




DCUSA Change Report		At what stage is this document in the process?
<h2>DCP 434:</h2> <h3>Credit Cover RAV in ED-2</h3> <p><b>Date Raised:</b> 9 February 2024</p> <p><b>Proposer Name:</b> Peter Waymont</p> <p><b>Company Name:</b> Eastern Power Networks</p> <p><b>Party Category:</b> DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></p> <p>The RAV calculation used in Credit Cover needs to be updated to reflect ED-2 .</p>		
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details on DCP 434.</p> <p>Parties are invited to consider the proposed amendment (Attachment 2) and submit their votes using the Voting form (Attachment 1) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>15 April 2024</b>.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>	
	 <p><b>Impacted Parties:</b></p> <p>Suppliers/DNOs/IDNOs/CVA Registrants</p>	
	 <p><b>Impacted Clauses:</b></p> <p>Schedule 1, Clause 2.3</p>	

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 **Any questions?**

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## Timetable

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

### Change Proposal timetable

Activity	Date
Initial Assessment Report	21 February 2023
Consultation Issued to Industry Participants	N/A
Change Report Approved by Panel	20 March 2024
Change Report issued for Voting	21 March 2024
Party Voting Closes	15 April 2024
Change Declaration Issued to Parties	16 April 2024
Implementation	27 June 2024

## 1 Executive Summary

### What?

- 1.1 The calculation of RAV used in credit cover is based on processes and data available in ED-1. This has changed for ED-2 and so the calculation needs to be updated. In particular the publication by Ofgem has been superseded by a publication by the DNOs and the numbers are now quoted in different “prices”.

### Why?

- 1.2 To ensure the RAV used is correct, without changing the underlying principles of its derivation.

### How?

- 1.10 To update the references in the calculation.

## 2 Governance

### Justification for Part 1 or Part 2 Matter

- 2.1 This is considered a Part 2 matter that can go straight to Change Report as it is in the nature of a housekeeping change – the update is required to reflect that external influences have changed. The actual basis of calculation is the same.

### Requested Next Steps

- 2.2 The Panel recommends that this CP should be issued to Parties for Voting.

## 3 Why Change?

### Background of DCP 434

- 3.1 The calculation of RAV used in credit cover is based on processes and data available in ED-1. This has changed for ED-2 and so the calculation needs to be updated. In particular the publication of the PCFM by Ofgem has been superseded by a publication of the PCFM by the DNOs, which they must do to support the price setting process, and the numbers are now quoted in different index “prices”.

## 4 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 4.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. DCP 434 will be measured against the DCUSA General Objectives, which are set out in the table below and including the Working Group’s views on how this CP impacts them:

DCUSA General Objectives		Identified impact
Please tick the relevant boxes. ( <a href="#">See Guidance Note 9</a> )		
<input type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input type="checkbox"/>	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	None
<input type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input checked="" type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	Positive
<input type="checkbox"/>	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

4.2 This is of the nature of a housekeeping change that ensures processes are up to date.

## 5 Impacts & Other Considerations

### Impacts on other Industry Codes

5.1 N/A

BSC..... ☐ MRA..... ☐ Grid Code..... ☐ REC..... ☐  
 CUSC..... ☐ SEC..... ☐ Distribution Code.. ☐ None..... ☒

### Significant Code Review Impacts?

5.2 There are no impacts to any SCRs.

### Consideration of Wider Industry Impacts

5.3 There are no wider industry impacts.

### Consumer Impacts

5.4 There are no wider consumer impacts.

### Environmental Impacts

5.5 No impacts.

## 6 Implementation

6.1 If approved this CP will be implemented on 27 June 2024.

## 7 Legal Text

### Legal Text

7.1 It is proposed to amend Schedule 1 Clause 2.3 as below. The legal text can also be found in attachment 3.

2.3 The User's Credit Allowance (CA here below) shall be calculated according to the following formula:

$$CA = RAV \times 2\% \times CAF$$

where

**RAV** is calculated for each Regulatory Year in accordance with the formula set out below (or, where no price control financial model is published in relation to the Company, shall be a value to be determined by the Authority as a suitable replacement following consultation with the Company):

$$RAV = RAV_{202042-213} \times RPI$$

where:

$RAV_{202042-213}$  = the Company's Opening RAVasset value (after transfers) for the Regulatory Year prior to that in which RAV is effective from the SavedResultsReturn&RAV worksheet of the price control financial model most recently published by the Company (in support of a variation to Use of System Charges) prior to the Regulatory Year in which RAV is effective~~Authority following the annual iteration process in the previous Regulatory Year~~, in 202042-213 prices; and

$$RPI = RPI_{n-1} / RPI_{202042-213}$$

where:

$RPI_{202042-213}$  = 294.167244.675 (the arithmetic average of the Office of National Statistics RPI All Items Retail Prices Index (CHAW Series) published or determined with respect to each of the twelve months from 1 April 202042 to 31 March 20213); and

$RPI_{n-1}$  = the arithmetic average of the Office of National Statistics RPI All Items Retail Prices Index (CHAW Series) published or determined with respect to the

months of December and January most recently preceding the start of the Regulatory Year in which RAV is effective; and

**CAF** is the Credit Allowance Factor (which is to be expressed as a percentage determined pursuant to Paragraph 2.4 or 2.5).

## Commentary

- 7.2 The text reflects the new way that the PCFM data is published. It uses the “most recently published” PCFM to recognise that a 40-day notice of prices could be published in February, after the 15-month notice published in December, just in case the relevant RAV value has been adjusted. It is believed that this still allows time for DNOs to give the required one month’s notice of RAV changes.

## 8 Code Specific Matters

### Modelling Specification Documents

- 8.1 N/A

### Reference Documents

- 8.2 N/A

## 9 Recommendations

### Panel’s Recommendation

- 9.1 The Panel approved this Change Report on 20 March 2024. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 434.
- 9.2 The Panel have recommended that this report is issued for Voting for a period of 15 working days and DCUSA Parties should consider whether they wish to submit views regarding this Change Proposal.

## 10 Attachments

- Attachment 1: DCP 434 Voting Response Form
- Attachment 2: DCP 434 Change Proposal
- Attachment 3: DCP 434 Draft Legal Text

