



DCUSA Change Report

DCP 141 - Invalid Settlement Classes

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 141 – Invalid Settlement Classes.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed legal drafting amendments (Appendix B) and submit their votes using the form attached as Appendix D to dcusa@electralink.co.uk no later than 7 December 2012.

2 BACKGROUND

- 2.1 DCP 141 has been raised by E.On Energy as a result of the work undertaken by the DCMF MIG Annual Review Billing Supergroup. That group was established to determine best practices in DUoS billing and to facilitate moving the Industry towards such practices in order that Distributors adopt a common approach to billing.
- 2.2 The intent of this CP is to ensure that all Distributors adopt a common approach to billing invalid Settlement Classes by applying the Unrestricted Domestic rate to the existing Settlement Class data.
- 2.3 The DCMF MIG Annual Review Billing Supergroup has assessed different approaches used by Distributors under current practice and has determined its view of the optimal common approach that should be adopted in relation to the matter stated in the intent.
- 2.4 The group felt that by having a common approach to billing it will make it easier for Suppliers to build validation routines and provide transparency for new entrants.
- 2.5 In the case of Distributors who do not charge for invalid combinations, it was felt there was cross subsidisation, and where Distributors adjust the LLFC prior to invoicing it was felt that validation was difficult.

3 DCP 141 – WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess and refine DCP 141. The Working Group met on three occasions and was comprised of Suppliers, DNO Parties and Ofgem representations.
- 3.2 Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4 DCP 141 – CONSULTATION

- 4.1 The Working Group carried out a Consultation to give Parties an opportunity to review and comment on DCP 141. There were 13 responses received from Parties and these are documented in Appendix C.
- 4.2 The majority of the responses to the consultation were supportive of the intent and the principles of DCP 141. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Appendix C.
- 4.3 A summary of the responses received, and the Working Group's conclusions are set out below:

Question 1 - Do you agree with the intent of DCP 141?

- 4.4 The Working Group noted that the majority of respondents, except for one DNO Party, agree with the intent of DCP 141.

Respondent Party Type	Yes	No
DNOs	5	1
Suppliers	6	0
IDNO	1	0

- 4.5 One DNO Respondent noted that they agree with the intent and, as written, it effectively provides clarification that where Distributors apply the default rate it is applied to the 'existing' settlement class data.
- 4.6 They further noted that in their opinion the intent does not match the legal text in that changing the clause to mandate billing is in our opinion not within the intent as written.
- 4.7 The Working Group noted that they did not agree with this response in regard to the intent not matching the legal text.

- 4.8 It was agreed by the Working Group that this response implies that they agree with the intent of the CP as asked in the question, but have an issue with the drafting of the legal text.
- 4.9 It was highlighted that the intent is to have commonality in the approach to charging and billing.

Question 2 - Do you agree with the principles of DCP 141?

- 4.10 The Working Group noted that the majority of Respondents, except for two DNO Parties, agree with the principles of DCP 141.

Respondent Party Type	Yes	No
DNOs	4	2
Suppliers	6	0
IDNO	1	0

- 4.11 One DNO Respondent noted that they believe that DCP 141 goes beyond the intent, Schedule 16 is about a common charging methodology and as such provides a common approach as to what tariff to apply should such instances occur which is sufficient for this Schedule. They feel it should not mandate the Distributor to charge for such instances. The flexibility to apply the charge or not should be the Distributor's choice.
- 4.12 The Working Group noted that the principle behind DCP 141 is to get DNOs to work within the same set of procedures. It was explained that currently, DNOs can change their approach at any time. It was agreed that Suppliers do not necessarily mind in which way they are billed, but they all would like a common approach to be employed by DNOs.
- 4.13 It was also noted that the DCMF MIG Billing expert group thought that this solution was the best way forward in order to progress this issue.
- 4.14 The other DNO Party which did not agree with the principles of DCP 141 noted that they did not support this CP because it may be too strong of a solution in order to address a problem which could be relatively small volumes, and that this cannot get worse under current Industry arrangements.
- 4.15 The Working Group discussed that even though the volumes are small, the impact on Suppliers could be quite significant; as Suppliers have to build a bespoke validation system for each DNO. It is going through the validation process which takes a lot of time and effort.

