



## **DCUSA Change Report**

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DCP 148 – Re-Billing to be done via Credit/Re-Bill

## **1 PURPOSE**

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 148 – Re-Billing to be done via Credit/Re-Bill.
- 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 E to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than 9 January 2013.

## **2 BACKGROUND**

- 2.1 DCP 148 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 DCP 148 is to ensure that all Distributors that raise reconciliation HH invoices use the credit and re-bill approach rather than invoicing the difference.
- 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 Different Distributors adopt different approaches to HH billing from daily billing, weekly billing to two runs at varying times of the month. The DCMF MIG Billing Group felt consistency was preferable and that two runs was preferable.
- 2.5 The Proposer explained that different Distributors adopt different approaches to changed data in HH billing; some credit an original invoice and raise a new invoice while others bill the difference. The Billing Group felt consistency was preferable and that credit and re-bill was the best approach.

- 2.6 This CP has been deemed a Part 1 matter as it is likely to discriminate in its effect upon Parties as some Distributors may have changes to make to their billing systems while others may not.

### **3 DCP 148 – WORKING GROUP**

- 3.1 The DCUSA Panel established a Working Group to assess and refine DCP 148. The Working Group was comprised of Suppliers, DNO Parties and Ofgem representation.
- 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](http://www.dcusa.co.uk).

### **4 DCP 148 – CONSULTATION**

- 4.1 The Working Group carried out a Consultation to give Parties an opportunity to review and comment on DCP 148. 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 148. 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 148?**

- 4.4 The Working Group noted that the majority of respondents, except for two DNO Parties, agree with the intent of DCP 148.

<b>Respondent Party Type</b>	<b>Yes</b>	<b>No</b>
<b>DNOs</b>	3	3
<b>Suppliers</b>	6	0
<b>IDNO</b>	1	0

- 4.5 One DNO respondent, who did not agree with the intent of the CP, noted that in their opinion the intent should have allowed a debate to take place to identify what the best and most cost effective solution would be for all parties impacted. They further noted that a counter argument can be raised to say that adjustment billing is the correct approach and actually aligns with the Supercustomer DUoS approach where difference billing of

previous settlement dates takes place via the reconciliation runs; and that there may be instances when either approach is acceptable.

- 4.6 The respondent further explains that there is also an impact on the e-billing agreement which allows for such Invoice Types and as such would have to be updated if this change proposal was successful. Their concern arises from the limited intent and the potential to have cross governance issues emanating from such a change proposal.
- 4.7 The Working Group noted the comments, and does not agree that there would be a cross governance issue if DCP 148 were implemented.
- 4.8 There were two other DNO respondents that did not agree with the intent of DCP 148 and the Working group noted the responses, but highlighted that there were no reasons provided to elaborate as to why they do not support the intent of the CP.

#### **Question 2 - Do you agree with the principles of DCP 148?**

- 4.9 The Working Group noted that the majority of respondents, except for two DNO Parties, agree with the principles of DCP 148.

<b>Respondent Party Type</b>	<b>Yes</b>	<b>No</b>
<b>DNOs</b>	3	3
<b>Suppliers</b>	6	0
<b>IDNO</b>	1	0

- 4.10 One DNO respondent noted that the principles for DCP 148 are about one common approach irrespective of whether it is the most efficient, cost reflective solution.
- 4.11 It was explained that they use both the cancel/re-bill approach and adjustment bills both on paper and e-billing.
- 4.12 The justification of DCP 148 states that "Different distributors adopt different approaches to changed data in HH billing." The respondent noted that this is true and does comply with what parties have agreed to in the e-billing arena. They feel that the correct governance area should be utilised for change especially when you consider that they have over 99% of invoices sent out by e-billing.
- 4.13 The Working Group noted and discussed all the comments contained

within the response. It was highlighted that DCP 148 is seeking a common approach among DNOs, and highlighted that this was discussed at length within the DCMF MIG Billing expert group.

- 4.14 There were two other DNO respondents that did not agree with the principles of DCP 148 and the Working group noted the responses, but highlighted that there were no reasons provided to elaborate as to why they do not support the principles of the CP.

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

- 4.15 The Working Group agreed that DCUSA General Objectives 2 was better facilitated by DCP 148.

- 4.16 The following table outlined the respondents' views on which Objectives are facilitated by the CP:

<b>DCUSA General Objectives</b>	<b>General Objective</b>
<b>Objective 1</b>	0
<b>Objective 2</b>	10
<b>Objective 3</b>	0
<b>Objective 4</b>	0
<b>Objective 5</b>	0

- 4.17 The Working Group noted that 10 of the 13 respondents agreed that DCP 148 better facilitates DCUSA General Objective 2, with 3 DNO respondents disagreeing with this assertion.
- 4.18 One Supplier respondent noted that they agree that Objective 2 is better facilitated and that this change will increase the commonality across DNOs in the sending of and receipt of invoices. This will improve competition by making the business rules and procedures easier to understand, including for new entrants.
- 4.19 One DNO respondent noted that they agree DCP 148 better facilitates General Objective 2 as it means Suppliers don't have to build billing systems that can cope with different rebilling methods.
- 4.20 Another DNO respondent explained that they agree DCP 148 better facilitates Objective 2 and also believe it is more correct to issue a full credit note for the original invoice value and then a new invoice for the new correct value.

