

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP027: Invoicing (DCP027)</b>		
Decision:	The Authority <sup>1</sup> directs that this variation be made <sup>2</sup>		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	2 September 2008	Implementation Date:	TBC by DCUSA Panel Secretary

## Background to the proposed variation

The Distribution Connection and Use of System Agreement (DCUSA) states that the Panel may recover the costs of administering the DCUSA during each financial year. The Panel prepares and sets a budget for these costs. After approval of the budget, the Panel will recover those costs which are in line with the approved budget from DCUSA Parties. The DCUSA provides a formula for calculating the cost contribution due from each Party and the Panel will invoice Parties with its estimate of their recoverable cost contribution, by reference to the approved budget. These arrangements are set out in Clause 8 of the DCUSA.

Currently, the Panel issues invoices at the start of each quarter to ensure that income and costs are accounted for in the same accounting period. However, the DCUSA legal drafting states that the Panel should issue invoices in advance of each quarter. There is, therefore, a misalignment between the practical accounting procedures and the legal drafting.

## The proposed variation

The proposer, EdF Energy Networks, raised DCP027 on the recommendation of the DCUSA auditors to bring the DCUSA legal drafting into line with current accounting practice. In particular the proposal aims to amend the legal drafting to reflect that invoices are raised at the start of each quarter of a financial year, so ensuring that the practice of having income and costs accounted for in the same accounting period is reflected. In addition, the revised drafting in the proposal seeks to clarify that references to actual costs relate to costs already incurred while references to budgeted costs relate to costs to be incurred in the future. Differences between actual and budgeted costs are subject to a year-end reconciliation, references to which are also reflected in the revised legal drafting.

## Recommendation to Ofgem

The unanimous recommendation of DCUSA Parties of all Party Classes which voted (DNO, IDNO, and Supplier) was for the proposed variation to be accepted. There was also unanimous support for the proposed implementation date.

## The Authority's decision

The Authority has considered the issues raised by DCP027 and the final Change Report (CR) dated 15 August 2008. The Authority has considered and taken into account the

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

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

responses to ElectraLink's<sup>3</sup> consultation which are attached to the CR<sup>4</sup> 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 Objectives<sup>5</sup>; and
2. directing that the proposed variation be made is consistent with the Authority's principal objective and statutory duties<sup>6</sup>.

### **Reasons for the Authority's decision**

We consider this change to be largely good housekeeping. The proposed changes allow the DCUSA legal drafting to more appropriately reflect the practical accounting practices undertaken with regard to invoicing of DCUSA administration costs. The drafting also clarifies the distinction between actual costs (which have been incurred) and budgeted costs (which are to be incurred and invoiced) and the reconciliation of these costs which is to occur after the end of each financial year.

We therefore consider that DCP027 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 DCP027: "Invoicing" 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.

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

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

<sup>5</sup> As set out in the Distribution Licence Standard Condition 9B(9), see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=12773](http://epr.ofgem.gov.uk/document_fetch.php?documentid=12773)

<sup>6</sup>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.