- 4.16 It was noted that when a new Supplier enters the market, they would have no idea how to build a validation tool; and under the current procedures this validation could change tomorrow if the DNOs change their procedures.
- 4.17 It was also highlighted that this CP is about a validation issue, not a volume issue.
- 4.18 The Working Group noted that this was also an issue for IDNOs.

Question 3 - Does the CP better facilitate the DCUSA General Objective 2 and Charging Objective 3? Please provide supporting comments.

- 4.19 The Working Group agreed that DCUSA General Objectives 2¹ and DCUSA Charging Objective 3² were better facilitated by DCP 141.
- 4.20 The following table outlined the Respondents' views on which Objectives are facilitated by the CP:

DCUSA General Objectives		DCUSA Charging Objectives	
Objective 1	0	Objective 1	0
Objective 2	11	Objective 2	0
Objective 3	0	Objective 3	11
Objective 4	0	Objective 4	0
Objective 5	0	Objective 5	0

- 4.21 The Working Group noted that 11 of the 13 Respondents agreed that DCP 141 better facilitates DCUSA General Objective 2 and DCUSA Charging Objective 3.
- 4.22 One Supplier Party Respondent noted that they agree that General Objective 2 is better facilitated as Suppliers will be better able to validate incoming invoices from Distributors as there will be a common approach. It was explained that this was something that was envisaged when the Common Charging Methodology was introduced in that the approach to charging should be common.
- 4.23 They highlighted that a common approach makes it more transparent to new market entrants, as at present it is unclear what approach is adopted

¹ 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

² that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business

by Distributors prior to receiving an invoice.

- 4.24 The Respondent also agreed that Charging Objective 3 is better facilitated as not charging, as some Distributors currently do, is a clear cross subsidisation as others uses will pick up these charges.
- 4.25 Another Supplier Party responded by saying that they do agree that General Objective 2 is better facilitated by increasing the commonality of business rules which will promote competition in the market by removing barriers to entry.
- 4.26 They also noted that they agree with the Working Group's assessment that Charging Objective 3 is better facilitated in the instance where some DNOs do not currently charge for invalid settlement classes.
- 4.27 It was also explained by another Supplier Party that they are in support of this change .This will reduce manual data entry of transactions and therefore will reduce validation errors, and ensure consistency in the billing approach across the industry.
- 4.28 The Working Group confirmed with this Respondent that they do support both of the Objectives as listed within the Consultation.
- 4.29 A DNO Party explained that the CP ensures consistency of practice across the Industry and facilitates Supplier Validation, and therefore agree that it meets the Objectives as set out by the Working Group.
- 4.30 Another DNO Party noted that this question was limited to just two Objectives. This may well be the view of the Working Group and/or the sponsor of the change proposal but any change should be subject to a challenge against all of the Objectives.
- 4.31 The Working Group also agreed that ENWL raised a valid point concerning the CP being reviewed against all the Objectives. However, it was highlighted that the question does not preclude any Party from raising points about any of the Objectives, and Parties have done so in the past.
- 4.32 The Respondent further explained that they do not believe that the CDCM charging methodologies are affected. There is no change to the methodology so it is neutral against all of them. The default rate is still the same default rate. The application of the rate is not a methodology

issue.

- 4.33 The Working Group noted that you can only meet one of the Charging Objectives if you change the methodology; the methodology will change as it will state that the DNO “shall” use this rate.
- 4.34 The Respondent also noted that in regard to Charging Objective 3, they can understand why this comment is being made, when the data is correctly rectified in the appropriate systems any cross subsidy issue goes away. They felt that as long as this is completed within the settlement calendar this is not an issue. They noted that their volumes of data would suggest that such a cross subsidy is not material.
- 4.35 The Working Group noted that the validation sits within MPAS, and it has been activated for some time. It was explained that the MPANs with invalid combinations cannot be changed or switched to another Supplier until they are rectified.
- 4.36 It was highlighted that this process ‘cleans’ going forward, but MPAS cannot make any changes going back further than 14 months.
- 4.37 The Working Group noted from the Proposer of the CP, that DCP 141 concerns the way this issue is charged, not at a way to cleanse this data.
- 4.38 The Working Group reiterated that this CP is about a validation issue, not the volume of the problem.
- 4.39 It was noted that there may be other possible solutions, but this CP has been raised to address the problem in a certain manner; and that is what should be developed and assessed within the Working Group.
- 4.40 The Respondent then noted that in regard to General Objective 2, the Working Group assessment is that this is better facilitated by improving Supplier validation and transparency. They believe that competition is unaffected in that the Distributor is sending the same manipulated data to all Suppliers affected, and therefore believe that it is neutral.
- 4.41 They also explained that for General Objective 3 they believe that this Objective is better facilitated by Distributors not manipulating data, hence placing them in breach of the MRA and as such the Distribution Licence. This also causes unjustified validation issues to the Suppliers.

