


DCUSA RFI		At what stage is this document in the process?
<h2>DCP 325:</h2> <p><b>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')</b></p> <p><b>Date Raised:</b> 11/07/2018  <b>Proposer Name:</b> Kara Burke  <b>Company Name:</b> Northern Powergrid  <b>Party Category:</b> DNO</p>		01 – Change Proposal
		02 – RFI
		03 – Change Report
		04 – Change Declaration
<p><b>Purpose of Change Proposal</b></p> <p>The intent of this change is to combine, review, and if appropriate amend the requirements of Section 35A, Section 35B, Schedule 15 and Schedule 20 to improve transparency and efficiency in the data published by DNOs.</p>		
	<p>This document is an RFI issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 325.</p> <p>The Working Group recommends that this Change Proposal should proceed to an RFI.</p> <p>Parties are invited to consider the questions set in section 5 and submit comments using the form attached as Attachment 1 to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by Monday 14 October 2024.</p>	
	<p><b>Impacted Parties</b></p> <p>All</p>	
	<p><b>Impacted Clauses</b></p> <p>Clauses 35A and 35B and Schedules 15 and 20</p>	

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## Timetable

Activity	Date
Initial Assessment Report	18 July 2018
Consultation 1 Issued to Industry Participants	08 October 2018
RFI Issued to Industry Participants	23 September 2024
Change Report Approved by Panel	15 January 2025
Change Report issued for Voting	16 January 2025
Party Voting Closes	06 February 2025
Change Declaration Issued to Parties	10 February 2025



**Any questions?**

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## 1 Summary

### What?

- 1.1 Clause 35A (supported by Schedule 15) requires each DNO Party to publish cost information on a quarterly basis. This consists of:
  - a forecast of its revenue allowances for the current regulatory year and the following four regulatory years ('table 1');
  - an indication of the likely range within which given allowances could vary ('table 2'); and
  - illustrative Common Distribution Charging Methodology (CDCM) tariffs.
- 1.2 Clause 35B (supported by Schedule 20) requires each DNO Party to publish an 'annual review pack' (ARP) at the time of setting charges in December each year. This consists of:
  - historical CDCM input information for the previous three years;
  - forecast CDCM input information for the next five years;
  - illustrative tariffs for the next five years based on the forecast inputs provided;
  - functionality to enable a user to amend any of the forecast inputs and recalculate illustrative tariffs; and
  - details of the values calculated for each year where CDCM inputs have been calculated based on a three-year average, most notably the load characteristics and peaking probabilities.
- 1.3 This change seeks to:
  1. combine the requirements of Clause 35A and 35B alongside the two accompanying schedules;
  2. review the requirements to determine whether the information provided is useful to stakeholders, whether it is presented in a useful format, and whether some duplication could be removed; and
  3. if appropriate following stage two, amend the requirements to enable DNOs to provide stakeholders with better quality information whilst reducing duplication.

### Why?

- 1.4 There is significant crossover between the requirements of Clause 35A and Clause 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.
- 1.5 Recent feedback from some industry parties during the process of developing the new DCUSA charging methodology models suggests that parties may not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. This may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was

developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is primarily of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. The functionality to recalculate tariffs adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided.

- 1.6 It should be straightforward for DNOs to provide more useful information in a more succinct manner – thus improving both the efficiency of provision and usefulness of the output.
- 1.7 Clause 35A also requires DNOs to convene a meeting to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the Distribution Charging Methodologies Development Group (DCMDG).

