

DCUSA Consultation 2		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 29 July 2024.</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		 Any questions?																				
1	Summary	3																				
2	Governance	3																				
3	Why Change?	4																				
4	Working Group Assessment	4																				
5	DCP 421 Consultation 1	7																				
6	Working Group Consultation 1 Conclusions	11																				
7	Consultation 2	15																				
8	Code Specific Matters	16																				
9	Solution and Legal Text	16																				
10	Relevant Objectives	17																				
11	Impacts & Other Considerations	18																				
12	Implementation Date	19																				
13	Consultation Questions	20																				
14	Attachments	20																				
Timetable		Contact: Code Administrator																				
The timetable for the progression of the CP is as follows:		 dcusa@electralink.co.uk																				
Change Proposal timetable		 020 7432 3011																				
<table border="1"> <thead> <tr> <th>Activity</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Initial Assessment Report Approved by Panel</td> <td>17 May 2023</td> </tr> <tr> <td>First Consultation issued to Parties</td> <td>11 August 2023</td> </tr> <tr> <td>Second Consultation issued to Parties</td> <td>15 July 2024</td> </tr> <tr> <td>Change Report issued to Panel</td> <td>21 August 2024</td> </tr> <tr> <td>Change Report issued for Voting</td> <td>22 August 2024</td> </tr> <tr> <td>Party Voting Ends</td> <td>13 September 2024</td> </tr> <tr> <td>Change Declaration issued to Parties</td> <td>16 September 2024</td> </tr> <tr> <td>Authority Decision</td> <td>N/A</td> </tr> <tr> <td>Implementation Date</td> <td>5 Working Days post industry approval.</td> </tr> </tbody> </table>		Activity	Date	Initial Assessment Report Approved by Panel	17 May 2023	First Consultation issued to Parties	11 August 2023	Second Consultation issued to Parties	15 July 2024	Change Report issued to Panel	21 August 2024	Change Report issued for Voting	22 August 2024	Party Voting Ends	13 September 2024	Change Declaration issued to Parties	16 September 2024	Authority Decision	N/A	Implementation Date	5 Working Days post industry approval.	Proposer: Dave Wornell
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		 dwornell@nationalgrid.co.uk																				
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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. These tables will be provided in a template workbook to be hosted on the DCUSA website with a reference to the template in the legal text. This will make it easier to implement any updates to the tables in future and ensure all DNOs are using exactly the same format for their submissions. The proposed workbook template for these tables with the updated format is in Attachment 5_Proposed Cost Information Template.
- 1.4 These amendments are also reflected in the CDCM model and Annual Review Pack (ARP) 'General Inputs'.
- 1.5 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

- 2.1 This is a part 2 matter as it only effects the representation of allowed revenue and does not affect the calculations or the output tariffs.

Next Steps

- 2.2 This CP should:

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

- Be treated as a Part 2 Matter;
- Be treated as a Standard Change; and
- Proceed to the second Working Group consultation phase.

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.

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 and Generators. 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 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 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.
- 4.3 The working group issued the first consultation for this DCP in August 2023 and have updated the solution and legal text based on the responses to that consultation.
- 4.4 This consultation is seeking further industry party views on the updated Template and on the draft legal text.

DCP 421 Proposed Solution

- 4.5 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'.
- 4.6 The proposer provided a proposed template for the revised tables. This was assessed and updated by the working group, including additional updates following the first consultation, and is provided in Attachment 5_Proposed Cost Information Template.
- 4.7 The template consists of the following worksheets:
- 'Table 1 - 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' – 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.
 - 'Table 1 - Delta From Previous' – Proposed additional table providing variance between the values in Table 1 in the current and previous submissions, 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 - Sensitivities' – 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.
- 4.8 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

- 4.9 The current table 1 includes calculations of allowed revenue for the years t-1 to t+4, where t is the current regulatory year.
- 4.10 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.

² <https://www.ofgem.gov.uk/decision/decision-proposed-modifications-riio-2-electricity-distribution-licences>

- 4.11 It was noted that determinations for new price control periods 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.
- 4.12 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.
- 4.13 The Working Group also discussed the two versions of Table 1 ('Detailed' and 'CDCM Input') and whether both are required. It was discussed that some Suppliers have previously requested additional granularity for the base revenue figures.
- 4.14 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'.
- 4.15 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 sought views on the level of granularity preferred by Suppliers and other users of the Cost Information Tables.
- 4.16 It was suggested that the level of detail and complexity contained in 'Table 1 - Detailed' within attachment 5 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 - Detailed' was required and others believing it was only the data within 'Table 1 - CDCM Input' 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. Following review of the responses to the first consultation it was agreed that both versions of Table 1 should be included in the template (see section 5 and 6 for further detail).

