

**DCUSA CHANGE DECLARATION**

**DCP 017 – Establishment of a regular billing cycle for site specific billing**

**VOTING DATE:** 11/09/08

DCP 017	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Reject	N/A	Accept
IMPLEMENTATION DATE	Reject	N/A	Accept
RECOMMENDATION	<p><b>Change Solution – Reject</b></p> <p>In respect of each Party Category that was eligible to vote, the number of Groups in that Party Category which voted to accept the change solution was not greater than 65% of the total number of Groups in that Party Category which voted. The sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was not greater than 65% in all Categories.</p> <p><b>Implementation Date - Accept</b></p> <p>In respect of each Party Category that was eligible to vote, the number of Groups in that Party Category which voted to accept the change solution was not greater than 65% of the total number of Groups in that Party Category which voted. The sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was not greater than 65% in all Categories.</p>		
PART ONE / PART TWO	Part Two – Authority Determination <b>not</b> required		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
<b>DNO PARTIES</b>			
Central Networks East	ACCEPT	ACCEPT	NONE
Central Networks West	ACCEPT	ACCEPT	NONE
EDF Energy Networks (EPN) plc	REJECT	ACCEPT	<p>The acceptance of this proposal would limit a flexibility which we have enjoyed for the past 10 years without any complaint about the number or frequency of runs. (It should be noted that we do not bill in respect of non-half-hourly metered customers on a site-specific basis and our norm is two "half-hourly" billing runs per month).</p> <p>In the half-hourly metered market segment, our experience is that the need for multiple billing runs in a month is largely driven by the non-timely receipt of data from suppliers. We tend to do two runs each month and this is driven by a desire not to limit our cash-flow as a result of this later submission of data, i.e. our second run sweeps up the late data rather than waiting another month to bill - which would give an advantage to those suppliers who do not submit data in a timely fashion.</p> <p>As each run has a potential to last 2 days, the limitation of 4 runs could be managed. However there may be unforeseen circumstances where another run is required, e.g. the correction of a large data error (which if reducing, the customer would expect to be billed quickly) or due to increased volumes of HH sites causing runs to take longer, and we would not wish to be constrained from billing in a timely manner if necessary.</p> <p>We would therefore argue that to reduce our flexibility is the wrong approach, if the desired outcome is fewer billing runs per month, as this is largely within the supplier's gift through ensuring their agents provide data in a timely manner, in</p>

			compliance with other existing provisions of DCUSA.
EDF Energy Networks (EPN) plc	REJECT	ACCEPT	
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Electricity North West Limited	REJECT	REJECT	<p><b>Proposed Solution</b></p> <p>The first DCUSA objective</p> <p><i>“3.1.1 the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks”</i></p> <p>This Change Proposal will build in inefficiencies and increased costs to this Distributor. At present we bill on receipt of metering data with a Final Bill Day for each Supplier based on their read window negotiated by them with their Data Collectors so that we can use as many actual readings (although not as many as we would like) on our bills. This together with stringent validation ensures that as far as is practicable accurate billing is undertaken, and a bill only sent out when this has been undertaken.</p> <p>Such an approach would have to change to billing on fixed days (up to four per month) thereby missing out on some actual reads. This will increase the use of estimated data (which already stands at 33% of NHH MD site specific bills in the ENW geographical area) and then a need to adjust the bill should an actual read</p>

