

DCUSA DCP 139 Consultation Responses – Collated Comments

Question One	Do you understand the intent of the CP?	Working Group Comments
British Gas	Yes	The Working Group noted that all six respondents understood the intent of the CP
Franck Latremoliere (speaking for myself only)	Yes.	
Scottish Power Energy Retail	Yes	
SP Distribution & SP Manweb	yes	
SSE Power Distribution	Yes.	
Western Power	Yes.	
Question Two	Are you supportive of the principles of the CP?	Working Group Comments
British Gas	Yes	The Working Group noted that the three DNOs that responded to the consultation do not agree with the intent of the CP and do not believe that there is an inconsistency. The two suppliers are supportive of the principles of the CP and the final
Franck Latremoliere	<p>I do not understand the question. The “principles of the CP” are not defined in the change proposal or the consultation document.</p> <p>If you meant to ask whether I am supportive of the key steps in the reasoning under “business justification” in the change proposal, then no (because the reliance on paragraph 13.10 is improper when arguing about the application of FCP charges, and because the intent of the change proposal does not address the inconsistency of levying FCP charges based on assets that a customer does not require or use).</p> <p>If you meant to ask whether I am supportive of the intent, then for all practical</p>	

	<p>purposes yes: I am supportive of the intent to stipulate that category 0000 customers should not be subject to the FCP locational charge. Whilst I am not convinced by the claim in the intent about an alleged inconsistency, that is fluff with no practical consequences.</p>	<p>respondent does not agree that there is an inconsistency but does support the intent.</p>
<p>Scottish Power Energy Retail</p>	<p>Yes we are supportive of the CP principles.</p>	
<p>SP Distribution & SP Manweb</p>	<p>No – we do not agree with the Proposer’s view that this is an inconsistency.</p> <p>The GSP busbar is included in the level 1 network group. Customers where the point of common coupling is at the GSP busbar (0000 customers) are in a level 1 network group and therefore the FCP charges applicable to the network group should apply to those customers in order to be consistent with the FCP EDCM methodology.</p> <p>Stipulating that Category 0000 customers should not be subject to FCP locational charges would cause inconsistency with other customers in the level 1 network group and customers in the Level 2/3 networks groups.</p> <p>Paragraph 13.10 of Schedule 17 “Category 0000 demand user are deemed not to use any network assets other than sole use assets” is possibly misleading as we understand that it is intended to specifically relate to notional site specific network asset values calculated under system normal operating arrangements and is not intended to be considered in relation to the calculation or the application of FCP charge 1. We suggested that Paragraph 13.10 should be updated to remove any ambiguity.</p>	
<p>SSE Power Distribution</p>	<p>No.</p> <p>The methodological change proposed by the CP is to exempt a subset of EDCM demand customers (Category 0000) from the FCP locational charge. The proposed rationale for doing so is that these customers do not use any assets, and should not therefore be charged in connection with future reinforcement</p>	

	<p>costs of assets they do not use.</p> <p>One of the basic principles of the FCP methodology is that it is a "zonal" method: it aims to reflect the predicted reinforcement costs of assets within a network "group", rather than of individual assets. This is based on the idea that reinforcement of assets within a zone (or network group) could be triggered by the actions of any customer connected to that network group, and every customer connected to that group potentially benefits from such reinforcement. The costs relating to predicted reinforcement within the group are shared across every customer connected to that group. According to the FCP methodology (see diagram attached in response to Q11) GSP busbar assets belong in level 1 network groups, and any customers connected to the busbar would be assigned to a level 1 network group.</p> <p>The statement in DCUSA Schedule 17 paragraph 13.10 which states that "Category 0000 demand Connectee are deemed not to use any network assets other than sole use assets", is irrelevant to the calculation and application of the FCP charge, because the FCP methodology does not rely on deemed asset use for any customer.</p> <p>Consequently, we do not think that the inconsistency identified in the CP exists.</p>	
<p>Western Power</p>	<p>No.</p> <p>Under the FCP methodology, Category 0000 demand Connectee is associated with a Network Group as they are evidently connected within the boundary of said Network Group.</p> <p>The definition of network group is stated in Schedule 17 Annex 1 Section 6 and Paragraph 6.5 in specific clarifies the above statement.</p> <p>Schedule 17 paragraph 13.10 refers to the activity of determining notional site</p>	

