

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP022: Annual Rebates by cheque (DCP022)		
Decision:	The Authority ¹ directs that this variation be made ²		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	4 June 2008	Implementation Date:	TBC by DCUSA Panel Secretary

Background to the proposed variation

The Distribution Connection and Use of System Agreement (DCUSA) allows for the Panel, at the end of each financial year, to calculate the total cost contribution due from each Party in that financial year. The Panel will compare the actual cost contribution that should have been paid with the amount actually paid by the Party during the year. If an overpayment has occurred, the Panel should arrange for a reimbursement of the overpayment by means of a credit note against the next invoice. These arrangements are set out in Clause 8 of the DCUSA.

The proposed variation

The proposer considers that, as the overpayment for 2007/08 is significant, it should be permissible, at the discretion of the DCUSA Panel, for an overpayment to be reimbursed either by a cheque payment or by a credit note. The chosen reimbursement method would be applicable to all Parties.

Recommendation to Ofgem

The recommendation of DCUSA Parties was for the proposed variation to be accepted. Of the Party Classes which voted (DNO, IDNO, and Supplier) participants were generally in favour of implementation. There was also almost unanimous support for the proposed implementation date.

The Authority's decision

The Authority has considered the issues raised by DCP022 and the final Change Report (CR) dated 28 April 2008. The Authority has considered and taken into account the responses to ElectraLink's³ consultation which are attached to the CR⁴ and the recommendation of the DCUSA Parties. The Authority has concluded that:

1. implementation of the proposed variation will better facilitate the achievement of the Applicable DCUSA Objectives⁵; and
2. directing that the proposed variation be made is consistent with the Authority's principal objective and statutory duties⁶.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ The role, functions, and responsibilities of Electralink are set out in Section 1B of the DCUSA.

⁴ DCUSA change proposals, modification reports and representations can be viewed on the DCUSA website at <http://dcusa.co.uk/Public/Default.aspx>

⁵ As set out in the Distribution Licence Standard Condition 9B(9), see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=12773

⁶ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

Reasons for the Authority's decision

We consider this change to be largely good housekeeping, allowing the DCUSA Panel to make efficient decisions about the reimbursement of any overpayments in respect of the cost contribution made by DCUSA Parties during a previous financial year, and helping to improve the cash flow of Parties.

We note the comments of one respondent regarding the need for further clarity about the timescales in which cheque payments should be reimbursed, and whether making a cheque payment rather than raising a credit note is more efficient. Under DCP022, the Panel will have discretion whether to use cheque payments to reimburse overpayments and must make appropriate and proportionate use of its discretion to achieve an efficient outcome. In addition, if Parties wish to make more explicit the timescales for making cheque payments under the DCUSA, they can do so through the DCUSA change process. We therefore consider that DCP022 will better facilitate the achievement of Applicable Objective (d) *'the promotion of efficiency in the implementation and administration of the DCUSA arrangements.'*

Decision notice

In accordance with Standard Condition 9B of the Distribution Licence, the Authority hereby directs that the proposed variation set out in DCP022: "Annual Rebates by cheque" be made, and that it shall be implemented on a date to be confirmed by the DCUSA Panel Secretary.



Mark Feather

Associate Director, Industry Code and Licensing

Signed on behalf of the Authority and authorised for that purpose.