			<p>be received after one of the four allowed billing runs. This will increase processing time and increase disputes and as such builds in inefficiencies and reduced customer service into the process.</p> <p>It is also affects our cash flow position. The read windows indicated above for NHH MD sites are such that we receive meter readings from the last week of the month through to the middle of the following month. Since we turn around the reads and bill the Supplier at the time of the reading we would have to delay such a bill and 'hold them' until one of the four allowed billing days.</p> <p>A further consideration is that it is uneconomical to withhold bills when a Supplier is in potential financial difficulty. Such a proposal affectively provides no latitude for a Distributor to act in an appropriate manner to protect its income stream.</p> <p>Overall we believe that this change proposal is a backward step and will have a <b>negative impact</b> on this objective</p> <p>Within the Working Group minutes of meeting number one a reference is made by the Proposer to DCUSA Objective 3.1.2:</p> <p><i>"the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity".</i></p> <p>In support of this objective the Proposer stated that the Change Proposal <i>"does</i></p>
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			<p><i>not seek to change the status quo, create new obligations or barriers, but that the clarification provides a reflection of the current situation of a competitive electricity Supply and Distribution market".</i> If this is the case then how can this better facilitate the DCUSA objectives?</p> <p>When you consider the proposed drafting, comments in the working group minutes and consultation responses, it is evident that it is a change to the current situation to different levels of impact for Distributors. In our case more so than others. Rather than a clarification it is placing a change to the business process of bill production by limiting the number of times a Distributor can send bills to the Supplier thereby creating restrictions on the Distributor (and in addition to the impact on the business process it will also result in a major IT change in our instance, details of which are in the ENW Consultation response).</p> <p>Although this objective was supported by a majority of the Working Group in our opinion the existing clause is neutral towards competition since each Distributor will be sending the frequency of bills to all Suppliers in the same manner they have adopted, in our instance the use of daily billing in the NHH MD market.</p> <p>You could argue that we are actually using the data sent by the Data Collector which is duly processed by both the Supplier and ourselves. So from a Customer perspective there is no difference. Moving to this proposed solution may create differences between the two (use of estimated v actual data) that may be challenged by the Supplier when this data actually arrives. This creates</p>
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			<p>additional work for both parties and negates some of the Proposer's business justification.</p> <p>In some instances there may be an impact on Suppliers and their credit cover arrangements. By smearing bills over a wider period it has the benefit of reducing the credit cover required. Whilst this may not be perceived as an impact by the larger Suppliers (and our evidence is otherwise), it will be for the smaller Suppliers who do not have a credit rating and have to rely on cash deposits and/or a good payment record especially if a Distributor chooses only to bill only once a month as was the original intent and can still be facilitated by this Change Proposal.</p> <p>Likewise the use of estimated data to be subsequently amended a few days later may also impact the stability of the credit cover arrangements. By waiting for actual data, and having the ability to bill when such data is received, we build in some form of stability.</p> <p>Overall this proposal will create a <b>negative impact</b> on this objective.</p> <p>We see this Change Proposal as having <b>no impact</b> so does not better facilitate the third objective:</p> <p><i>3.1.3 the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences;</i></p>
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			<p>On the fourth DCUSA objective:</p> <p><i>“the promotion of efficiency in the implementation and administration of this Agreement”.</i></p> <p>The Proposer (supported by a number of parties but not that of the Working Group) suggested that this would be improved and expressed a number of benefits as to why this is the case. Our response to these is contained within our consultation response with all but one being challenged from our perspective.</p> <p>None of the benefits are associated with a clarification of what we do now but a need to change how we as a Distributor undertake our billing processes to a perceived benefit of the Supplier, and as such it has nothing to do with this objective. Therefore in our opinion there is <b>no impact</b> on this objective.</p> <p><b>Implementation Date</b></p> <p>We have rejected this implementation date based on the following:</p> <ol style="list-style-type: none"> <li>1. This is a major change to our Billing system and business processes. We envisage that this could take 12 months from the proposed implementation date, and</li> <li>2. It would seem more appropriate to wait and understand the impact of:</li> </ol>
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			<ul style="list-style-type: none"> <li>• Ofgem's consultation on a Common methodology for the structure of charges;</li> <li>• Elexon's review of Reactive units; and</li> <li>• DCUSA's change proposal (DCP031) to the exact same clause in question this time associated with estimated readings that according to the minutes of the first meeting may also require an Elexon BSC change.</li> </ul> <p>All three of which may well impact the same billing functionality.</p>
Northern Electric Distribution Ltd	REJECT	REJECT	NONE
SP Distribution /	REJECT	REJECT	NONE
SP Manweb	REJECT	REJECT	NONE
Southern Electric Power Distribution plc	REJECT	REJECT	NONE
Scottish Hydro Electric Power Distribution plc	REJECT	REJECT	NONE

Western Power Distribution (South West) plc	ACCEPT	ACCEPT	NONE
Western Power Distribution (South Wales) plc	ACCEPT	ACCEPT	NONE
Yorkshire Electricity Distribution plc.	REJECT	REJECT	NONE
<b>SUPPLIER PARTIES</b>			
British Gas	ACCEPT	ACCEPT	NONE
E.ON UK	ACCEPT	ACCEPT	NONE
Npower Ltd Group	ACCEPT	ACCEPT	We are supportive of this proposal and believe that its implementation will lead to a number of benefits for DCUSA Parties, in particular a reduction in the resource and costs associated with administering and processing site specific invoices, cash control items and remittances, thereby freeing up more time to spend on investigating and addressing invoice validation issues.
ScottishPower Energy Retail Ltd	ACCEPT	ACCEPT	NONE

