

DCUSA DCP 146 Supplementary Questions Responses – Collated Comments

Question One	How will DCP 146 affect your organisation? Please provide supporting comments.	Working Group comments
British Gas	It will reduce the number of validation cycles that need to be performed each month and our accounts payable function will benefit from the reduced invoicing runs.	
EDF Energy	Having 2HH billings runs will provide better controls and reduce manual work. This is also free with resources across the company, which can utilised for other data quality improvements activities.	
ENWL	<p>Due to the severity of this change proposal on our company we submitted the following as part of the consultation.</p> <p><i>“We believe such a change would result in the following issues manifesting themselves:</i></p> <ul style="list-style-type: none"> <i>• lack of time to undertake validation due to increased volumes associated with only two instances every month. In fact when you consider the expert group comments (meeting 3) it states that the first one will be for the main billing run and the second for any cancellations, amendment and rebilling, albeit the legal text does not state as such;</i> 	<p>The Working Group queried why you would need to do analysis to confirm that the majority view of the practice is correct.</p> <p>The Working Group also noted that the Industry cannot refer to things in the past that have been rejected in order to not make changes. The Industry should learn from the mistakes of the past, but also take into account the developments in the industry and ways to move forward.</p>

	<ul style="list-style-type: none"> • <i>potential increase in credit cover arrangements being required from suppliers which may impact the smaller supplier (smoothing over the month may avoid this), that said larger suppliers are now having to consider their position due to bank and company credit ratings;</i> • <i>withholding bills may not serve the distributor in recovering debt from potentially defaulting suppliers who have financial difficulties;</i> • <i>impacts on distributor cash flow by having to wait for a valid invoice to be despatched;</i> • <i>impact on resources due to two pinch points (inefficiency);</i> • <i>lack of flexibility available to the distributor;</i> • <i>impact on systems (major impact to this distributor); and</i> • <i>Potential increase in estimated readings resulting in more interaction/disputes with the supplier.</i> <p><i>All these were highlighted in the consultation responses during DCP017. It is somewhat a surprise that there was no mention of such a change request within the minutes of the working group meeting. We believe it would be helpful if Ofgem consider the contents of that change proposal when determining on this one."</i></p> <p>In isolation, the above is the impact but further consideration should be given to understand the</p>	
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	<p>consequential impact that smart metering may have if the Balancing & Settlement Code P280 is rejected and P272 is accepted.</p> <p>Whilst the request is for our business impact it must be remembered that all of the business justifications for raising DCP017 were challenged by us and it is expected that these are likely to be raised again as part of their submission to this question.</p> <p>It must also be remembered that this change proposal is more onerous than DCP017 i.e. only two bill runs instead of four which was a compromise by the working group from the original submission which was for one account but no more than two, namely</p> <p>“The Company shall make best endeavours to submit one account within a charging period and in any event shall make no more than two account submissions to the User within a charging period.”</p> <p>This time around there is no wiggle room in the intent. It is a matter of accept or reject. The expert group did no analysis; they selected the most common and went with it.</p> <p>The system change to minimise the business impact is key and as such this has yet to be developed, but the DCP017 solution at the time had significant cause for concern.</p> <p>Overall we just see increased costs, reduced customer service, more inefficiency and frustration to all</p>	
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	concerned.	
GTC	This should have little or no impact on ourselves, as we endeavour to keep billing runs to a minimum.	
Northern Power Grid	Northern Powergrid already adheres to DCP146. The approval of this change will restrict DNOs from carrying out additional billing runs if a supplier was showing signs of financial difficulties; this would be substantiated by their credit cover position. Northern Powergrid would expect to reserve the right to carry out additional billing runs when required in situations such as the above.	The Working Group noted the comments.
Scottish Power Energy Retail	<p>We have provided a joint response to the supplementary questions to DCPs 141, 142, 144 – 149 as we believe the same answer applies to each change.</p> <p>These changes will encourage consistency across all DNOs. Under current arrangements suppliers are required to manage manual workarounds to cater for the different processes employed by some DNOs. This requires manual intervention and time which in turn incurs cost. Successful implementation of these changes will reduce the need for manual intervention and in turn reduce the costs to suppliers. As stated in our previous response this reduction in the costs incurred by parties will help to facilitate effective competition in the supply of electricity.</p> <p>With reference to DCP 141 only we do not understand why the legal text has been amended to now say</p>	

