









DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 421:</h2> <h3>Update the Tables in schedule 15 of DCUSA</h3> <p>Date raised: 12 April 2023</p> <p>Proposer Name: Dave Wornell</p> <p>Company Name: National Grid Electricity Distribution</p> <p>Company Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>To amend the current tables within Schedule 15 of DCUSA to correctly represent ED2 revenue.</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 421</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 08 September 2023.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP) to the Change Report phase.</p>	
	<p>Impacted Parties: DNOs, IDNOs, and Suppliers.</p>	
	<p>Impacted Clauses: Schedule 15 and Clauses 35A.1-7</p>	

Contents			<div> Any questions?</div> <div>Contact: Code Administrator</div> <div> dcusa@electralink.co.uk</div> <div> 020 7432 3011</div> <div>Proposer: Dave Wornell</div> <div> dwornell@westernpower.co.uk</div> <div> N/A</div>
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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	17 May 2023
First Consultation issued to Parties	11 August 2023
Change Report issued to Panel	20 October 2023
Change Report issued for Voting	22 October 2023
Party Voting Ends	13 November 2023
Change Declaration issued to Authority	17 November 2023
Authority Decision	TBC
Implementation Date	January 2024

1 Summary

What?

- 1.1 The Tables in schedule 15 of DCUSA were created to represent the revenue splits for DPCR5 and RIIO-ED1 whereas RIIO-ED2 revenue splits are very different.

Why?

- 1.2 The previous electricity Distribution price control (known as RIIO-ED1) ended on 31 March 2023. The new price control (known as RIIO-ED2) will cover the five-year period from 1 April 2023 to 31 March 2028. The current tables are not suitable to correctly represent RIIO-ED2 revenue.

How?

- 1.3 Amendments to the Cost Information Tables (specifically Table 1 and 2) within Schedule 15 of DCUSA to correctly represent the calculation of allowed revenue under the RIIO-ED2 Special Conditions of the Electricity Distribution Licence. The proposed updated format for these tables is in **Attachment 3_Proposed ED2 Template**.
- 1.4 It has been highlighted that DCP 325¹ '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')' will have some interactions with this change which are addressed in section 4.

2 Governance

Justification for Part 1 Matter

- 1.1 This is a part 2 matter as it only effects the representation of allowed revenue and does not affect prices.

Next Steps

- 1.2 This CP should:
 - Be treated as a Part 2 Matter;
 - Be treated as a Standard Change; and
 - Proceed to the Working Group consultation phase.

¹ [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 \('Production of the Annual Review Pack'\)](#)

3 Why Change?

- 3.1 The existing Cost Information Tables in Schedule 15 of the DCUSA were set up to represent the allowed revenues as calculated using the Special Conditions of the Electricity Distribution Licence for DPCR5 and RIIO-ED1.
- 3.2 RIIO-ED2 began on 01 April 2023, with new licence conditions coming into force on that date. The breakdown of allowed revenue under the RIIO-ED2 licence conditions is different to the breakdown under RIIO-ED1. This means that the existing table 1 and 2 in Schedule 15 are no longer suitable to represent the breakdown of allowed revenues.
- 3.3 This CP proposes changes to these tables to represent the breakdown of allowed revenue in RIIO-ED2.

Question 1: Do you understand the intent of the Change Proposal?

Question 2: Are you supportive of the principles of this Change Proposal?

