

Clarification of Para 5.9 of the settlement data adjustment consultation

1. Background

1.1. At the losses incentive mechanism workshop of 2 December 2011, questions were raised about the interpretation of paragraph 5.9 of the current open consultation on regulatory measures to address the effects of gross volume correction and other settlement data adjustments on the distribution losses incentive mechanism.

1.2. The following is provided to clarify the intended meaning of paragraph 5.9. The consultation remains open until 20 December 2011 and views are welcomed on the document as a whole, as well as this paragraph and the specific consultation questions.

2. Paragraph 5.9

2.1. The paragraph states:

5.9. As stated above ACL_{2009/10} is the 2009-10 losses re-reported using the DPCR5 methodology. This means that any adjustment approved by Ofgem to normalise abnormal settlement corrections in 2009-10 will need to be included in this figure. We therefore propose that the selected correction methodology is re-run using 2009-10 data reported according to the DPCR5 common methodology in order to give a revised ACL_{2009/10} for the purposes of the LRRM calculation. This will also give a revised figure for the units distributed in 2009-10 re-reported using the DPCR5 methodology - UD_{2009/10}.

3. Definition of terms

2009-10 reported figures (i.e. including all data adjustments) at RF	A
Revised 2009-10 reported figures (after correction / normalisation i.t.o. the agreed methodology)	B
Initial 2009-10 figures ('A'), including all data adjustments and re-reported using the DPCR5 common methodology	C
Revised 2009-10 figures ('B') (i.e. corrected according to agreed methodology) and re-reported using the DPCR5 common methodology	D

4. Summarising what is set out in Chapter 5 of the consultation document

4.1. Para 5.9 seeks to make clear that where a correction methodology is applied it should also be applied to the calculation of ACL2. When read with paragraph 5.12, the consultation proposes the use of data sets as follows:

Term	Initial data to use as per Final Proposals LRRM AND TARGETS	Data to use in the event that a methodology is applied to correct 2009-10 figures	
		Data proposed in para 5.9 LRRM	Data proposed in para 5.12 TARGETS
LUD _{2009/10}	A	B	
UD _{2009/10}	C	D	C
ACL _{2009/10}	A	B	
ACL _{2009/10}	C	D	
			Other terms also use A