	<p>specific shared network asset value, which resides outside of the FCP analysis. The term “network asset” in this instance is strictly defined in Paragraph 13.4 and in the context of network use factor assessment.</p> <p>If Category 0000 demand Connectees are exempted from FCP locational charge, this will consequently create inconsistency in the overall EDCM FCP methodology.</p>	
Question Three	Do you consider that the proposal better facilitates the DCUSA Objectives? Please provide supporting reasons.	Working Group Comments
British Gas	<p>CDCM Objective 3 and General Objective 3 is better facilitated by removing the FCP locational element of the EDCM charges from a specific group of customers who, within the EDCM methodology, have explicitly been deemed not to use the assets that this FCP charge relates to. This improves costs reflectivity.</p> <p>Now that this inconsistency has been identified, CDCM objective 4 is better facilitated by allowing the DNOs to take account of this inconsistency.</p>	<p>The Working Group noted that two respondents agree that the objectives are better facilitated and three do not.</p> <p>The group noted one respondent’s view that more analysis needs to be carried out. The Working Group agreed that to test of whether charges for each category of customer are excessive or unjustified are outside of the scope of the DCP 139 Group to determine.</p>
Franck Latremoliere	<p>There is not enough information in the consultation document to form a view on whether the change proposal would give charges or a methodology that better meet these objectives. This is because there is no data on the relevant category 0000 sites, the costs involved in distributing power to them, or the way charges are built up for them. I understand that it might not be possible to publish all the details, but perhaps more could have been done to help respondents.</p> <p>In theory, there seems to be a good chance that the change proposal better meets charging methodology objectives 1 and 3 and general objective 3, because it seems to remove an FCP charge based on future costs of reinforcement of assets that are not needed to distribute electricity to the relevant category 0000 customers: that FCP element would risk imposing</p>	

	<p>excessive and unjustified charges on these customers.</p> <p>According to the consultation document, the solution developed by the working group would lead to price increases to many other customers. I have no idea whether these increased charges can be justified by reference to any DNO cost or on any other basis. But even if they are not, this would be a problem with the rest of the methodology and/or with the way in which the DNOs are implementing it, and should not be held as an argument against this change proposal.</p>	
Scottish Power Energy Retail	We agree with the objectives highlighted in the CP – CDCM 4, and General Objective 3. This change will amend the EDCM to meet the original aim of detailing the DNO impact of each MPAN by removing incorrect charging / costs.	
SP Distribution & SP Manweb	No we do not believe the change proposal better facilitates the objectives identified by the working group for the reasons outlines in question 2.	
SSE Power Distribution	No. We do not believe there is inconsistency in the existing approach. In the consultation, it has not been demonstrated how the CP is more cost-reflective. Therefore, we do not believe that the proposal better facilitates the DCUSA objectives.	
Western Power	No, see response to question 2.	
Question Four	Are you supportive of the proposed implementation date of 1 December 2012?	Working Group Comments
British Gas	Yes, from the working group's analysis, this inconsistency can add significant amounts to the annual DUoS charges of these customers (over £700k). It is important that the issue is resolved as soon as possible.	The Working Group noted that four of the respondents agree with the proposed implementation date.
Franck Latremoliere	Looks fine.	
Scottish Power Energy Retail	Yes as this will allow any revised charges to be included in the April 2014 indicative charges.	The group noted SP Distribution & SP Manweb's
SP Distribution & SP	If approved, we do not consider this date achievable as this change will require	

Manweb	an update to the algorithms that calculates the FCP charges. The FCP charges will have been calculated for 2013/14 prices prior to the decision on this change proposal being made.	response and noted that at its last meeting it had been agreed that the change does not affect the algorithms used to calculate the charge. However, it was noted that removing the network group for Category 0000 customers in sheet 953 of the FCP EDCM model may not be the complete answer and further steps may need to be taken to meet the intent of the CP. The Working Group agreed to seek additional information from this respondent regarding how the algorithms are impacted.
SSE Power Distribution	No, we do not support the CP.	
Western Power	We are not supportive of the proposal, however if it is accepted then we are happy with the implementation date.	
Question Five	<p>If an Ofgem decision was received by 5 December 2012, would this permit use for the April 2013 indicatives?</p> <p>Note, the solution to implement this change would be to simply remove the network group from 0000 customers in sheet 953 of the FCP EDCM model.</p>	Working Group Comments
British Gas	We note this is a question primarily for DNOs to answer, but given the simplicity of the solution we would find it difficult to understand why a DNO could not provide indicative tariffs on the new basis if Ofgem approval was	The Working Group noted that five respondents agree that this is reasonable.