4 Working Group Assessment

DCP 421 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess/develop DCP 421. This Working Group consists of representatives from DNOs, Suppliers, IDNOs, Generators and National Grid Electricity System Operator (NGESO). Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.2 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.
- 4.3 The proposer walked the WG through the proposal and explained that moving from the RIIO-ED1 licence conditions to the RIIO-ED2 licence conditions changes the breakdown of allowed revenue. The RIIO-ED2 licence conditions were published by Ofgem in February 2023², so the purpose of this Change Proposal is to reflect the calculation of allowed revenue under RIIO-ED2 in the Cost Information Tables (table 1 and 2) of Schedule 15, which is also reflected in the CDCM and ARP 'General Inputs'.
- 4.4 The link between this change and DCP 325 was discussed. The working group agree that this change will be focussing on the content of the Tables in Schedule 15 to align them to the RIIO-ED2 licence, whilst DCP 325 will continue to consider the more fundamental aspects of Schedules 15 and 20, such as the overlap between the two schedules and the timing of the submissions, with the contents of tables 1 and 2 descoped from the change. This will allow the two DCPs to progress and

² [Decision on the proposed modifications to the RIIO-2 Electricity Distribution licences | Ofgem](#)

be assessed independently of each other, although each of the two working groups will ensure they are aware of the solution being developed for the other DCP.

- 4.5 The proposer provided a proposed template for the revised tables. This has been assessed and updated by the working group and is provided in **Attachment 3_Proposed ED2 Template**.
- 4.6 The template consists of the following worksheets:
- 'Table 1 - ED2 Detailed' – Proposed Table 1 to be included in quarterly Schedule 15 submissions, containing breakdown of allowed revenues, including a granular breakdown of base revenues. It is proposed that this table is used for the quarterly Cost Information submissions.
 - 'Table 1 – CDCM Input Version' – Proposed Table 1 to be included in the CDCM 'General Inputs' containing breakdown of allowed revenues to the level of granularity required for the CDCM model. It is proposed that this table is used for the inputs to the CDCM.
 - 'Delta from previous' – Proposed additional table providing variance between the values in Table 1 in the current and previous submission, with commentary explaining any variances. This is to provide additional information to Suppliers which they would currently have to calculate themselves from the two submission packs for each DNO.
 - 'Table 2' – Proposed Table 2 to be included in the quarterly Schedule 15 submissions. This is significantly changed from the existing Table 2 with the aim of providing more appropriate and informative sensitivities than those currently included in Table 2
 - 'Table 3 – Illustrative Prices' – No change from existing Table 3.
- 4.7 Both versions of Table 1 in the template can be linked to the Price Control Financial Model (PCFM) and both calculate the allowed revenue in line with the RIIO-ED2 Special Conditions.

Table 1

- 4.8 The current table 1 includes calculations of allowed revenue for the years t-1 to t+4, where t is the current regulatory year.
- 4.9 The Working Group considered whether it is appropriate to provide forecasts for years within the next price control period when there has been no submission or determination relating to that period, and the licence conditions for the calculation of allowed revenue within that period are not known.
- 4.10 It was noted that determinations are not known until a few months before the price control period starts and that allowed revenue calculations will be required to calculate charges within that period significantly earlier because of the requirement to provide 15 months' notice. It was also noted that Suppliers find the forecast of later years useful, even when it is known that it may change significantly when the price control determinations are finalised.
- 4.11 It was agreed that Table 1 should continue to include the same years as currently (t-1 to t+4) and that for years within the next price control period there will be an assumption that the current licence conditions continue to apply, until such time that the new licence conditions are published by Ofgem.
- 4.12 The Working Group also discussed the two versions of Table 1 ('ED2 Detailed' and 'CDCM Input Version') and whether both are required. It was discussed that some Suppliers have previously requested additional granularity for the base revenue figures.

- 4.13 In the RIIO-ED1 Special Conditions the base revenue was included as a single figure, however in the RIIO-ED2 Special Conditions this is broken down into the categories detailed in 'Table 1 - CDCM Input Version'.
- 4.14 The PCFM contains further granularity, including the breakdown of the calculation of Fast Money, Depreciation and Return, which has been added to 'Table 1 – ED2 Detailed'. As both versions of Table 1 have additional granularity compared to the current Table 1, the Working Group are seeking views on the level of granularity preferred by Suppliers and other users of the Cost Information Tables.
- 4.15 It was suggested that the level of detail and complexity contained in 'Table 1 - ED2 detailed' within attachment 3 was beyond what is needed, adding unnecessary complexity and potential confusion. Some of the Working Group members suggested that only the information in 'Table 1 - ED2 Detailed' was required and others believing it was only the data within 'Table 1 - CDCM Input Version' that was required. As the Working Group were unable to reach consensus, it was agreed to seek party views on whether only one table of the data, or both should be produced and sent to the secretariate for the quarterly submissions.
- 4.16 The Working Group are seeking party views on the below questions relating to the information contained in Table 1.

