DCUSA DCP 228 CHANGE DECLARATION

VOTING END DATE: 7 AUGUST 2015

DCP 228 - REVENUE MATCHING IN THE CDCM	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	n/a	Reject	n/a	n/a
IMPLEMENTATION DATE	Accept	n/a	Reject	n/a	n/a
RECOMMENDATION	**Change Solution – Reject.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was not more than 50%. **Implementation Date – Reject.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was not more than 50%.				
PART ONE / PART TWO	**Part One** – Authority Determination Required				

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A / R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
DNO PARTIES				
Southern Electric Power	Accept	Reject	DCUSA Charging Objective 3 is better	Whilst we are supportive of the principle

Distribution plc			facilitated in our view as the scaling mechanism will be applied on the same basis for all unit rates and the charges will therefore be more cost reflective.	of DCP 228, we have concerns that a number of customer groups would experience significant tariff disturbance (+ve) as shown in the impact analysis. Given the significant tariff disturbance associated with this change and other changes to the charging models that are already in the pipeline, we feel this CP should be implemented with significantly more notice than is proposed. We suggest that 1 April 2018 would be a more appropriate alternative.
Scottish Hydro Electric Power Distribution plc	Accept	Reject		
SP Distribution	Accept	Accept	DCUSA Charging Objective 3 as this change will improve cost reflectivity by maintaining the incremental cost differential between unit rates across all tariff and all time bands.	n/a
SP Manweb	Accept	Accept		
Western Power Distribution South West	Accept	Accept	The proposal better facilitates DCUSA charging objective three because it makes the tariffs more cost reflective than applying the scaling on the unit rate only.	n/a
Western Power Distribution South Wales	Accept	Accept		
Western Power Distribution East Midlands	Accept	Accept		
Western Power Distribution West Midlands	Accept	Accept		

ELECTRICITY NORTH WEST	Reject	Accept	None	Following further consideration, we do not believe that this change is cost reflective and therefore does not meet Charging Objective 3. While we agree that the current methodology for scaling could be improved, in our opinion, a kWh fixed adder approach is not an improvement on the current methodology, in terms of cost reflectivity, and is therefore not a viable option. This approach does not reflect the costs associated with the appropriate time periods nor the consumption in those periods. It is clear from the impact analysis that the application of a fixed adder has a disproportionate effect on the off-peak unit rates (2 and 3) and therefore does not send out the correct price signal. This could potentially distort competition in the supply of electricity and therefore does not better meet General Objectives 2 & 3 or Charging Objective 2. The current scaling method allocates the majority of costs to peak users, who are considered to be driving costs, and is therefore more cost reflective than this proposal.
London Power Networks	Reject	Reject	None of the Charging Objectives are better facilitated by this Change	We have concerns with implementation date of 2017/18. These concerns arise
Eastern Power Networks	Reject	Reject		

South Eastern Power Networks	Reject	Reject	Proposal. Firstly In instances of DNOs where negative scaling occurs we have seen the amber /green and unit 2 charges for a number of tariffs become zero. As a result it is questionable as to whether the intent of the DCP to' *accurately reflect the price differentials produced by the cost-reflective incremental 500MW model…….such that all unit rates face the same absolute p/kWh adjustment'* is being maintained. Secondly, by adjusting all unit rates by the same absolute p/kWh adjustment this lessens the cost message at the time of system peak. This is likely to lead to demand increases at peak times leading to increased reinforcement requirements. This is incompatible with the obligations of DNOs "to develop and maintain an efficient, co-ordinated and economical system of electricity distribution" as required in Section 9(1) of the Electricity Act 1989 and as consequence DCUSA Objective 1 Finally, as this change may well result in very significant swings in revenue collection between NHH and HH	because the impact analysis was carried out based upon charging model impacts which reflect charging setting for 2016/17 but did not include an impact analysis for 2017/18, the proposed year of implementation. Our own analysis suggests that there may significant variations across DNOs by year and in some cases very material year on year variances may arise. Delaying the implementation by a further year to 2018/19 would better allow all parties (DNOs, Suppliers and Customers) sufficient time to understand and prepare for any material changes in tariffs.

			customer groups we feel that a robust impact analysis for more than one year should be conducted before implementation to provide wider visibility of potential material year on year changes to individual tariff values particularly where negative scaling applies.	
Northern Powergrid (Northeast) Ltd.	Accept	Accept	We believe that this change better facilitates the following objectives: Charging Objective 3 – We feel that tariffs will be more cost reflective under DCP 228 as the incremental cost signals produced by the CDCM will be maintained; an improvement over the current approach which distorts the cost signals by applying scaling to only the red/day unit rate.	None at this time.
Northern Powergrid (Yorkshire) plc	Accept	Accept		
IDNO PARTIES				
n/a				
SUPPLIER PARTIES				
British Gas	Accept	Accept	Charging Objective 3: This proposal better facilitates this objective by reducing the distortion of the incremental cost signals given by	n/a

			pre-scaled tariffs. This distortion is caused by the application of scaling primarily to one time band. This change improves cost reflectivity by maintaining the incremental cost differential between unit rates across all tariffs and all time bands. The change also ensures that the unit costs in peak time bands (day or Red unit rates) better reflect the underlying cost message by virtue of being distorted less than the current method of scaling	
Npower	Accept	Preferred implementation date of April 2018 (later than proposal)	RWE npower agree with consensus from the working group that DCUSA Charging Objective Three will be better facilitated by implementation of the changes proposed within DCP 228.	We believe the implementation date should be April 2018 to allow a good balance of cost reflective improvements and sufficient notice period to allow customers the opportunity to adapt to this change. We feel that 15 months in the case of April 2017 is insufficient notice for a change of this potential magnitude.
Haven Power	Reject	Reject	n/a	n/a
Gazprom Marketing & Trading Retail Ltd	Reject	Reject	We are not convinced of the overall benefits of this change proposal. The significant volatility in unit rates shown in the impact assessment would have a negative impact on DCUSA General Objective 2 and DCUSA Charging Objective 2. This is compounded by an	n/a

			inadequate implementation date which would see charges for existing contracts affected. We believe a minimum 3 year implementation lead time should be required for a change of this magnitude. In addition, the impact assessment also shows a shift in revenue recovery from certain tariffs/groups of customers to another. This will particularly affect smaller parties who don't have a varied portfolio.	
DISTRIBUTED GENERATOR PARTIES				
n/a				
GAS SUPPLIER PARTIES				
n/a				