

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	1. Are you supportive of the principles of DCP 425? Please provide your rationale?.	Working Group Comments
UK Power Networks	Non-Confidential	Yes. Currently Schedule 22 does not provide clear direction for the scenario described in Answer 1. The outcome of DCP 425 will provide clarity to enable the HCPT to be transparently and consistently applied by each DNO Party.	Noted
SSEN	Non-Confidential	Yes, it ensures clarity and consistency of applying HCPT for all DNOs	Noted
Northern Powergrid	Non-Confidential	Yes. In the (potentially rare but known to have occurred) situation when the High-Cost Project Threshold is exceeded directly in relation to costs of Reinforcement at the Voltage Level of the Point of Connection for a Generation Connection and where multiple Cost Apportionment Factors (“CAFs”) apply, DCUSA Schedule 22 specifies what to do but not how to do it. DCP 425 provides clarification in that respect.	Noted
National Grid Electricity Distribution	Non-Confidential	Yes, this will ensure the CAF is accurately costed to both the Customer and DNO.	Noted
Electricity North West Limited	Non-Confidential	Yes, Schedule 22 is clear on the policy position for apportioning costs below the HCPT for a Generation Connection but does not explain how to apportion the costs where multiple CAFs exist	Noted

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

SP Energy Networks	Non-Confidential	SPEN are supportive of the principles of DCP 425.	Noted
SSE Generation	Non-Confidential	As a result of Ofgem’s Access SCR, the CCCM was amended to set out that if (for a Generation Connection only) the costs of Reinforcement at the same Voltage Level as the PoC exceed the HCPT, the costs of Reinforcement subject to the CAFs shall be applied up to and including the High-Cost Project Threshold only. Our understanding is that this proposal seeks to provide more detail on this principle, in particular, in scenarios where more than one CAF is to be applied. We support this intent.	Noted and WG confirmed the understanding of the CP was correct.
Working Group Conclusions: All respondents supported the intent of this change project.			

Company	Confidential/ Anonymous	2. Do you agree with the Working Group’s preferred option, and why?	Working Group Comments
UK Power Networks	Non-Confidential	Yes. Several approaches have been modelled based on a number of examples. We agree that the Working Group’s preferred option to adjust the costs of Reinforcement on a proportionate basis to the aggregated costs of Reinforcement to be apportioned presents; <ul style="list-style-type: none"> • a clear approach • represents the most straightforward to implement and 	Noted

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		<ul style="list-style-type: none"> retains the CAF percentages calculated in line with published Charging Methodology – thus referable for the customer ensuring consistency 	
SSEN	Non-Confidential	Yes, we believe this provides the most accurate application of the rules set out.	Noted
Northern Powergrid	Non-Confidential	Yes. The “excess” should be deducted from all costs of Reinforcement to be apportioned proportional to that cost as a percentage of the total costs of Reinforcement to be apportioned. This is simple, transparent, predictable, and therefore easily repeatable.	Noted
National Grid Electricity Distribution	Non-Confidential	No, we believe this may cause some confusion for customers as to what is being apportioned costing against and why each costing is being reduced for the CAF apportionment to be calculated.	Supportive of the principles of the approach however stated that there could be better clarity within the legal text on the chosen solution.
Electricity North West Limited	Non-Confidential	We agree with the principle of scaling the cost of reinforcement to be apportioned for each CAF should be reduced proportionately. We believe the mechanism to do the scaling could be simplified, see answer to Question 4.	Agreed in principle but stated there but be better clarity in the legal text.
SP Energy Networks	Non-Confidential	SPEN agrees with the Working Group’s preferred option for the same reasons as detailed in 4.36 of the consultation document.	Noted
SSE Generation	Non-Confidential	We consider that option 6 (cheapest for the customer, based on a number of other, non-exhaustive, options) is not a robust approach in terms of fairly apportioning the reinforcement costs up to the High-Cost Project Threshold. Hence we are not in favour of this option being pursued further.	Agreed to go back to SSE GEN to gain further clarity to the response.