Question 3 – Should the years in Table 1 remain the same as in the current Table 1, with allowed revenue for any years in a future price control period assumed to be calculated on the same basis as the latest known price control period? Please provide rationale.

Question 4 – Is the level of granularity in 'Table 1 – CDCM Input Version' sufficient for the CDCM 'General Inputs' or is anything further required for input into the CDCM? Please provide rationale.

Question 5 – For Suppliers Only- Is the level of granularity in 'Table 1 – ED2 Detailed' required for the quarterly Cost Information submissions, or is the level within 'Table 1 – CDCM Input Version' sufficient, or should both be produced? Please provide rationale.

Question 6 - Are there any data items that have not been included within 'Table 1 - ED2 Detailed' or 'Table 1 - CDCM input version' that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

Question 7 – Does the 'Delta from previous' table provide additional value to the submission? Are there any data items that have not been included within the 'Delta from previous' table that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

Table 2

- 4.17 The Working Group discussed Table 2 and whether it was useful for suppliers in its current format. It was discussed that changing the format to allow DNOs to provide sensitivities for changes to revenue which are forecast but not yet formally approved could be beneficial and may provide more meaningful information to Suppliers than is included in the current Table 2.
- 4.18 The Working Group agreed to seek views from suppliers on whether the information within Table 2 is used or of value and whether the proposed new format for Table 2 is an improvement on the current information provided.

Question 8 - For suppliers only - Do you use the information provided in Table 2? If so what do you use the information for and does it add significant value?

Question 9 – Is the proposed Table 2 an improvement on the existing Table and do you believe this could provide more meaningful information to Suppliers? Please provide your rationale.

Question 10 - Are there any data items that have not been included within Table 2 tab that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

Forecast Inflation

- 4.19 In RIIO-ED1 the forecast for inflation was taken from the HM Treasury forecast (as specified in the License Conditions), which was published quarterly, however within RIIO-ED2 the OBR forecast is used (as specified in the License Conditions) which is usually published in Spring and Autumn.
- 4.20 The Working Group agreed to seek party views on what information source could be used for forecast inflation for the quarterly submissions and when the forecast should be updated, as it was noted that certain inflation sources aren't updated regularly. Additionally, it was questioned whether the source should be consistent across the DNOs, with the working group agreeing to seek party views on this matter.
- 4.21 It was also agreed to seek party views on who should be responsible for codifying the source for forecast inflation i.e. the DCUSA, Ofgem etc.

Question 11 - What source of forecast inflation should be used and should that source be consistently applied by all DNOs?

Question 12 - Who should be responsible for codifying where the inflation source comes from i.e. the DCUSA, Ofgem etc? Please provide rationale.

5 Code Specific Matters

Reference Documents

None.

6 Solution and Legal Text

Legal Text

- 6.1 Amendments need to be made to the current tables 1 and 2 within Schedule 15 of DCUSA to correctly represent the calculation of allowed revenue in RIIO-ED2. Please see attached proposed template (Attachment 3).
- 6.2 The Working Group discussed how the tables are referenced within the legal text. The Working Group identified two options:
- The tables to be captured within the body the DCUSA legal text, as they are currently or
 - The tables are captured in a separate workbook, such as the template in Attachment 3, which is hosted on the DCUSA website, with reference to this within the legal text along with governance on how this table gets updated.

Question 13: Do you have a preference of how the tables are reflected within the DCUSA legal text? Should they be captured within the body of the text or provided in a separate workbook, referenced within the legal text.