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 Following the first consultation the Working Group agreed that the information within Table 2 is used or of value to Suppliers and that the proposed new format for Table 2 is an improvement on the current information provided. See 5.23-5.34 and 6.11-6.12 below for further detail.

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.
- 4.22 Following the first consultation it was agreed that DNOs should remain responsible for sourcing their own indexation forecasts, with the source and values used indicated in the commentary within the Cost Information template. For further detail see 5.35-5.39 and 6.13-6.14 below.

5 DCP 421 Consultation 1

- 5.1 The Working Group undertook an initial consultation during the development of the change proposal.
- 5.2 The consultation was issued to parties on 11 August 2023. There were seven responses received to the consultation. The Working Group's conclusions can be found in **Attachment 4 DCP 421 Consolidated Consultation Responses**, with a summary of each shown below.

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

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

- 5.3 All respondents understood the intent of the change proposal and all respondents supported the principles of the change proposal.
- 5.4 This was noted by the Working Group.

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.

- 5.5 All six of the respondents who offered a view on this question believed the years in Table 1 should remain the same as in the current Table 1, with forecasts for any years in a future price control period calculated on the same basis as the latest known price control period, with the final responder not offering a view.
- 5.6 One of the six responders who replied to this question suggested including a caveat to say the allowed revenue in years outside of the current price control period are subject to change once the licence conditions are finalised.
- 5.7 The Working Group response can be found in paragraph **Error! Reference source not found.** below.

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.

- 5.8 Five respondents believed the level of granularity in ‘Table 1 - CDCM Input Version’ was sufficient for the CDCM requirements.
- 5.9 One responder stated that they did not use the “Excluded Services”, or the “Revenue raised outside of the CDCM” blocks but believed that it may make sense to keep a few rows in to allow for anything that comes up that isn’t currently known, such as the rebates in 2013/14 which the voluntary under-recovery row was last used for.
- 5.10 The Working Group response can be found in paragraph **Error! Reference source not found.- Error! Reference source not found.** below.

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.

- 5.11 Six of the seven respondents were not suppliers so offered no view for this question.
- 5.12 The only supplier who responded to the consultation stated that the level of detail in the ‘ED2 Detailed’ table was preferable.
- 5.13 This was noted by the Working Group.

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.

- 5.14 Five respondents stated that no additional data items were required.
- 5.15 One responder commented that for ‘Table 1 – CDCM Input Version’ it might be beneficial to provide the breakdown of Output Delivery Incentive (ODI) and Other Revenue Allowance (ORA) as was done for Pass-Through (PT). Or leave the breakdown for all three in ‘Table 1 – ED2 Detailed’ worksheet.
- 5.16 The same responder to the above point also stated that a colour legend would be helpful.
- 5.17 The only supplier to respond to the consultation stated that the split of revenue between CDCM and EDCM isn’t included in the ‘ED2 Detailed’ tab, so if the intention is to only provide only the ‘ED2 Detailed’ or the ‘CDCM Input Version’ then rows 48, 49 and 53 of the ‘CDCM Input Version’ should be included in the ‘ED2 Detailed output’.
- 5.18 The Working Group response can be found in paragraph **Error! Reference source not found.- Error! Reference source not found.** below.

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.

- 5.19 All respondents believed that the ‘Delta from previous’ table provided additional value. The reasons ranged from it potentially explaining significant price changes to allowing for an easy comparison to the previous submission.
- 5.20 One of the respondents commented that the stakeholder teleconference, which is mandated by the DCUSA, might need to take a slightly different format as these deltas are discussed during the

presentation (for example, the slides may not be needed as the same information is contained in the worksheet).

5.21 One of the respondents commented that because the split of revenue between CDCM and EDCM isn't included in the 'ED2 Detailed' tab and the 'Delta from previous' tab shows movements based on that tab, the movement in the split between CDCM and EDCM is omitted.

5.22 The Working Group response can be found in paragraph 6.9-6.10 below.

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?

5.23 Six of the seven respondents didn't offer a view as they were not suppliers.

5.24 The only supplier to respond to this question stated that the current format of Table 2 does not provide much insight and that the updated Table 2 could be much more useful in providing foresight of potential revenue movements.

5.25 The Working Group response can be found in paragraph 6.11-6.12 below.

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.

