

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP081 (Urgent) – Authority decision-making process		
Decision:	The Authority ¹ directs that proposal DCP081 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested Parties		
Date of publication:	15 March 2011	Implementation Date:	1 April 2011

Background to the modification proposal

In December 2010, the Authority made modifications to the Standard Licence Conditions (SLCs) of the electricity distribution licences³. The modifications (which are effective from 1 April 2011) will change the Authority's decision making mechanism in respect of modifications which are raised to amend:

- the Common Distribution Charging Methodology (CDCM) as provided for in SLCs 13A and 50 of the electricity distribution licence; and
- the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM) as provided for in SLCs 13B and 50A of the electricity distribution licence.

The CDCM is already incorporated in the DCUSA and proposed changes to the CDCM can be raised under DCUSA governance but the EDCM is awaiting incorporation in the DCUSA on 1 April 2012.

As a result of the licence changes, proposed modifications to the CDCM raised on and after 1 April 2011 will no longer be subject to the Authority's 28 day veto process whereby a modification is approved unless the Authority vetoes it no later than 28 calendar days after receiving the final modification report. Instead, by virtue of a change to SLC 22A, proposed modifications will be subject to the DCUSA modification procedure as set out in SLC 22.14(b) so that the Authority may approve or reject a modification. The Authority aims to make decisions on proposed modifications within 25 working days of receiving the final modification report.

For proposed modifications raised on or prior to 31 March 2011, the 28 day veto process for Authority decision making continues to apply and the licence changes reflect this transition in SLC 22A.18. The licence changes were made to reflect the conclusions of Ofgem's Code Governance Review (CGR) which were published in March 2010⁴.

The modification proposal

The proposer (UK Power Networks) raised DCP081 in January 2011. The proposal seeks to reflect within the DCUSA legal text the licence changes set out above. The proposer stated that DCP081 should be given 'urgent' treatment as it relates to an imminent date-related event, namely the introduction of the licence changes on 1 April 2011. The proposed implementation date of DCP081 would also be 1 April 2011.

The proposal would amend the DCUSA to ensure that the DCUSA legal text, specifically Clause 13.10, reflects the transition in the Authority's decision making process for proposed modifications to the Charging Methodologies (which currently refers to both the

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 modification notice is on the Ofgem website:

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20Direction%20201210.pdf>.

⁴ Page 36 of the CGR final proposals which appear on the Ofgem website at:

http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/CGR_FinalProposals_310310.pdf.

CDCM and the EDCM although the latter will not be incorporated in the DCUSA until 1 April 2012) by referring to SLC 22A.18.

In the proposer’s view, DCP081 would better facilitate DCUSA objective 3.1.3 ‘the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences’ by bringing DCUSA legal text into line with the licence obligations set out in the amended licence.

The proposer also considered that DCP081 would better facilitate DCUSA objective 3.1.4 ‘the promotion of efficiency in the implementation and administration of the Agreement and the arrangements under it’ by ensuring that the transitional arrangements for Authority decision making regarding proposed modifications to the CDCM raised on or before 31 March 2011 are clarified for the benefit of DCUSA parties in the DCUSA’s governance arrangements.

DCUSA Parties’ recommendation

The Change Declaration for DCP081 indicates that DNO, IDNO/OTSO, Supplier and DG parties were eligible to vote on DCP081. In each party category where votes were cast (no votes were cast in the DG party category), there was unanimous support for the proposal and its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP081 is accepted. The outcome of the weighted vote is set out in the table below:

DCP081	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	0	n/a	n/a

The Authority’s decision

The Authority has considered the issues raised by the proposal and the Change Declaration dated 2 March 2011. The Authority has considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. The Authority has concluded that:

1. implementation of the change proposal DCP081 will better facilitate the achievement of the General DCUSA objectives; and
2. directing that the change is approved is consistent with the Authority’s principal objective and statutory duties⁵.

Reasons for the Authority’s decision

We note the unanimous support from those parties that voted for the proposal. There were some comments on the proposed legal text changes and whether it needed to be clearer to make the DCUSA legal text more consistent with the licence change.

General objective 3.1.3 - efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences

We agree that the proposal better meets this objective. The amended licence sets out the arrangements for the transition from the 28 day veto process for Authority decision

⁵ The Authority’s statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

making to the process which would apply to all DCUSA change proposals, including for proposed modifications to the CDCM. The DCUSA should reflect and align with the amended obligation on licensees and so it is appropriate for the relevant clause in DCUSA to change as a consequence so that licensees can discharge their obligations efficiently.

General objective 3.1.4 - the promotion of efficiency in the implementation and administration of the DCUSA and the arrangements under it

We agree that the proposal also better meets this objective. By reflecting the licence change in the DCUSA legal text, the proposal would ensure that the DCUSA governance arrangements are clear about which Authority decision making process applies to which proposed modifications of the CDCM depending on when they are raised. This approach more efficiently delivers the DCUSA administrative arrangements and avoids confusion on the part of DCUSA parties.

We note one consultation comment that a cross reference in the DCUSA legal text to the relevant licence obligation (SLC 22A.18) regarding the transitional arrangements is not sufficient to provide clarity. In our view, the licence obligation clearly sets out the transitional arrangements and the cross reference provides sufficient notice to all interested parties of the application of those arrangements without the need for further explicit wording in the DCUSA legal text.

Decision notice

In accordance with standard condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP081: '*Authority decision making process*' be made.

Mark Cox

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Signed on behalf of the Authority and authorised for that purpose