7 Relevant Objectives

Assessment Against the DCUSA Objectives

- 7.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.
- 7.2 The rationale provided by the Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 421 is set out in the CP form, provided as Attachment 2 and also detailed below.
- 7.3 As stated above, the previous electricity Distribution price control (known as RIIO-ED1) ended on 31 March 2023. The new price control (known as RIIO-ED2) will cover the five-year period from 1 April 2023 to 31 March 2028. By updating the tables within DCUSA Schedule 15 to correctly represent RIIO-ED2 allowed revenue it is believed that DCUSA General Objective 2 and 3 and DCUSA Charging Objectives 1, 2 and 4 will be better facilitated.
- 7.4 The Working Group will seek industry views in relation to the DCUSA Objectives as part of this consultation.

DCUSA General Objectives	Identified impact
1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Network	None
2. . The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity).	Positive
3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.	Positive
4. The promotion of efficiency in the implementation and administration of the DCUSA.	None
5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

DCUSA Charging Objectives	Identified impact
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	Positive
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
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
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
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
6. that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

Question 14: Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.

8 Impacts & Other Considerations

8.1 The Working Group acknowledge that there will be interactions with DCP 325.

Significant Code Review Impacts

8.2 This proposal does not affect an SCR as such.

Impacts on other Industry Codes

8.3 The Proposer and Working Group agree that they don't believe there are any other cross-code implications other than bringing the DCUSA into line with the CUSC.

BSC	<input type="checkbox"/>	SEC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>	Other	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>	None	<input checked="" type="checkbox"/>
REC	<input type="checkbox"/>		

Question 15: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

9 Implementation Date

9.1 The intended implementation date for this change is January 2024.

9.2 The Working Group would like views on whether the implementation date is suitable.

Question 16: What date do you believe this change proposal should be implemented? Please provide rationale.

Question 17: Do you have any other comments?

10 Consultation Questions

The Working Group is seeking industry views on the following consultation questions:

No.	Questions
1	Do you understand the intent of the Change Proposal?
2	Are you supportive of the principles that support this Change Proposal?
3	Should the years in Table 1 remain the same as in the current Table 1, with allowed revenue for any years in a future price control period assumed to be calculated on the same basis as the latest known price control period? Please provide rationale.
4	Is the level of granularity in 'Table 1 – CDCM Input Version' sufficient for the CDCM 'General Inputs' or is anything further required for input into the CDCM? Please provide rationale.
5	For Suppliers Only- Is the level of granularity in 'Table 1 – ED2 Detailed' required for the quarterly Cost Information submissions, or is the level within 'Table 1 – CDCM Input Version' sufficient for? Please provide rationale.
6	Are there any data items that have not been included within 'Table 1 - ED2 Detailed' or 'Table 1 - CDCM input version' that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale
7	Does the 'Delta from previous' table provide additional value to the submission? Are there any data items that have not been included within the 'Delta from previous' table that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.
8	For suppliers only - Do you use the information provided in Table2? If so what do you use the information for and does it add significant value?
9	Is the proposed Table 2 an improvement on the existing Table and do you believe this could provide more meaningful information to Suppliers? Please provide your rationale.
10	Are there any data items that have not been included within Table 2 tab that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.
11	What source of forecast inflation should be used, and should that source be consistently applied by all DNOs?
12	Who should be responsible for codifying where the inflation source comes from i.e. the DCUSA, Ofgem etc? Please provide rationale
13	Do you have a preference of how the tables are reflected within the DCUSA legal text? Should they be captured within the body of the text or provided in a separate workbook, referenced within the legal text.
14	Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.

15	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
16	What date do you believe this change proposal should be implemented? Please provide rationale.
17	Do you have any other comments?

Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, close of play on 08 September 2023.

Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

11 Attachments

- Attachment 1 – DCP 421 Consultation Response Form
- Attachment 2 – DCP 421 Change Proposal Form
- Attachment 3 – DCP 421 Proposed ED2 Template.