5.26 Four of the six respondents stated they believed the proposed Table 2 is an improvement on the existing table.

5.27 One of these four respondents stated that whilst they believed Table 2 was an improvement, this question was more pertinent to suppliers as it is more relevant to them as the recipients of this information.

5.28 Two respondents didn't offer a view stating that this question was more appropriate for Suppliers to comment on.

5.29 The final respondent stated they believed the existing style is more preferable and the proposed table may be too prescriptive and not allow for any flexibility to reflect issues of importance in the future without a DCP.

5.30 The Working Group response can be found in paragraph 6.11-6.12 below.

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.

5.31 Six of the seven respondents stated that they did not believe there were any additional data items or changes required to Table 2 or didn't offer a view.

5.32 The final respondent stated that a commentary column may be helpful as well as the previously mentioned colour coded legend.

5.33 They also commented that unless the intention for the inflation table in Table 2 is to only show potential large swings and impacts of different inflation values, it is not needed.

5.34 The Working Group response can be found in paragraph 6.11-6.12 below.

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

5.35 The responses to this question ranged from either the OBR forecast being the source of inflation or the DNOs setting the value as is the current process.

5.36 The Working Group response can be found in paragraph 6.13-6.14 below.

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

5.37 Five of the respondents believed that codifying the forecast inflation source was not needed as per the current process.

5.38 One respondent stated it should be Codified within the DCUSA and another offered no view.

5.39 The Working Group response can be found in paragraph 6.13-6.14 below.

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.

5.40 All respondents agreed that the tables should be within a separate workbook with a reference in the legal text as this would allow for flexibility to update the template without having to go through the formal change process.

5.41 The Working Group response can be found in paragraph 6.15-6.17 below.

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

5.42 For the General objectives five respondents believed objective 3 was better facilitated and four believed objective 2 was better facilitated. One responder believed the change was neutral to the general objectives and one offered no view.

General Objectives						
Responder	1	2	3	4	5	Overall response
Responder 1						Neutral
Responder 2						No response
Responder 3		Positive	Positive			Positive
Responder 4			Positive			Positive
Responder 5		Positive	Positive			Positive
Responder 6		Positive	Positive			Positive

Responder 7		Positive	Positive			Positive
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5.43 For the charging objectives Six respondents believed the change better facilitates objective 4 and Five respondents believed objectives 1 and 2 were better facilitated.

Responder	Charging Objectives						Overall response
	1	2	3	4	5	6	
Responder 1		Positive		Positive			Positive
Responder 2							No response
Responder 3	Positive	Positive		Positive			Positive
Responder 4	Positive			Positive			Positive
Responder 5	Positive	Positive		Positive			Positive
Responder 6	Positive	Positive		Positive			Positive
Responder 7	Positive	Positive		Positive			Positive

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

5.44 Three responders highlighted that DCP 325 was also reviewing some elements of schedule 15 (cost information tables) but that CP had no direct impact on DCP 421 and vice versa.

5.45 This was noted by the Working Group.

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

5.46 Five responders stated that the implementation date should not be before 01 January 2024. One responder stated that implementation should be for the next quarterly return and one responder offered no view.

5.47 This was noted by the Working Group.

Question 17: Do you have any other comments?

5.48 There were no comments raised to this question that hadn't been previously brought up within the earlier consultation responses.

6 Working Group Consultation 1 Conclusions

- 6.1 After reviewing the Consultation responses, the Working Group agreed that the below areas required further consideration:

Should the years in Table 1 remain the same as in the current Table 1 (Q3 above)

- 6.2 The Working Group agreed that the years in Table 1 should remain the same as in the current Table 1, with forecasts for any years in a future price control period calculated on the same basis as the latest known price control period, accompanied by a caveat stating that the allowed revenue in years beyond the current price control period were subject to change once the licence conditions are known. It was highlighted that forecasting years in future price control periods is necessary because of the requirement to give 15 months' notice for charges, whilst the licence conditions are not finalised until shortly before the price control period begins.