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		<p>We have compared the other five options, and we have noted that between these, for nine of the 13 scenarios tested (i.e. for the majority), there are three different charging outcomes (high, medium, low charges). In other words, the options differ in terms of the consistency of outcome across the 13 scenarios.</p> <p>Options 1, 2 and 3 all return three different outcomes (high, medium and low), which appears inconsistent.</p> <p>Option 4 returns two outcomes: seven high-cost outcomes and six low-cost outcomes, which seems the least consistent of the five options.</p> <p>Option 5 returns the relatively most stable outcomes, with only two different outcomes, split between two and 11 scenarios (i.e. the majority of results are consistent).</p> <p>On the one hand, we agree with the Working Group that option 3 is a sensible option, due to its straightforward logic and the fact that no zero floor needs to be applied (unlike for options 1, 4 and 5). However, it is one of the options which return less consistent results across the scenarios. We consider that stability of outcome across the scenarios should be a feature of the chosen solution, and on that basis, option 5 appears to be the most suitable.</p> <p>We would like the Working Group to revisit the options and explore whether a solution can be found which</p> <ul style="list-style-type: none"> a) has a straightforward logic (like option 3), b) returns stable results across all scenarios (like option 5), and 	
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DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		c) avoids the need for a zero floor in some scenarios (like options 2 and 3).	
	Non-Confidential		
<p>Working Group Conclusions:4 respondents supported the working groups preference for option 3, 2 others supported the principles but believed there could be a little more clarity within the legal text.</p> <p>One respondents believed that whilst option 3 offers a straight forward approach, it returned more inconsistent results within the examples. The proposer noted that the examples were purely for illustrative purposes. This responder noted that a combination of options 2, 3 and 5 would be a better approach. The working group had questions about the response so it was agreed by the secretariate to go back to SSE GEN to seek clarity.</p>			

Company	Confidential/ Anonymous	3. Do you believe that the Working Group has sufficiently considered options, and are there any that you believe have not been considered?	Working Group Comments
UK Power Networks	Non-Confidential	Yes. Several examples have been processed using various methods and the outcomes duly scrutinised . We have no further options for consideration.	Noted
SSEN	Non-Confidential	Yes we believe that sufficient options were proposed and tested with the working group. We are not aware of any other options that should be considered.	Noted
Northern Powergrid	Non-Confidential	Yes. We do not believe it to be necessary to consider additional options.	Noted

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

National Grid Electricity Distribution	Non-Confidential	We believe the option to alter the CAF to show a “Cost of reinforcement below the HCPT and costed to the customer” “Cost of reinforcement below the HCPT and costed to the DNO” “Cost above the HCPT and costed to the customer”, should be explored more to ensure better visibility to customers costings.	See the response to question 7.
Electricity North West Limited	Non-Confidential	<p>We propose amending Paragraph 1.18 as follows:</p> <p>Amend paragraph 1.18: For a Generation Connection, where the Reinforcement is at the same Voltage Level of the voltage at the POC to the existing Distribution System, then the costs of Reinforcement shall be apportioned between you and us, unless other exceptions apply which take precedence. The methods used to apportion the costs of Reinforcement are set out in paragraphs 1.29 – 1.34. Where the costs of the Reinforcement is greater than the High-Cost Project Threshold, then the costs of the Reinforcement should be scaled by the ratio of the High-Cost Project Threshold to the total costs of the Reinforcement.</p> <p>This achieves the same outcome but in a more elegant and simpler manner, this will be easier to explain the principles of the CCCM and brief to Designers.</p> <p>In Example 33, the two reinforcement cost components would be scaled by the ratio 800/820.</p> <p>Therefore the cost components would be:</p> <p>Re-conductor of 500m of 11kV overhead line</p>	For further discussion

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		<p>Costs of the Reinforcement = £800,000 Scaled costs of the Reinforcement = £800,000 x 800/820 = £780,488 CAF applied to scaled costs = £780,488 x 12% = £93,659</p> <p>Replacement 11kV switchboard. Costs of the Reinforcement = £20,000 Scaled costs of the Reinforcement = £20,000 x 800/820 = £19,512 CAF applied to scaled costs = £19,512 x 52.63% = £10,269</p>	
SP Energy Networks	Non-Confidential	SPEN believe that the Working Group has sufficiently considered the options.	Noted
SSE Generation	Non-Confidential	<p>We appreciate that the proposer has explored a good number of options and provided a detailed spreadsheet comparison. However, we have found understanding and comparing the merits of the (quite complex) options quite challenging, and we consider that the presentation of these could have been clearer.</p> <p>For instance, we would have welcomed in the consultation document an overview of the 13 scenarios the proposer has modelled, and the reasons for choosing these.</p> <p>We would also have welcomed a summary table of the six options, showing the algorithm for each, and the logic behind it, including a clearer explanation of the need for a zero floor for three of the options. We don't have any alternative solutions to propose.</p>	DCUSA has agreed to take these points away to discuss with SSE GEN.
Working Group Conclusions:			

