

DCUSA CHANGE DECLARATION
DCP 057 – Flexible Funding Model

VOTING DATE: 18 January 2010

DCP 057	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Accept	Accept	Accept
IMPLEMENTATION DATE	Accept	Accept	Accept
RECOMMENDATION	<p>Change Solution – ACCEPT</p> <p>In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was greater than 50% in all Categories.</p> <p>Implementation Date –ACCEPT</p> <p>In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was greater than 50% in all Categories.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
DNO PARTIES			
Central Networks East	Accept	Accept	-
Central Networks West	Accept	Accept	-
Electricity North West	Accept	Accept	-
Northern Electric Distribution Ltd	Reject	Reject	-
SP Distribution	Reject	Reject	We do not consider it to be appropriate for the Panel to be given authority to make decisions regarding the proper allocation of costs between DCUSA Parties in these circumstances.
SP Manweb	Reject	Reject	We do not consider it to be appropriate for the Panel to be given authority to make decisions regarding the proper allocation of costs between DCUSA Parties in these circumstances.
Western Power (South West)	Accept	Accept	-
Western Power (South Wales)	Accept	Accept	-
Yorkshire Electricity Distribution plc.	Reject	Reject	-
IDNO PARTIES			
ESP Electricity	Accept	Accept	-
Independent Power Networks	Accept	Accept	-
The Electricity Network Co	Reject	Reject	Firstly, leaving the issue of portfolio billing to one side we make a general point.

			<p>Ultimately, all costs of administering and operating the electricity industry arrangements are borne by consumers either through the charges that suppliers make for the supply of electricity. Suppliers will bear the costs of administering industry codes and agreements (e.g. BSC, MRA or DCUSA) either as a fee charged directly, or where such costs are recovered from other classes of party (e.g. generators, transmission operators or distributors), as a component of the generator, TUoS or DUoS charges that suppliers have to pay.</p> <p>Therefore, in respect of this change proposal, it is incorrect to suggest that, by solely allocating certain DCUSA costs to distributors, suppliers and consumers will avoid having to pay them.</p> <p>One of the key tests in assessing any change is that the proposed change offers the most economic and efficient solution whilst complying with relevant industry obligations. This is true in respect of portfolio billing or any other industry arrangement.</p> <p>Establishing different funding arrangements for different components of DCUSA sets</p>
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			<p>precedence and a path which we believe could lead to fragmentation, result in higher industry costs and which will have negative consequences for consumers.</p> <p>If flexible funding arrangements are put in place then it is arguable that recent changes to DCUSA were to facilitate offshore transmission should not have been funded by suppliers too.</p> <p>In respect of portfolio billing, suppliers will supply consumers connected that are connected to IDNO networks and the energy conveyed to consumers on IDNO networks will have been conveyed across DNO networks. The commercial framework for DNOs and IDNOs was established at the same time as BSC modification P62. The arrangement where IDNOs charge the all the way DUoS to suppliers and the IDNO then pays the upstream DNO for use of system were developed by suppliers and distributors, prior to the existence of any IDNOs. The portfolio billing arrangements (the catalyst for this change) are a direct consequence of those discussions. We refute the suggestion that such costs are inappropriate for suppliers. We contend that IDNOs are in effect a</p>
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			<p>billing agent for suppliers in respect of the upstream networks.</p> <p>In respect of the relevant objectives identified we do not share the view that this change proposal better facilitates:</p> <p><i>“the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System”</i></p> <p>or</p> <p><i>“the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity”</i></p> <p>Any change proposal put forward will have to satisfy such arrangements irrespective of who funds it. We do not believe that establishing flexible funding better facilitates this objective. We believe it is more likely that different funding will introduce inefficiencies and higher costs for the operation of DCUSA</p> <p>In respect of this change the view of whether costs are inappropriate will</p>
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			<p>always have a degree of subjectivity. In respect of portfolio billing we disagree that the costs are inappropriate to suppliers. An alternative approach to IDNO-DNO billing is for IDNOs and DNOs to separately bill suppliers. By originally supporting the current IDNO-DNO billing framework we think such costs are entirely appropriate.</p> <p>The funding of activities where DCUSA does more than administer an agreement, i.e. it procures or provides different services, is a significant departure and fundamental change from its current activities. Whilst, it may be appropriate for DCUSA to evolve in this way, we think it should only do so as a deliberate and conscious move. We believe it may be appropriate for such issues to be considered as part of the review of governance arrangements.</p>
SUPPLIER PARTIES			
British Gas	Reject	Reject	British Gas supports the principal that DCUSA should have the ability to apportion costs differently across parties depending on the nature of the costs incurred. However we are uncomfortable giving the power to decide how these costs are apportioned to the DCUSA panel alone. Parties should have full transparency of

			<p>how any costs are to be shared at the outset. If a party disagreed with a funding decision made by the Panel it is not clear how they would appeal this.</p> <p>We would accept this proposal if the future funding arrangements had to be included in the associated Change Proposal, Parties would then have the ability to vote on the funding arrangements as part of the Change decision and it would not be left to the DCUSA Panel to agree funding arrangements.</p>
EON	Accept	Accept	-
Npower	Accept	Accept	-
ScottishPower Energy Retail Ltd	Accept	Accept	-
SSE Energy Supply Ltd	Accept	Accept	-