The level of granularity within the template (Q4-7 above)

- 6.3 After reviewing the feedback to the consultation, the Working Group agreed to make minor changes to the template as detailed below.
- Include two extra lines in the "Revenue raised outside of the CDCM" block in 'Table 1 – CDCM Input Version' to capture any such revenue arising in the future which is not currently known about now, such as the rebates in 2013/14 which the additional rows were last used for, but which was not known about in advance.
- 6.4 In regards to the respondent who stated 'The level of detail in the ED2 Detailed table is preferable to the CDCM input version, the extra level of granularity provided in the incentives section and the splits of allowed base revenues between the different funding pots may prove useful for suppliers in understanding the drivers of revenue movements', the Working Group concluded that both 'Table 1 - ED2 Detailed' and 'Table 1 - CDCM Input Version' would be required to be provided meaning that suppliers would be provided with both sets of data.
- 6.5 In regards to the response that stated that 'Table 1 – CDCM Input' worksheet: It might be beneficial to provide the breakdown of Output Delivery Incentive (ODI) and Other Revenue Allowance (ORA) as was done for Pass-Through (PT). Or leave the breakdown for all three in 'Table 1 – ED2 Detailed' worksheet.' It was highlighted by the working group that the breakdown of the passthrough is necessary for input into the CDCM, as e.g. licence fees and supplier of last resort charges are required separately, and that the ODI and ORA do not need to be broken down for input into the CDCM. It was agreed that the level of detail in 'Table 1 – ED2 Detailed' was sufficient and necessary.
- 6.6 It was also highlighted that everything required within Schedule 15 is included within the 'Table 1 – ED2 Detailed' sheet.
- 6.7 In regards to the responder who stated within their consultation response that a colour legend may be helpful, this responder commented within the Working Group that this was a 'nice to have requirement' and that they were happy with the proposed level of detail. The Working Group agreed it would make the template easier to navigate and populate if the formatting was clearer and amended the template to include a colour legend.
- 6.8 In response to the supplier who raised the comment on the data within the 'Delta from previous' table 'as the split of revenue between CDCM and EDCM isn't included in the 'ED2 Detailed' tab and the 'Delta from previous' tab shows movements based on that tab the movement in the split between CDCM and EDCM is omitted.' The Working Group concluded that the revenue split

between the CDCM and EDCM is calculated as a function of the allowed revenue until such time that charges are formally set for each year, so including this within 'Table 1 – Delta From Previous' would not add value at this point.

The stakeholder teleconference (Q7 above)

- 6.9 In regards to the presentation material for the stakeholder teleconference, it was noted by the only supplier in the Working Group that whilst it may not be necessary for DNOs to prepare slides for the teleconference anymore, and instead just use the 'Table 1 – Delta From Previous', the stakeholder call would still add value as it gives suppliers an opportunity to ask questions.
- 6.10 It was agreed that as only the call was a mandatory requirement, and not the content of the call or how information is presented back to suppliers, i.e. slides or a spreadsheet, it would be best to allow the stakeholders on this call to informally agree on the approach for the call rather than mandating this, as mandating it would mean any future changes to the presentation material would have to be passed through the formal DCUSA change process.

Table 2 (Q8-10 above)

- 6.11 In regards to whether the proposed Table 2 is an improvement on the existing Table 2 and the response that stated 'the existing style is more preferable and the proposed table may be too prescriptive and not allow for any flexibility', it was explained that this area of the template wasn't prescriptive and that it was purely to allow suppliers and DNOs to forecast what potential changes could look like.
- 6.12 The Working Group member who'd raised this concern stated within the Working Group that now it had been explained that the proposed Table 2 data was purely for forecasting purposes, they were comfortable with the approach the Working Group were seeking to take.

Inflation (Q11-12 above)

- 6.13 In regards to the forecast of inflation to be used, it was concluded that as the OBR forecast is only published twice a year, and the licence only specifies that the value from the Autumn publication should be used when setting charges, this may not be the most appropriate source to use throughout the year for the quarterly submissions as the forecast inflation could be very different several months after the Autumn OBR forecast is published.
- 6.14 A vote was taken within the Working Group and those in favour of using the OBR figure for forecasting was zero of seven Working Group members. Those in favour of allowing DNOs to set the figure was five of the seven Working Group members, with the remaining two members abstaining. It was also concluded that the current approach is to allow DNOs to make their own forecasts and that being too prescriptive could cause issues in the future if the value becomes not fit for purpose or if the frequency of publication of forecasts was updated or changed. It was also highlighted that the inflation source could be discussed and agreed on in the teleconference call if suppliers wanted a different source to be used, without the need for raising a new DCUSA change.

How the tables are reflected within the DCUSA legal text (Q13 above)

- 6.15 All respondents and Working Group members agreed that the tables should be provided in a template workbook with a reference to the template in the legal text as this would allow for flexibility to update the template. The Working Group agreed that the template should be held on the DCUSA website.