- 4.42 The Working Group noted that within their reply, this DNO Party feels that competition is unaffected. However, the Working Group noted earlier in discussions that this could affect new entrants to the market and also smaller Suppliers which may not have the means to build bespoke systems for the different approaches currently employed by DNOs. Therefore, it could be argued that competition is in fact affected.
- 4.43 The Working Group also highlighted that this CP will change it from 'may' do something into 'have to' do something. In the view of the Working Group it is not manipulating the data; it is taking the data that is there and applying a rule to it.
- 4.44 Another DNO Party noted that in their opinion DCP 141 does not better facilitate any DCUSA or Charging Objectives; in fact it may make General Objective 2 worse because the LFC the MPAN presents on in the bills will not be the corresponding tariff it is charged on.
- 4.45 The Working Group noted that if it is an invalid, there won't be an applicable tariff.
- 4.46 It was discussed by the Working Group that some DNOs will use the LLFC, some will use the PC, or they may use a default tariff. It was noted that this demonstrates the inconsistencies and difficulties that Suppliers currently face in dealing with the different methods. In effect, their validation tools have to mirror the billing tool.

Question 4 - Do you have any comments on the proposed legal drafting of DCP 141?

- 4.47 The Working Group noted that the majority of Respondents did not have any comments on the legal drafting.
- 4.48 One DNO Party questioned why the legal text is mandating that only one of the four data items cannot be changed and that in their opinion it is the full invalid combination that should be unaltered. Not all distributors use the LLFC to bill; some use the full combination.
- 4.49 The Working Group should change the legal text to coincide with this response to say that "any of the valid..." and it was agreed that this will be changed within the final version of the legal text which is sent to DCUSA's legal advisor.

- 4.50 The Respondent further noted that in light of their comments and those contained in earlier consultation questions they believe that there is a case for no change here.
- 4.51 Another DNO Party noted that they believe it would be preferable to include a sentence as to how invalid combinations should be dealt with for portfolio billing such as: "Where portfolio data contains invalid combinations, the 'LDNO HV: Domestic Unrestricted' fixed and unit charge will be applied as default."
- 4.52 The Working Group noted that this comment refers to adding clarity to the way this issue will be dealt with in portfolio billing. The Working Group agreed with this comment and will be reflected within the final version of the legal text.

Questions 5 - How will DCP 141 affect your organisation? Please provide supporting comments.

- 4.53 One Supplier Party noted that they are in support of DCP 141. They feel that its implementation will reduce manual data entry of transactions and therefore will reduce validation errors, and ensure consistency in billing approach across the industry.
- 4.54 One DNO Party explained that they have already approved the implementation of applying the unrestricted rates to invalid combinations and it is expected that this will be applied from the 1st November 2012, and the scope of the change aligns with this change proposal.
- 4.55 A Supplier Party noted that the effects are as a consequence of not implementing DCP 141. Without a common defined approach in order to validate invoices received from Distributors, Suppliers face the following issues. They have to either develop separate validation tools for each Distribution Licence held, with no guarantee that these will remain the same as the Distributor can change at any time without any notice.
- 4.56 It was further explained by this Respondent that the alternative is to employ more validation staff to manually check each invoice with again no guarantee that the Distributor does not change the way it invoices from month to month. The final alternative is not to validate invoicing something that will result in the many errors we come across not coming to light. It was highlighted that when these errors are discovered, perhaps

many years later, this results in re-billing by the Distributor often without the ability to re-invoice correctly to the end Customer.