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	<p>4. Do you consider that the proposal better facilitates the DCUSA Charging Objectives?</p> <p>If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons.</p> <p>If not, please provide supporting reasons.</p>	Working Group Comments
UK Power Networks	Non-Confidential	<p>Yes. The proposal better facilitates Charging Objectives 1,2,3 and 6 where the scenario in paragraph 5.3 of the consultation applies:</p> <p>CO1 The DNOs’ charging statement will include/demonstrate a clear, transparent methodology to be applied</p> <p>CO2 It provides clear direction on the methodology to be applied promoting a consistent approach across all DNOs</p> <p>CO3 It provides an appropriate, straight-forward CAF methodology</p> <p>CO6 It provides direction for Calculation of the Connection Charge enabling consistency of application and pricing</p>	1,2,3 and 6
SSEN	Non-Confidential	<p>We believe that objectives 1,2,3 & 6 are better facilitated by the change proposal. We do not believe that the change proposal has any impact on objectives 4 & 5.</p>	1,2,3 and 6
Northern Powergrid	Non-Confidential	<p>Yes. As Proposer of DCP 425, we believe Charging Objectives 1, 2, 3 and 6 are better facilitated for the reasons set out in the Consultation.</p>	1,2,3 and 6
National Grid Electricity Distribution	Non-Confidential	<p>We do not believe the chosen option to be the best option for the proposal, however we do consider the change better facilitates objectives 1, 2 and 3 by ensuring that a DNO Party can demonstrate via its charging statement</p>	Believes that the WG approach better facilitates co 1,2 and 3 however, also

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		the basis on which Connection Charges will be recovered – and be applied consistently – where a Generation Connection (i) triggers Reinforcement at the Voltage Level of the Point of Connection, (ii) the costs of Reinforcement at that Voltage Level exceed the High-Cost Project Threshold, and (iii) multiple CAFs are required.	stated that there may be a better solution which is captured within q7.
Electricity North West Limited	Non-Confidential	Yes, Charging Objectives 1, 2 and 3 will be better facilitated under this CP as it enables the DNO to demonstrate, via its charging statement, the basis for which charges have been applied and ensures a consistent approach is taken by each DNO party.	1,2 and 3
SP Energy Networks	Non-Confidential	SPEN believes that the proposal better facilitates the DCUSA General Objectives and agrees with the working group (1,2,3 and 6).	1,2 ,3 and 6
SSE Generation	Non-Confidential	We note that the consultation document, section 5, refers to the Charging Objectives rather than the General Objectives referred to in this template, and we believe the consultation document to be correct. We agree with the assessment set out in the consultation document that the Proposal would better facilitate Charging Objectives 1, 2, 3 and 6.	1,2,3 and 6
Working Group Conclusions:			

Company	Confidential/ Anonymous	5. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
UK Power Networks	Non-Confidential	No	Noted

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

SSEN	Non-Confidential	No	Noted
Northern Powergrid	Non-Confidential	No.	Noted
National Grid Electricity Distribution	Non-Confidential	No	Noted
Electricity North West Limited	Non-Confidential	No	Noted
SP Energy Networks	Non-Confidential	SPEN are not aware of any wider industry developments that may impact upon or be impacted by this CP.	Noted
SSE Generation	Non-Confidential	We have no comment.	Noted
Working Group Conclusions: No wider industry developments were identified that would be impacted upon or be impacted by this change			

Company	Confidential/ Anonymous	6. Do you have any comments on the proposed legal text?	Working Group Comments
UK Power Networks	Non-Confidential	The proposed legal text is appropriate.	Noted

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

SSEN	Non-Confidential	<p>In Example 32 it is not clear why the HCPT excess which is fully chargeable is not proportionately removed from the two reinforcement elements before the cost apportionment calculation is carried out. If the preferred option 3 is followed, then we believe the amount to be cost apportioned is £4,282 and not £45,000.</p> <p>If we split the HCPT excess between the two reinforcements, you should reduce each by ~£434k and ~£45k respectively. Otherwise, we do not believe that this example follows the option 3 proposal.</p> <p>We think that this this approach is treating each reinforcement individually and not proportionately.</p>	
Northern Powergrid	Non-Confidential	<p>Paragraph 1.16 could be simplified as follows to remove the repetition:</p> <p><i>“Reinforcement costs for the Minimum Scheme in excess of the High-Cost Project Threshold, shall be charged to you in full as a Connection Charge. For the avoidance of doubt, where Paragraph 1.36 applies, the High-Cost Project Threshold will not apply. The calculation of this charge will include all costs for Reinforcement carried out at the same Voltage Level and one Voltage Level above the Point of Connection to the existing Distribution System. For Generation Connections the High-Cost Project Threshold is £200/kW; for Demand Connections the High-Cost Project Threshold is £1,720/kVA.</i></p> <p><i>Reinforcement costs up to and including below the High-Cost Project Threshold will follow the methodology outlined under paragraphs 1.17 to 1.27. For Generation Connections, where the Reinforcement costs at the same Voltage Level as the Point of Connection are greater than the High-Cost Project Threshold then the methodology outlined under paragraphs 1.17 to 1.27 will be applied to Reinforcement costs up to and including the</i></p>	