- 6.16 The Working Group agreed that whilst it may seem desirable to be able to make changes to the template without the need for a formal DCUSA change proposal to be raised, any updates to the template would still require being put through the process of raising a modelling change request and then the new models being tested by industry parties.
- 6.17 Due to the above concerns, it was agreed that the legal text would reference the templates being housed on the DUCSA website but also that any updates to the template would need to be passed through the usual business as usual DCUSA change process.
- 6.18 Following additional feedback from Gowlings (the DCUSA legal advisors) and the DCUSA panel the Working Group agreed that the contents of the tables should be included in the legal text as without this it is ambiguous what should be included in the template tables. The legal text has been drafted with this in mind.

Final Solution

- 6.19 Draft legal text for Schedule 15 is provided as Attachment 3.
- 6.20 The final template workbook proposed to be used following the approval and implementation of this CP is provided in Attachment 5.
- 6.21 This template aligns to that described in Section 4 above with the following minor changes which have been made to aid navigation and population of the workbook and to correct formulas. These do not change the function or layout of the template as it was consulted on:

- New sheets added:
 - o 'Control' - contains the following:
 - input cells for the DNO name and the submission date, and calculation of year t based on the submission date, which will all then feed through to the other sheets
 - Formatting Key to explain what the different cell formatting represents
 - Version control table to identify which version of the template is in use and what the changes are to any previous versions.
 - o 'Instructions' – contains basic instructions for DNOs on how to populate the template.
- Sheet names changed as follows:

Previous Sheet Name	Revised Sheet Name	Reason for Change
Table 1 – ED2 Detailed	Table 1 – Detailed	'ED2' removed in order to future-proof the sheet names
Table 1 - CDCM Input Version	Table 1 – CDCM Input	'Version' removed as it was unnecessary
Table 2	Table 2 - Sensitivities	'Sensitivities' added to make it clearer what is on the sheet

- Headers added to each sheet containing the DNO company name, the submission date and the title of the sheet. This was added to make it easier for Suppliers or other users of the populated workbooks to identify which information they are looking at, without having to check the file name.
- Formula for total passthrough corrected in all three Table 1 sheets to subtract SRC_t and HB_t , in line with the Special Licence Conditions
- Additional row added into 'Table 1 – Detailed' and 'Table 1 – Delta From Previous' so that the 'Sharing Factor' used in the calculation of the Post-TIM totex Allocation is an input rather than hardcoded, as this value varies by DNO.
- Formatting updates – various updates to cell formatting to make it clearer which cells are DNO inputs, which are calculations and which are linked. This is reflected in the Format key in the 'Control' sheet.

7 Consultation 2

- 7.1 Following the first consultation the Working Group further developed the solution and drafted the legal text to reflect this solution. The Working Group are seeking feedback on this.
- 7.2 As there have been some changes to the template (as set out in section 6 of this consultation) the Working Group would like feedback from party members on whether the revised template is fit for purpose.

Question 1: Do you have any comments on Attachment 5_Proposed Cost Information Template and do you believe its contents are fit for purpose.

- 7.3 The Working Group drafted legal text to reflect the solution developed in this DCP. The legal text was altered as described in section 9 below and the redlined text is in Attachment 3_DCP 421 Draft Legal Text.
- 7.4 The Working Group agreed that a description of the contents of the Tables was required in the legal text to remove any ambiguity and ensure it is clear what the Tables should contain. The Working Group identified two ways of doing this: by including copies of the tables in the legal text (as is done currently); or by including worded descriptions of the table contents in the legal text. It was discussed that using copies or screenshots of the tables is more constrictive than using worded descriptions, as they would need to be updated whenever there is a change to the tables, but that the worded

descriptions could become quite long and overly complex as they would be describing all of the information required in the tables.

- 7.5 The Working Group held a vote on whether the legal text should show screenshots of the tables or worded descriptions of the tables. Six Working Group members agreed that the screenshots should be included with one Working Group member preferring to have the worded descriptions.
- 7.6 The Working Group member who preferred to have the worded description of the tables went on to explain that they only marginally preferred to have the items explained in text format and that they were comfortable with the use of screenshots or copies of the tables, as in the current legal text.
- 7.7 It was also agreed within the Working Group that whilst the first consultation spelt out there was unanimous support in having the tables in spreadsheet format, the legal text hadn't been consulted on yet and as such, would like to gather party views on whether they had any comments on the proposed legal text drafting in **Attachment 3_DCP 421 Draft Legal Text**.

Question 2: Do you have any comments on the proposed drafted legal text?