- 4.57 The Working Group noted that this also affects IDNOs as well and is not only applicable to Suppliers.
- 4.58 It was noted by another Supplier Party that, if DCP 141 is implemented, they will have greater confidence in how invalid Settlement Classes will be billed and that they are being done in a consistent way regardless of DNO. This will reduce the resource required to validate charges leaving more available to resolve the root causes behind invalid combinations.
- 4.59 One DNO noted that as they are delinked significant changes would be required to their billing system and other internal processes to accommodate this change, as delinked DNOs tariffs are linked to the LLFC rather than the SSC/TPR combination. This causes a problem with trying to attach two tariffs to the same LLFC and therefore the same CDCM tariff group (which they identify purely by associated LLFC). They suggested that delinked DNOs are exempted from this change, as delinking allows the DNO to charge on a more cost-reflective way by specifying time bands that correspond to their network loading, allowing them to respond to changes caused by the introduction of smart metering.
- 4.60 Two DNO Parties also explained that they already meet the requirements of this DCP 141.

Question 6 - Will there be any associated costs with implementing DCP 141? Please provide supporting comments.

- 4.61 The Working Group noted that the majority of Respondents, 12 of 13, will not have any costs associated with implementing DCP 141.
- 4.62 One Supplier Party noted that the costs are all associated with not implementing DCP 141. They estimate the development costs for each bespoke validation for this item to be approximately £2,000, and to employ more validation staff at £25,000 per annum per Distribution licence.
- 4.63 One DNO Party noted that they would incur costs to update their billing system and would be approximately £330k based on other similar changes

we have obtained quotes for in the past.

Question 7 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.

- 4.64 The Working Group noted that the majority of Respondents to this CP were not aware of any other developments which would impact upon the implementation of this CP.
- 4.65 One DNO Party noted in their view it was made clear in the first meeting of the DCMF MIG Billing Expert group in April 2012, that this change proposal would be superfluous should 'de-linking' be implemented, and as such this change proposal was initially placed on hold.
- 4.66 They explained that it is their understanding that de-linking seems to be progressing on two fronts. The DCMF MIG Billing Expert group have it on their agenda, and believe that it may take some time hence the progression of this change proposal. Also, the latest information coming out of the Methodology Issues Group (MIG) NHH/HH sub group seems to be that they are applying a de-linked solution as well, with the intended implementation date being April 2014.
- 4.67 It was explained that for Distributors who currently do not wish to charge, for whatever reason, they should not be forced to change their systems at a cost to the Industry, and ultimately the end consumer, when a change in the same area some 6 months later (both subject to approval) will result in further costs and deliver what is perceived to be the ultimate solution.
- 4.68 The Respondent also noted that the Balancing & Settlement Code P280 Modification is aiming for an implementation date of April 2014 and the DCP151 Change proposal to facilitate HH Aggregated tariffs is currently out for consultation³. Although the date of this change is October 2013 the implementation date is being consulted on and may change to align with P280 and the MIG Sub Group so that we have a number of options

³ It was noted by the DCUSA Panel at their meeting on 21 November 2012 that the BSC Modification P280 has been rejected by Ofgem; and that the DCUSA DCP 151 has been withdrawn since the Consultation for DCP 141 had finished and the Working Group met to discuss the responses.

available for delivery at the same time all impacting Supercustomer billing. All subject to approval and no guarantee to progress, but does place this change in context with other changes that may impact the same billing system.

- 4.69 The Working Group noted that the MIG did not place this CP on hold as suggested within this response, it was sent to the DCMF MIG Billing Expert Group for review.
- 4.70 The Working Group also questioned how long any change should be delayed, in order to await confirmation of other potential changes that may or may not be approved or put forward. It was noted that all changes are judged on their own merits.
- 4.71 It was also highlighted that even though some of these changes will implement new measurement classes, it will not address the issue of invalid settlement classes.
- 4.72 It was noted by the Working Group that there are quite a few changes that are coming through in 2014, and that this CP is not a significant shift, and should be implemented as soon as possible as stated within the CP form.
- 4.73 A Supplier Party Respondent also explained that although there is the potential that with the introduction of SMART metering invalid settlement classes will not be required any more. However, as full cut-over may not be until 2020 then the benefits gained through DCP 141 outweighs the finite timescales of use.

Question 8 - Do you agree with the implementation date of DCP 141?

- 4.74 The Working Group noted that the majority of Respondents, 11 of 13, agreed with the implementation date of DCP 141.