	received by 5 December.	
Franck Latremoliere	Looks fine.	
Scottish Power Energy Retail	As a supplier we would be happy with this date but it is for DNOs to state any issues this may cause.	
SP Distribution & SP Manweb	No, see question 4 above.	
SSE Power Distribution	Technically yes.	
Western Power	Yes	
Question Six	<p>The Working Group notes that there are other categories of customer that are deemed not to use any level 1 assets, should these customers also be exempt from the level 1 FCP charge? If so, should this be a separate Change Proposal?</p> <p>Note, the solution to implement this change would be to simply remove the parent network group of affected level 2 network groups in sheet 911 of the FCP EDCM model.</p>	Working Group Comments
British Gas	<p>This change proposal does not seek to review the calculation of the FCP charge, but instead seeks to remove the inconsistency in the EDCM for a particular group of customers (category 0000) who are the only category of customers which the methodology explicitly deems not to use any shared network and therefore should not have an FCP charge applied.</p> <p>All other customer categories are deemed to use some shared network assets and should therefore be liable to an FCP charge. This question seeks views on whether some categories of customers should be exempt from a portion of their FCP charge and is clearly outside the scope of this change proposal.</p> <p>Whilst we believe it would require a separate change proposal, there would seem to be a good case to be made for categories of customers which are deemed not to use the 132kV network (any customer category beginning with</p>	<p>The working group noted British Gas' view that 0000 customers are uniquely affected by the possible inconsistency.</p> <p>The Working Group agreed that other categories of customer would need to be considered under a separate CP as the intent of DCP 139 is to consider the charges for Category 0000</p>

	<p>a 0) to not be charged an FCP charge relating to the 132kV network (level 1 FCP charge). However all of these other categories of customers will use some shared network assets and therefore it is appropriate that they are subject to an FCP charge of some kind.</p> <p>It is also worth pointing out that Category 0000 customers are uniquely affected by the inconsistency in the EDCM:</p> <ul style="list-style-type: none"> • They are the only customers for which the methodology explicitly states that they are deemed not to use any shared network assets • They are much less able to mitigate against the impact of the inconsistency. This is because the level one FCP charge will be applied as a capacity charge to their maximum agreed capacity. All other categories of customers which are deemed not to use the 132kV network (but do use some shared assets) will receive the level 1 FCP charge as a unit rate applied to kWh consumption during the super red period and so are much better able to manage the impact of any inconsistency in the EDCM. 	<p>customers only. The group noted that all three DNOs agree that other categories of customers should not be exempt from the level 1 FCP locational charge.</p>
Franck Latremoliere	This is not covered by the intent of the change proposal. Whatever happens with these other issues cannot legitimately delay the present proposal.	
Scottish Power Energy Retail	We would be happy for this to be included in the CP as long as the 1st December implementation date is not impacted.	
SP Distribution & SP Manweb	No, all categories of customers should be looked at together and not in isolation. This will help develop an enduring solution, if required, and not a quick fix for only one category of customer.	
SSE Power Distribution	No. Category 0000 and other categories of customer that are deemed not to use any 132kV assets in the Network Use Factor (NUF) analysis should not be	

	<p>exempt from the Level 1 FCP charge.</p> <p>The five levels defined for the NUF analysis should be distinguish from the three levels defined for the FCP analysis.</p>	
Western Power	No, see response to question 2.	
Question Seven	<p>The Working Group notes that categories of customers connected directly to a BSP will still incur a level 2 FCP locational charge. Should these customers be exempt from the portion of the FCP level 2 charge that relates to the EHV network assets? If so, should this be a separate Change Proposal?</p> <p>Note, if so, these customers will still pick up the portion of the level 2 charge that relates to BSP transformation assets. The solution to implement this change would need to be developed.</p>	Working Group Comments
British Gas	<p>For the same reasons as above, whilst we believe it would require a separate change proposal, there would seem to be a good case to be made for categories of customers which are deemed not to use the 33kV network to not be charged an FCP charge relating to the 33kV network (level 2 FCP charge). However all of these other categories of customers will use some shared network assets and therefore it is appropriate that they are subject to an FCP charge of some kind.</p>	<p>The Working Group noted that all three DNOs do not believe that this customer should be exempt.</p> <p>Similar to question 6, it was agreed that this customer category is outside of the scope of this CP.</p>
Franck Latremoliere	This is not covered by the intent of the change proposal. Whatever happens with these other issues cannot legitimately delay the present proposal.	<p>The Working Group agreed that the issue of FCP charges and applicability to different categories of customers should be raised as an issue at the</p>
Scottish Power Energy Retail	We would be happy for this to be included in the CP as long as the 1st December implementation date is not impacted. Based on comments within the CP it looks like this could be problem so a separate CP might be the best option.	
SP Distribution & SP	No – see question 6 above. Areas of the SP Manweb network are heavily	