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		<p><i>High-Cost Project Threshold only. The table below illustrates the application of the High-Cost Project Threshold.”</i></p> <p>We do not have any other comments on the proposed legal text.</p>	
National Grid Electricity Distribution	Non-Confidential	No	
Electricity North West Limited	Non-Confidential	<p>The legal text introduces a new paragraph 1.28A however we believe this would be better included within Paragraph 1.28.</p> <p>The formula for calculating the reduction in reinforcement cost is overly complex and it is not clear how it should be applied.</p> <p>Example 33 does not demonstrate how the formula should be applied in a clear and concise manner.</p> <p>Please see comments on the attached pdf copy of the legal text.</p>	<p>Noted that the para cited where the text would be better included is in 1.18.. All the points raised are highlighted in ENWLs response in Q3.</p>
SP Energy Networks	Non-Confidential	No.	Noted
SSE Generation	Non-Confidential	<p>For whichever option goes forward, we suggest that the legal text is amended to crossreference the relevant two new examples (e.g. in the case of option 3, examples 32 and 33) which are also to be included in the legal text, be that in paragraphs 1.16, 1.18 and/or 1.28A.</p> <p>We also suggest that whichever formula goes forward in the new paragraph 1.28A is set out in full, and as per the relevant examples, and not just at a</p>	<p>States references need to be made to the examples.</p> <p>Second point on the formula needs further clarity which DCUSA will investigate.</p>

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		high level, to avoid the misunderstanding or misinterpretation of the relevant examples (which should be cross-referenced).	
Working Group Conclusions: there were a number of different amendments to the legal text as well as other suggested solutions. It was agreed to take these solutions away and review at the next working group to decide on the best approached			

Company	Confidential/ Anonymous	7. Do you have any other comments on DCP 425?	Working Group Comments
UK Power Networks	Non-Confidential	No	Noted
SSEN	Non-Confidential	No	Noted
Northern Powergrid	Non-Confidential	No.	Noted
National Grid Electricity Distribution	Non-Confidential	<p>As per answer to question 5, the proposed solution could be including the suggested wording for the “up to and including” within the amended paragraph 1.16, however then adding a new paragraph below CAF apportionment to read:</p> <p>Where the total amount of reinforcement exceeds the HCPT, the CAF apportionment, as calculated above in 5.30 and 5.31 shall be altered to allow for the clarity of amounts above the HCPT and below. This shall be done using the following calculation and will therefore have an outcome of three percentages:</p>	Suggests an alternative process which delivers the same outcome as option 3 but has a slightly different way of achieving it.

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

		<p>Percentage one – Cost below the HCPT, of which the customer must pay as per the CAF apportionment. <i>HCPT x CAF apportionment costed to the customer, as calculated per 5.30 or 5.31 Total cost of reinforcement</i></p> <p>Percentage two – Cost below the HCPT, of which the DNO must pay as per the CAF apportionment. <i>HCPT x CAF apportionment costed to the DNO, as calculated per 5.30 or 5.31 Total cost of reinforcement</i>◆</p> <p>Percentage three – Cost of total reinforcement which is above the HCPT. This is the remaining percent to make 100% 100% - Percentage 1 - Percentage 2</p> <p>This allows for clarity to the customer on how the percentage has been calculated for their CAF apportionment and then furthermore out of the reinforcement costs which they see, how they have been shared between CAF below the HCPT and the amount above the HCPT.</p>	
Electricity North West Limited	Non-Confidential	No	Noted
SP Energy Networks	Non-Confidential	No	Noted
SSE Generation	Non-Confidential	We have no further comments.	Noted
Working Group Conclusions:6 responders didn't have any additional comments.			

DCP 425 – Cost Apportionment Factor “cap” methodology
COLLATED RRESPONSES WITH WORKING GROUP COMMENTS

1 responder offered a different approach to option 3 that delivered the same outcome. The Working Group agreed to take away this alternative option, along with the other suggested alternative offered by ENLW and review the 3 at the next working group in order to decide which of the 3 would be taken forwards or if alternatives would be offered.