## How?

- 1.8 The requirements of Clause 35A and Clause 35B should be combined, reviewed and, if appropriate, amended, alongside combining the details given in Schedule 15 and Schedule 20 into a single publication. A 'first draft' of a proposed template for submission was provided as an attachment to the Change Proposal (CP) form. This template sought to standardise the years for which data is provided, and to link the years required more closely to the Price Control Periods, so would require publication of data from the start of the Price Control Period which was in place two years prior to the current year up to the latter of four forecast years or the end of the current Price Control Period. The proposer provided this template as a starting point for discussions and in doing so did not intend to restrict the ability of the Working Group to review and, if appropriate, amend the requirements of the combined sections in full. The Proposer set out their view that a Working Group should ensure, by consultation with industry, that removal of any information or functionality which the solution seeks to remove is not detrimental to stakeholders.
- 1.9 The publication timetable should also be considered – a simple amalgamation of the publication requirements of Clause 35A and Clause 35B would result in five publications of the same template each year (quarterly in February, May, August and November as per Clause 35A, and annually with the publication of final charges by December 31<sup>st</sup> as per Clause 35B); however this could be given further consideration to ensure the timing of publications is appropriate.
- 1.10 It is also the view of the Proposer that a Working Group should consider whether the provision of a model template (as is currently the case in Schedule 20) would be appropriate once the two sections have been combined.
- 1.11 Finally, the Proposer suggested that a current requirement on DNOs in Clause 35A to convene a meeting (known as the 'DCP 066A Teleconference') could be amended to require that the

Secretariat convenes such a meeting, at which all DNOs will be required to present their latest forecast information, and to which all supplier and IDNO Parties will be invited.

- 1.12 This CP will no longer consider changes to the contents of tables 1, 2 or 3 of clause 35A as these were covered by DCP 421 'Update the Tables in Schedule 15 of DCUSA'<sup>1</sup>.

## 2 Governance

### Justification for Part 2 Matter

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

### Requested Next Steps

- 2.2 Following a review of the RFI responses, the Working Group will work to agree the detail of the solution for DCP 325. Any such detailed solution developed by the Working Group will be the subject of a further industry consultation before the preparation of a change report is considered.

## 3 Why Change?

### Background

- 3.1 There is significant crossover between the requirements of Clause 35A and Clause 35B, without sufficient alignment to enable use of a common template. This results in some cases of the same or similar information being published in a different format in the two publications, which is inefficient to produce and risks being misleading for users.
- 3.2 For example, both Clause 35A and Clause 35B effectively require a completed 'table 1' to be published (explicitly for Clause 35A, and because it is a CDCM input and so required for Clause 35B). The implications of the requirement to give 15 months' notice of a change to Use of System charges (introduced by DCP 178 – 'Notification Period for Change to Use of System Charges'<sup>1</sup>) has created an inconsistency in the years provided (Clause 35A requires four forecast years from the current regulatory year, whilst Clause 35B requires CDCM input information for the next five

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<sup>1</sup> [Update the Tables in Schedule 15 of DCUSA - DCUSA](#)

years at the time of publication – these were aligned prior to DCP 178, but now result in Clause 35B requiring an extra year forecast to Clause 35A).

- 3.3 Both Clause 35A and Clause 35B require a view of illustrative charges for the forecast years, but this is currently provided in a different format in the two templates. It may be more efficient, both for the DNOs when populating the information and users when receiving it, if both datasets were in a consistent format.
- 3.4 The ARP currently requires DNOs to populate a forecast of all CDCM inputs for the next five years. In the most recent published versions, the vast majority of these inputs have been held at the latest published values. Cost inputs have generally been uplifted by inflation in the forecast inputs, with the only inputs actually updated being the number of days in the year and the number of hours in each time band. The forecast inputs add complexity to the ARP, but as long as they are simply held at the published levels, they add little value.
- 3.5 Feedback from some industry parties during the process of developing the new DCUSA models suggests that parties may not use the functionality to amend forecast CDCM inputs and recalculate tariffs in the ARP. Again, this may be due to the requirement on distributors to give 15 months' notice of a change to Use of System charges. The ARP was developed at a time when distributors were only required to give three months' notice of a change to Use of System charges. The sensitivity of tariffs to changes in CDCM inputs is primarily of interest for charges which have not yet been published which are now much further into the future than when the ARP was put in place. This functionality adds significant complexity into the ARP, and as a result reduces the transparency and usability of the information provided. In any case, a user wishing to test the sensitivity of a given input can do so using the published CDCM model. Consideration should be given to removing the requirement to provide the functionality to recalculate tariffs for the forecast period, and perhaps to require the publication of an illustrative updated CDCM model for the first forecast year in its place.
- 3.6 Clause 35A also requires DNOs to convene a meeting (known as the 'DCP 066A Teleconference') to present the most recently submitted information. This meeting could be more efficiently arranged and conducted if responsibility for it lay with the Secretariat rather than DNOs, in line with the arrangements introduced for the DCMDG.