- 4.21 A DNO respondent noted that regarding General Objective 2, they would argue that the Supplier benefit of validation and common approach only benefits new entrants since the existing suppliers must already cater for the present situation and the benefit is only made if the new entrants pick up the potential cross governance concerns at the time that they wish to e-bill. It was further explained that they also believe that this is based solely on the expert group members' view that this common approach is the best one based solely because it is the most common. They feel that no evidence has been provided by the expert group or from the Working Group that this is proven, therefore they felt that overall there is a neutral impact on Objective 2.
- 4.22 The Working Group noted that whilst DNOs have existing processes in place, this CP will mandate a common approach and not allow changes as the current situation currently does, which is the intent of the CP.
- 4.23 The respondent further noted that they felt that this was a limited review of the objectives which is being suggested when all of the objectives should be measured against the CP.
- 4.24 The Working Group agreed that it is 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.

**Question 4 - Do you have any comments on the proposed legal drafting of DCP 148?**

- 4.25 The Working Group noted that the majority of respondents did not have any comments on the legal drafting.
- 4.26 One IDNO Party noted that due to the adjustment being raised against an individual MPAN it may be better for the legal text to confirm that 'only the MPAN shall be credited' as currently the legal text could be interpreted in different ways.
- 4.27 The Working Group noted that one invoice can contain more than one MPAN, so if there was any changes made, the entire invoice would need credited and re-invoiced.
- 4.28 One DNO Party noted that the legal drafting states 'for whatever reason',

and therefore questioned why go on to specify particular instances within the drafting. They also noted a typographical error in the text where it states 'form' and it should be 'from'. Another point they raised was to explain what is classed as 'standing data'.

4.29 The Working Group noted that the legal text could be amended to remove 'Standing Data', and keep 'for whatever reason'. These amendments, along with the typographical error, were taken into account during the review by the DCUSA legal advisor.

4.30 Another DNO respondent queried whether there is a valid field in the data flow the CP should seek to change the flow so the field is removed.

4.31 The Working Group noted that a DCUSA CP cannot change the business rules as they are outside the governance, but any Party is free to raise a CP as they see fit.

**Question 5 - 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.**

4.32 The Working Group noted that the majority of respondents were not aware of any other impacts on the CP.

4.33 One DNO respondent queried how will such wording interacts with DCP 142 'Using D2021 for all invoices/credit notes if it is used at all' when the legal text of DCP 142 has all sorts of Invoice Types quoted within it, including adjustment invoices. The respondent felt in their opinion that both cannot be accepted or there will be an inconsistency between two approved change proposals.

4.34 The same respondent also noted that if DCP 145 'Mandating compliance with D2021 processes' is supported what change if any is required to the legal text to ensure that paper and e-billing is catered for but governance is managed in the correct agreement.

4.35 The Working Group noted that this may be a housekeeping modification if both are accepted and implemented; however, both are to be assessed individually and on their own merits. Once the decisions are known for

each of the CPs the decision will be made whether to put through housekeeping CPs to correct any inconsistencies.

- 4.36 Similarly the methodology changes associated with the Distribution Charging Methodologies Forum (DCMF) Methodologies Issues Group (MIG) sub group looking at the NHH/HH perceived discrepancies and the DCP151 and BSC P280 changes impact the billing area. It was suggested that to undertake a change six months prior to a potential further change in the same area is not helpful to all parties. It may therefore be sensible to defer this change proposal to the April 2014 date.
- 4.37 The Working Group noted that P280 has been rejected, and DCP 151 has been withdrawn from the DCUSA Change Process.
- 4.38 One Supplier Party noted that there are many DCUSA DCPs that are aimed at improving the billing and subsequent validation processes of Distributors and Suppliers. It was further explained that the majority of costs associated with these are development costs to billing or validation tools. These costs are greatly reduced when more than one change can be undertaken at any time.
- 4.39 The costs are all associated with NOT implementing this DCP. They estimate the development costs for each bespoke validation for this item to be approximately £1,000, and to employ more validation staff £1,600 per annum per Distribution licence.
- 4.40 Another DNO Party explained that they feel this directly opposes DCP 145 'Mandating compliance with D2021 processes' which is intending to ensure that all Distributors use the D2021 with the existing business rules and data item definitions.
- 4.41 The Working Group noted the comments and does not agree that this DCP 148 opposes DCP 145 and that only a certain number of the business rules would be applicable, and they would still have to be adhered to by Parties.
- 4.42 The Working Group highlighted again that both CPs are to be assessed individually and on their own merits. Once the decisions are known for each of the CPs the decision will be made whether there is a need to put through housekeeping CPs to correct any inconsistencies.