Respondent Party Type	Yes	No
DNOs	4	2
Suppliers	5	0
IDNO	1	0

- 4.75 One Supplier Party noted that they did not agree with the implementation date, they preferred it being at the start of a financial year would be better as this would provide consistency throughout the year.

- 4.76 Another Supplier Party explained that they do support the implementation date and also recognise that adjusting billing systems to accommodate small changes can be costly. They noted that they do not believe, however, this should be a reason to either reject the modification or delay the change implementation. DNOs in those circumstances should apply for derogations and seek to implement in an efficient fashion.
- 4.77 The Working Group noted that if any Party has issues with the implementation of the CP, they should apply for derogations to Ofgem.
- 4.78 One DNO Party explained that they do not agree with implementing DCP 141, however 1st October 2013 does not allow enough time for change to the billing system to be implemented. Trying to forecast the change in income caused by MPANs moving en mass between tariff charges mid-year rather than a full year may also lead to swings in recovery positions.
- 4.79 The Working Group discussed that the volumes were not that great, as previously noted by other responses, so queried whether this would actually lead to large swings/changes in income in practice.
- 4.80 One DNO suggested changing the LLFC to the domestic unrestricted LLFC and letting billing sort itself out from that, allowing suppliers to still identify incorrect combinations without breaking the link between LLFC and tariff.
- 4.81 The working group noted that this was not the proposal contained in DCP141 and would need to be raised as a separate change proposal.

Question 9 - Are there any alternative solutions or matters that should be considered by the Working Group?

- 4.82 The Working Group noted that the majority of Respondents were not aware of any other solutions or matters that the Working Group should consider.
- 4.83 One Supplier Party noted that at the Working Group that a related issue exists where, in the case of MPANs with multiple TPRs, some DNOs are charging the fixed charge element for each TPR. It is their belief that this is an overcharge as two fixed charges would not be charged to one MPAN in the case of a valid combination. They believe that an opportunity exists to resolve this issue through an extension of the legal text but

acknowledge comments from the Working Group that this would be better first discussed through MIG as a separate change.

4.84 The Working Group noted that this seems to be a different issue, and should be raised as a separate DCP.

4.85 All other issues that were raised in regard to this question were discussed by the Working Group and agreed that the points had been covered off in previous questions.

5 PROPOSED LEGAL TEXT

5.1 The proposed legal drafting of DCP 141 has been considered by the Working Group, and reviewed by Wragge & Co, and is attached as Appendix B.

6 DCP 141 – WORKING GROUP CONCLUSIONS

6.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses and Supplementary Questions, is that proposed drafting meets the intent of DCP 141 and therefore should be issued for voting and Party determination.

7 EVALUATION AGAINST THE DCUSA OBJECTIVES

7.1 The majority of the Working Group considers that the following DCUSA General Objective is better facilitated by DCP 141:

General Objective 2⁴ – Better Facilitated. The Working Group agrees that DCP 141 will better facilitate the Supplier's validation and make this process more transparent.

Charging Objective 3⁵ - Better Facilitated. The Working Group agrees that choosing not to bill invalid combinations leads to cross subsidy and DCP 141 will remedy this situation, and in doing so, better facilitate this Objective.

8 IMPLEMENTATION

8.1 DCP 141 is classified as a Part 1 matter in accordance with Clause 9.4.2 (B) of the Agreement, and therefore will go to the Authority for

⁴ 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

⁵ that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business

determination after the voting process has completed.

- 8.2 The implementation date, subject to Authority approval, is 1 October 2013.

9 ENGAGEMENT WITH THE AUTHORITY

- 9.1 Ofgem has been fully engaged throughout the development of DCP 141 as a member of the Working Group.

10 PANEL RECOMMENDATION

- 10.1 The Panel approved this Change Report on 21 November 2012. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 141.

- 10.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	23 November 2012
Voting closes	7 December 2012
Change Declaration	11 December 2012
Authority Decision	18 January 2013
CP Implemented	1 October 2013

11 APPENDICES:

- Appendix A – DCP 141 Change Proposal
- Appendix B – DCP 141 Proposed Legal Drafting
- Appendix C – DCP 141 Consultation Documents
- Appendix D – DCP 141 Voting Form