## 4 Working Group Assessment

### Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 325. This Working Group consists of DNO, IDNO and Supplier representatives. Meetings were held in open session and

the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).

- 4.2 The Working Group issued a consultation in October 2018 to gather views on this Change Proposal, however following this the Change Proposal was put on hold due to Ofgem's Targeted Charging Review (TCR) and subsequent Change Proposals relating to the TCR which took up a lot of industry resources. Due to the time elapsed since the original consultation responses were received the Working Group felt that the responses may be outdated. Additionally, a new Change Proposal, DCP 421 '[Update the Tables in Schedule 15 of DCUSA - DCUSA](#)' was raised, and has now been approved, to make changes to table 1 and 2 of clause 35A and to keep table 3 unchanged, and to create a template for use by DNOs when updating and publishing the tables. The Working Group agreed that the contents of the tables are now out of scope of this Change Proposal as all changes to this were covered by DCP 421.
- 4.3 The Working Group decided that the most appropriate action to progress this change would be to issue an RFI on two of the aspects of this CP: ARP publications; and combining the requirements of Schedule 15 and Schedule 20.

### Annual Review Pack

- 4.4 The ARP is completed by each DNO Party and provides historical and forecast CDCM inputs and a forecast of use of system tariffs for the next five years. The ARP for each DNO is published on the DCUSA Website in January each year.
- 4.5 The Working Group discussed the ARP and noted that when it is populated, the DNO can make a number of assumptions, and the information set out is only intended as an expectation at a point in time. Actual DUoS charges differ significantly from the illustrative tariffs set out in the ARP as additional information becomes available between the publication of the ARP and the publication of final tariffs for each of the forecast years.
- 4.6 The Working Group is seeking views on whether parties use the ARP, what elements of the publication they find useful (if any) and whether there would need to be any amendments made to the publication to make it more useful. Working Group members noted that responses to these questions will be treated as confidential and will be anonymised to both Working Group members and external parties.
- 4.7 It was agreed within the Working Group that the party categories would be shared as this would give good context on which areas of the industry were responding.
- 4.8 It was noted that the secretariate may need to contact some responders if further information or context to the RFI responses was required.

**Question 1 – Do you use the ARP? If so, for what purpose?**

**Question 2 – Are there any elements of the ARP that you find useful or not useful? For elements that are not useful, is there a reason to retain them?**

### Alignment and Combination of Schedule 15 and Schedule 20

- 4.9 There is significant overlap between the requirements under Clause 35A and 35B, as both require a forecast of allowed revenue and both require illustrative CDCM tariffs, although there is a discrepancy around which years are required to be provided.
- 4.10 At present Clause 35A requires a forecast for the current regulatory year and the following four regulatory years, whilst Clause 35B requires historical CDCM input information for the previous three years and forecast CDCM input information for the next five years.
- 4.11 The Working Group noted that a solution to this overlap could be to combine both the ARP and Cost Information Tables, as this would bring alignment to the process and remove duplication, it would also bring consistency around which years are required to be provided.
- 4.12 The Working Group is seeking views on whether parties would find it useful to combine the requirements of 35A and 35B.

**Question 3 –Would it be beneficial to combine the ARP and the Cost Information Tables? Please provide your rationale.**

**Question 4 –Do you have any other comments?**

## 5 RFI Questions

- 5.1 The Working Group is seeking industry views on the following RFI questions:

No.	Questions
1	Do you use the ARP? If so, for what purpose?
2	Are there any elements of the ARP that you find useful or not useful? For elements that are not useful, is there a reason to retain them?
3	Would it be beneficial to combine the ARP and the Cost Information Tables? Please provide your rationale.
4	Do you have any other comments?



- 5.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than Monday 14 October 2024.
- 5.3 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.

## 6 Attachments

- Attachment 1 – DCP 325 RFI Response Form
- Attachment 2 – DCP 325 Change Proposal Form