	<p>“DNO Parties who do not use de-linking...” and why such a distinction has been made. We are unsure why a DNO using de-linking should treat an invalid settlement class any different from one who does not. As above, the main benefit of these changes is that consistency helps reduce complexity and brings down costs associated with manual workarounds. The success of this is reduced if exceptions are made without sufficient justification.</p>	
SSE Distribution	This is a large impact to us as it involves considerable change to our core billing system and billing schedule.	
SSE Energy Supply	We will receive HH DUoS invoices only during specified times of the month	
UKPN	We already do this so no impact	
WPD	This does not affect our organisation.	
Question Two	Will there be any associated costs with implementing DCP 146? Please provide supporting comments.	
British Gas	No	The Working Group noted that two of the respondents noted they would incur costs as a result of DCP 146 being implemented. The rest of the respondents explained that

		they would not incur any costs.
EDF Energy	There will NO directly relating costs to this change , however there will be a cost benefit in terms of time better utilised	
ENWL	<p>One off costs</p> <p>The impact on the IT system to limit billing production to twice per month is classed as a major change (200-300 Man Days) plus considerable business testing and project management costs. This was submitted as part of our DCP017 response. This is expected to be in the region of £200 -250k.</p> <p>Business costs</p> <p>Validation – in order to minimise the impact we may well have to switch off some if not all validation and bill on data received from the supplier's data collector, this would ensure that we can bill at the most optimal time but we will still have the resources available for the queries that will be forthcoming between the billing runs. This is not what suppliers want as per DCP017 comments within the working group and change report but if we maintain the validation we delay billing and have cash flow impact. It is likely that this will have cancel re-bill consequences, so suppliers will be expected to pay the bill and wait for their refund and subsequent amendment at the next billing run. An optimistic outturn is neutral with the work being undertaken post billing rather than pre billing. If we continue to validate and delay billing to our current final bill day the cash flow impact would increase see impact under cash flow.</p>	<p>The Working Group discussed and noted the comments within this response and had some individual comments for some points which are highlighted below.</p> <p>The Working Group has already discussed credit cover, and does not feel that this will change significantly in practice.</p> <p>Remittances – The Working Group noted that they think there would be less remittances so it may be a more efficient process.</p>

	<p>Credit Cover – the impact is likely to be a one off activity. Once the bill runs have been sent out an assessment can be made. Those that are impacted will need to involve a number of parties including solicitors, bankers, contract managers and finance teams. We suspect that we may have a number of these to undertake. Albeit we would hope to subsume this into business as usual it will still take 5-10 days effort/per review at the expense of delivering something else. There may be costs of legal and bank fees to pay for the supplier, or alternative means of cover arrangements to be put in place such as cash deposits. Dependent upon the impact suppliers may seek derogations against Schedule 1 of DCUSA whilst this is being resolved.</p> <p>Cash Flow – on the main billing run we may be cash neutral if we select a suitable date between day 1 and day 5, but the impact will be on those that fall outside of this and the restriction to bill the likes of disconnected sites twice per month rather than as we do now, at the time of disconnection, although volumes of site specific sites covered by this are low. Alternatively the bigger impact Likely impact circa £8-10k/month.</p> <p>Estimated readings – albeit this will be automated there is still the issue of repeating the process of cancelling and rebilling when the actual reads arrive from their data collector. The expectation being that suppliers will pay the invoice and wait for the credit when the HHDC readings are received and processed</p>	
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	<p>at the next billing run. This may further exacerbate the outcome of DCP143 looking at how distributors estimate missing readings by a further 0.5 full time equivalent (FTE) due to additional abortive work.</p> <p>Remittances – we see this as the bigger issue. Suppliers may believe that they save money on cash processing but this will be countered by increased dialogue where remittances cannot be validated. An additional 2 FTEs or we consider a change proposal to obligate suppliers to send a remittance and that match the invoice sent in every instance or they will be rejected by the distributor.</p> <p>Supplier in distress – the potential is the loss of income deferred by this change proposal but it is hoped that this will not be the case due to the Ofgem determination of this.</p>	
GTC	No	
Northern Power Grid	No development costs.	
Scottish Power Energy Retail	We would not envisage incurring any additional costs as a result of implementing these DCPs.	
SSE Distribution	This involves a considerable effort IT project at the current market rate.	The Working Group noted that SSE did not provide an estimate of how much this IT project would cost.
SSE Energy Supply	None to our HH DUoS validation system as it only when we expect to receive files that is proposed to be changed.	

	However, as per our answers to the original questions we are mindful of the cost/ cash flow issues that DNO/IDNOs might incur.	
UKPN	No foreseen cost	
WPD	There are no costs to our organisation.	