

CDCM Review Group – Terms of Reference

Context and requirements

1. The Distribution, Connection and Use of System Agreement (DCUSA) and specifically Schedules 16, 17 and 18 contain the charging methodologies which are used to calculate the Distribution Use of System charges. The Distribution Charging Methodologies Forum (DCMF) and the DCMF Methodology Issues Group (MIG) assist in reviewing these methodologies and in ensuring changes are submitted into open governance for development under the DCUSA arrangements.
2. Through discussions at MIG in January and February 2016, it was agreed that a wholesale review of the Common Distribution Charging Methodology (CDCM) was now required, in part as it has been six years since it was implemented.

Objectives and deliverables of the CDCM Review Sub Group

3. The six Distribution Network Operators (DNOs) will collectively work together under the Energy Networks Association (ENA) to consider the key areas which are considered to require review, to propose a suitable way forward and to ultimately bring forward change proposals or a single change proposal, if required. These areas were discussed at the March 2016 MIG meeting, and have now been grouped into five specific areas. The five areas which will be considered are:
 - Type of costing models (including consideration as to whether 500MW or a Full Cost Model is more appropriate and the inclusion or not of service models);
 - Tariff Structures;
 - IDNO charging arrangements (consideration of including PCDM in CDCM);
 - New products – including storage and DSO arrangements; and
 - EDCM / CDCM Combined model.

Timetable

4. The review will be split into two stages. Stage one will consider the five areas highlighted above and form the basis of a report detailing any proposed next steps. To be clear, no tariff modelling will be carried out at this first stage. Stage two will look to develop each area of work into change

proposal(s) where appropriate. The work of the review group will be shared with attendees of the MIG at each monthly meeting, this will allow MIG members to provide feedback throughout the process; ensuring that the work being undertaken is visible to all and participation will be encouraged via the MIG. Stage one will conclude with a position paper which will be submitted to the industry and Ofgem by the end of July 2016.

5. Stage two will develop each of these areas of work further, taking on board any feedback received from other industry developments and the flexibility work which Ofgem are undertaking, prior to drafting change proposals to be submitted into the DCUSA process. This stage of work will commence in 2017, with any change proposal put forward to take effect from April 2020 at the earliest.

Membership

6. Membership of the Review Group is made up of the six DNO companies (ENW, NPG, SSEPD, SPEN, UKPN, WPD), and Ofgem as an observer. Any interested stakeholder looking to participate in the discussions can apply by writing to the Chair of the Review Group detailing the issue(s) they wish to discuss. A date and time will be arranged for them to attend the next appropriate meeting to discuss their views or issues. It is expected that the attendee will provide a briefing note to the Chair at least 2 days prior to the meeting. Ofgem will attend all meetings as an observer.

Chairmanship

7. The Chair of the Review Group will be a DNO attendee.
8. The role of the Review Group Chair will be to chair meetings, facilitate discussions and ensure the deliverables and timetables are met. An Action Log will be circulated soon after each meeting.
9. If the Chair is not available for a meeting the members present will appoint another member of the group to chair the meeting.

Duties of CDCM Review Group members

10. Review Group members should:
 - a) engage and participate fully on issues raised;
 - b) agree and or take actions to be completed outside of the meetings; and

ANNEX – CDCM Issues which have been raised at DCMF MIG

The CDCM Review group will consider all outstanding MIG issues (excluding those which are related to EDCM or are already part of the DCUSA process) as part of their discussions, these are listed below;

MIG Issues

Lead Issue No	Issue Title
33	To review the treatment of asset replacement in CDCM
59	DUoS charges for Full Settlements metered connections on Licence Exempt Networks
66	Calculation and application of IDNO discounts
74	Excessive charges for CDCM HV tariffs
75	CDCM voltage differentials
76	Removal of HV Medium Tariff
77	Sensitivity to service model
78	Undue discrimination between IDNOs and full-settlement private networks under the CDCM.
81	Use of HH data for DUoS charges
82	Coincidence correction factors outside the red time band
83	Combining method M and extended method M and mapping to new RRP tables