Manweb	meshed and customers connected directly to a BSP busbar can and do use FCP Level 2 assets. For this reason we suggest that it is not appropriate for the customers in each network group to be considered in isolation.	Distribution Charging Methodologies Forum (DCMF) Methodologies Issue Group (MIG).
SSE Power Distribution	No EDCM customers should be exempt from FCP locational charge. There are issues, e.g. stated in Q6 and Q7, not being attended to in this CP. Possibly a separate CP could be raised to look at all customers instead of only a small group of customers.	
Western Power	No, see response to question 2.	
Question Eight	Do you have any comments on the proposed legal text?	Working Group Comments
British Gas	No	The Working Group noted that respondents had no comments on the legal text.
Franck Latremoliere	No.	
Scottish Power Energy Retail	None at this time.	
SP Distribution & SP Manweb	None.	
SSE Power Distribution	We do not agree with the proposed legal text due to the reasons stated in Q2.	
Western Power	No	
Question Nine	9. Are there any alternative solutions or matters that should be considered by the Working Group?	Working Group Comments
British Gas	No	The Working Group noted SSE Power Distribution's suggestion and noted that WPD made a similar suggestion in response to question 11 and SP
Franck Latremoliere	Not given the intent of the change proposal.	
Scottish Power Energy Retail	No	
SP Distribution & SP Manweb	None.	

SSE Power Distribution	Our suggestion is to add a paragraph in Section 13 stating the defined customer categories are only used for the notional site specific shared network asset value calculation, to avoid confusions.	Distribution & SP Manweb in response to question 2. The group agreed that this suggestion sits outside of the scope of the Change Proposal and therefore cannot be progressed under this CP.
Western Power	No	
Question 10	10. Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.	Working Group Comments
British Gas	No	The group noted that no wider industry developments had been identified by respondents.
Franck Latremoliere	I don't think so. But I don't understand the second part of the question: what benefit of what change may outweigh the potential impact of what?	
Scottish Power Energy Retail	No	
SP Distribution & SP Manweb	No.	
SSE Power Distribution	No.	
Western Power	No	
Question 11	Do you have any further comments?	Working Group Comments
British Gas	No	The Working Group discussed the comment from Franck Latremoliere and noted that this is a comment on the general
Franck Latremoliere	I don't think that the process of piecemeal modification of the charging methodologies on the basis of change proposals targeting specific problems is likely to lead to good charging methodologies (even leaving aside the problems with the starting points). This is a general comment about the	

	<p>DCUSA governance framework, its use for charging methodologies, and Ofgem’s handling of its role in it. This change proposal demonstrates the problem by introducing new inconsistencies and special rules in the FCP methodology whilst solving a specific defect for category 0000 customers; there does not seem to be a way of ensuring that the issues of consistency raised in your questions 6 and 7 will be dealt with.</p> <p>I don’t understand question 2 about the “principles of the CP”. It seems to appear in many change proposal consultations. I think that it should be replaced with something more precise.</p> <p>I don’t understand question 10.</p>	<p>DCUSA process for Charging Methodology changes. It was noted that there are other examples of changes that seek to amend the methodology for one set of customers but not others, introducing inconsistencies, such as DCP 130 (Removing the inconsistency between HH UMS and NHH UMS tariffs). For such changes a balance needs to be arrived at between consistency and cost reflectivity for these customers.</p> <p>The Working Group noted that the attachment provided by SSE Power Distribution demonstrates that there are two different approaches within the EDCM methodology (the FCP and the NUF approaches). These approaches allocate different costs to EDCM customers on different principles. The basic</p>
Scottish Power Energy Retail	N/A	
SP Distribution & SP Manweb	No further comments.	
SSE Power Distribution	See attachment [<i>provided at the end of this document</i>]	
Western Power	For the avoidance of doubt in the future, it is proposed that Schedule 17 Paragraph 13.10 is revised.	