- 7.8 The Working Group went on to discuss the obligation the draft legal text puts on the secretariat to ensure that the template is uploaded to the DCUSA website a timely fashion once changes to the template have been approved via the change process.
- 7.9 It was agreed that 5 Working Days felt like an appropriate window for any new versions of the template to be updated on the DCUSA website, post approval. The Working Group would like to gain party views on whether the 5 working day window is appropriate or not.

Question 3: Do you agree that 5 Working Days is an appropriate timescale for the secretariat to update the website with any approved changes to the template.

- 7.10 It was also agreed within the Working Group that whilst the first consultation spelt out there was unanimous support in having the tables in spreadsheet format, the legal text hadn't been consulted on yet and as such, would like to gather party views on whether they had any comments on the proposed legal text drafting in **Attachment 3_DCP 421 Draft Legal Text**.

8 Code Specific Matters

Reference Documents

None.

9 Solution and Legal Text

Legal Text

- 9.1 The proposed legal text is provided in **Attachment 3**.
- 9.2 Amendments have been 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 5**).

9.3 The Working Group agreed that the tables should continue to be explicitly described in Schedule 15 but should also be captured in a separate template workbook, as in **Attachment 5**, which shall be used by the DNOs for their quarterly Cost Information submission. It was agreed that this template should be hosted on the DCUSA website, with reference to this template within the legal text along with governance on how this table gets updated.

Text Commentary

9.4 The following changes have been made to the legal text:

- Add introduction to the Schedule and move existing glossary of terms to end of schedule, in line with the way other Schedules are structured.
- Insert new clauses relating to the template, what information should be in the template and governance of the template.
- Include pictures of what the tables in the template should include.

10 Relevant Objectives

Assessment Against the DCUSA Objectives

- 10.1 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.
- 10.2 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.
- 10.3 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.

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

11 Impacts & Other Considerations

Impacts on other Industry Codes

11.1 The Working Group acknowledge that there will be interactions with DCP 325 however, the Working Group also concluded that the two change proposals were written specifically in a way to separate which parts of schedule 15 needed changing for each one so there shouldn't be any interactions.

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

Significant Code Review Impacts?

11.2 It is noted that the DESNZ and Ofgem Energy Code Review is also considering code governance in general.

Consideration of Wider Industry Impacts

11.3 The issue which this CP seeks to remedy has been discussed in the DCP 421 Working Group and at the ENA Connections Commercial Operations Group (“Connections COG”).

Consumer Impacts

11.4 The Working Group does not consider that there are any impacts to consumers as a result of the implementation of this CP that should be highlighted within this Change Report.

Modelling Impact Assessment

- 11.5 DCP 421 revises the format of the inputs in the 'General Inputs' sheet of the CDCM and ARP but does not impact on the calculations or the tariffs output from the model.
- 11.6 Additionally, the 'SoLR and Bad Debt Adders' sheet was amended to remove the rows referring to the COVID-19 bad debt, which are no longer required. In RIIO-ED2 the formulas around bad debt in the Special Conditions of the Electricity Distribution Licence no longer include any reference to COVID-19 Bad Debt, therefore all references to this should be removed from the CDCM. No change is required to paragraph 103 of Schedule 16 for this, as it just refers to “Eligible Bad Debt” and does not specifically mention COVID-19 Bad Debt.
- 11.7 A Working Group member populated the revised models with their data and verified that the output tariffs were unchanged from those published, as expected.
- 11.8 Details of the amendments to the models and the modelling analysis can be found in Attachment 6.

Environmental Impacts

11.9 In accordance with DCUSA Clause 11.20.6(D), the Working Group assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

12 Implementation Date

12.1 The intended implementation date for this change is 5 Working Days after industry approval.

Question 4: Do you have any other comments?

13 Consultation Questions

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

No.	Questions
1	Do you have any comments on Attachment 5_Proposed Cost Information Template and do you believe its contents are fit for purpose.
2	Do you have any comments on the proposed drafted legal text?
3	Do you agree that 5 Working Days is an appropriate timescale for the secretariat to update the website with any approved changes to the template.
4	Do you have any other comments?

13.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, close of play on 29 July 2024.

13.3 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.

14 Attachments

- Attachment 1_DCP 421 Consultation 2 Response Form
- Attachment 2_DCP 421 Change Proposal Form
- Attachment 3_DCP 421 Draft Legal Text
- Attachment 4_DCP 421 Consolidated Consultation 1 Responses
- Attachment 5_Proposed Cost Information Template
- Attachment 6_DCP 421 Modelling documents