of all CDCM inputs for the next five years. In the most recent published versions, the vast majority of these inputs have been held at the latest published values. Cost inputs have generally been uplifted by RPI in the forecast inputs, with the only inputs actually updated being the number of days in the year and the number of hours in each time band. The forecast inputs add complexity to the ARP, but as long as they are simply held at the published levels, they add little value.

Recent feedback from industry parties during the process of developing the new DCUSA models suggests that parties do not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. Again, this may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is only of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. This functionality adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided. In any case, a user wishing to test the sensitivity of a given input can do so using the published CDCM model. Consideration should be given to removing the requirement to provide the functionality to recalculate tariffs for the forecast period, and perhaps to require the publication of an illustrative updated CDCM model for the first forecast year in its place.

Section 35A also requires DNOs to convene a meeting to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the DCMDG.

Part B: Code Specific Details

4 Solution and Legal Text

Legal Text

Proposed legal text is included as attachment two, although it should be noted that significant areas of this are to be agreed by a Working Group in consultation with industry, including the precise nature of the information to be provided and the schedule for provision.

Text Commentary

The legal text proposed is a relatively minor update to Section 35A, with the timing of publications and exact content to be determined by the Working Group and so potentially leading to more fundamental changes. Small updates have also been made to Schedule 15. Section 35B and Schedule 20 should be removed as the necessary requirements will have been fully incorporated in Section 35A and Schedule 15.

5 Code Specific Matters

Reference Documents

None

6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
<input type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None
<input type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Positive
<input type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	Positive
<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive
<p>Charging Objective 2 – this change will improve the quality of information which DNOs provide to industry – most notably suppliers – and thus may enable suppliers to more accurately forecast their costs and so improve competition.</p> <p>Charging Objective 4 – this change will take into account the impacts of DCP 178 'Notification Period of Use of System Charges' which has not yet been fully considered for the requirements of Section 35A and Section 35B.</p> <p>Charging Objective 6 – this change will improve both the efficiency with which DNOs can provide information, and the usefulness of the information provided, thus improving efficiency in the implementation of the DCUSA.</p>	

7 Impacts & Other Considerations

No cross-code, consumer or environmental impacts are expected.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This change does not impact any SCR currently in progress.

Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

N/A

Confidentiality

No part of this change proposal is confidential.

8 Implementation

The change should be implemented as soon as possible.

Proposed Implementation Date

Next release following acceptance.

9 Recommendations

Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Governance	<p>A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.</p> <p>Part 1 Matter</p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <p>a) it is likely to have a significant impact on the interests of electricity consumers;</p> <p>b) it is likely to have a significant impact on competition in one or more of:</p> <ul style="list-style-type: none"> i. the generation of electricity; ii. the distribution of electricity; iii. the supply of electricity; and iv. any commercial activities connected with the generation, distribution or supply of electricity; <p>c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties);</p> <ul style="list-style-type: none"> i. it is directly related to the safety or security of the Distribution Network; and ii. it concerns the governance or the change control arrangements applying to the DCUSA; and iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A. <p>Part 2 Matter</p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.

4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.</p> <p>The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> • 15 months, for DNOs acting within their Distribution Services Areas; or • 14 months, for IDNOs and DNOs acting outside their Distribution Services Area. <p>Please select an implementation date that provides sufficient time for the Change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Impacts & Other Considerations	<p>Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.</p>
7	Environmental Impact	<p>Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance.</p>
8	Confidentiality	<p>Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem</p>
9	DCUSA General Objectives	<p>Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.</p>
10	Detailed Rationale for DCUSA Objectives	<p>Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.</p>

11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal.
12	Defining 'Material' for Charging Methodology Changes	In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.