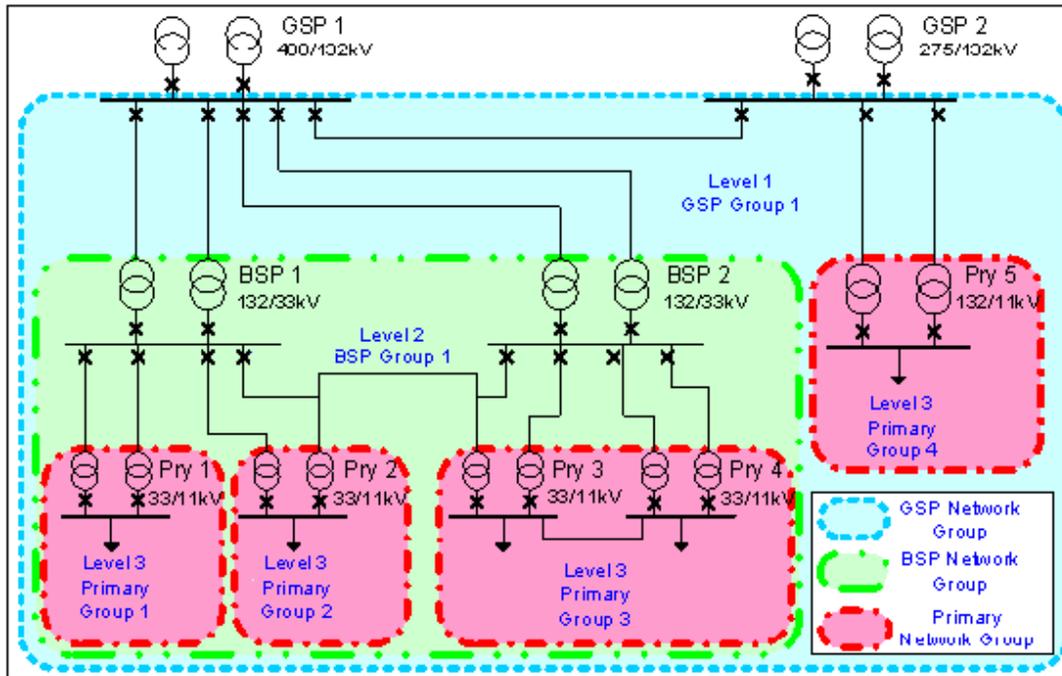
		principle for FCP is zonal whereas for NUF it is site specific. Some Working Group members view this as appropriate whilst others believe that this represents an inconsistency.
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SSE Power Distribution Question 11 Attachment

FCP Approach

The method to calculate FCP charges for demand customers is described in Annex 1 of Schedule 17 (page 524 onwards). Paragraph 6.5 on page 556 says "The demand (load or generation) that is considered to be associated with each Network Group is the demand that is connected within the Network Group and also within any lower voltage Network Group that is connected to the source Network Group under Normal Running Arrangements."

Further Figure 8 on page 558 (reproduced below for convenience) sets out an example network to illustrate the distinction between level 1, 2 and 3 network groups. Importantly, it shows that the GSP busbar (on the distribution side) is part of the level 1 network group.



The only interpretation of this diagram is that a customer where the point of common coupling is at the GSP busbar is in a level 1 network group. Consequently, the methodology requires that the FCP charges applicable to that network group must apply to that customer.

Network Use Factor Approach

Importantly it is necessary to distinguish the application of FCP from the calculation of the customer's notional site specific shared network asset value (the value of network assets that are deemed to be used by that customer, other than sole use assets) under section 13 of Schedule 17. This is a completely different approach to FCP.

Customer categories are defined in section 13. In this context, customer category "0000" are customers that have their point of common coupling at a GSP (see table 2 on page 489 and the figure on page 490). Paragraph 13.10 states that "Category 0000 demand users are deemed not to use any network assets other than sole use assets." This is about notional site specific shared network asset values and not about FCP. Customer categories defined in section 13 do not affect the calculation or the application of FCP charge 1.