**Question 6 - Do you agree with the implementation date of DCP 148?**



- 4.43 The Working Group noted that the majority of respondents, 11 of 13, agreed with the implementation date of DCP 147.

<b>Respondent Party Type</b>	<b>Yes</b>	<b>No</b>
<b>DNOs</b>	3	3
<b>Suppliers</b>	6	0
<b>IDNO</b>	1	0

- 4.44 One Supplier Party noted that they agree with the implementation date and that they recognise that adjusting billing systems to accommodate small changes can be costly. They further explain that they do not believe this should be a reason to either reject the modification or delay the change implementation. It was noted that DNOs in those circumstances should apply for derogations and seek to implement in an efficient fashion.

- 4.45 One DNO Party explained that in their opinion there are a number of variables that need to be sorted out regarding interpretation of the legal text in order to deliver a common approach as required. They would suggest that six months after the Ofgem determination is a better timescale.

- 4.46 The Working Group noted that the longer timescale (October 2013) that is the implementation date of the CP goes further than the six months after Ofgem approval, would be beneficial to Parties and that is why that implementation date was chosen.

- 4.47 The same respondent also noted that alternatively, defer to April 2014 when there may be other billing changes dependent upon the outcome of DCP151, BSC P280 and the MIG NHH/HH sub group looking at methodology changes associated with the perceived discrepancy between NHH and HH tariffs.

- 4.48 The Working Group noted that P280 has been rejected, and DCP 151 has been withdrawn from the DCUSA Change Process, and that the NHH/HH change is a methodology change and this is a billing issue.

- 4.49 There were two other DNO Parties that did not agree with the implementation date. The Working group noted the responses, but highlighted that there was no rationale provided by the respondents to elaborate as to why they do not agree with the implementation date.

**Question 7 - Are there any alternative solutions or matters that should be considered by the Working Group?**

- 4.50 The Working Group noted that the majority of respondents, 11 of the 13 Respondents, were not aware of any other solutions or matters that the Working Group should consider.
- 4.51 One DNO Respondent noted that they believe that this issue was raised as part of the whole issue surrounding e-billing changes which are based on frustration and further exacerbated by Parties not raising changes to the e-billing User Group in order to resolve them. In their opinion, this is the forum that this change should have gone to, and certainly if DCP 145 'Mandating compliance with D2021 processes' is approved this change proposal, DCP 148, should be withdrawn and allow compliance to take place within the correct governance area.
- 4.52 The respondent further queried what rationale is there to support change apart from we want one common approach, and where is the data and cost benefit analysis to support it. They explained that they don't even have a question identifying how distributors currently bill and what the impact and cost of change would be.
- 4.53 They further suggested that it is essential that such information is requested by the Working Group so that such an assessment can be made and to aid the debate on whether this does in fact better facilitate the DCUSA objectives.
- 4.54 The Working Group noted that the next point comes back to the Business Rules which were discussed in earlier questions.
- 4.55 The Working Group agreed with the last point made by this respondent, and will issue supplementary questions to obtain data on the costs/benefits of DCP 148.
- 4.56 One Supplier Party noted that they believe the DCMF MIG Billing group have already discussed this widely and believe this to be the optimal solution.

## 5 SUPPLEMENTARY QUESTIONS

- 5.1 The Working Group agreed to ask Parties for additional information in the form of Supplementary Questions in order to allow Parties to provide the impacts and materiality of implementing DCP 148. There were 10 responses received from Parties and are documented in Appendix D.
- 5.2 The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses.
- 5.3 A summary of the responses received, and the Working Group's conclusions are set out below:

### **Question 1 - How will DCP 148 affect your organisation? Please provide supporting comments.**

- 5.4 The Working Group noted that the majority of respondents, 8 of 10 respondents, would not be impacted by the implementation of this CP.
- 5.5 One Supplier noted that their billing system does not currently support 'adjusting' units and therefore creates manual work and possible delays and errors in customer billings. The Working Group felt that DCP 148 would help address these issues.
- 5.6 One IDNO Party noted that there will be no impact as they already employ this process.
- 5.7 One DNO Party respondent explained that they currently bill half hourly reconciliation invoices on an invoice/credit the difference basis. They further noted that if DCP148 were approved they would need to significantly redevelop the way in which their billing system generates reconciliation invoices.
- 5.8 Three other DNO Respondents noted that there would be no impact on their organisations if DCP 148 were implemented.
- 5.9 Another DNO Respondent explained that the impact on their organisation will result in a change to the billing system to limit the choice available to them when amending a bill. That choice is still open to interpretation where e-billing is concerned over the choice of 'Invoice Type'. They highlighted that it is essential that this is agreed in advance of any changes to billing systems. In their opinion, this would not be the case if the change proposal

had been undertaken in the correct governance area.

- 5.10 The Working Group noted that regardless of where this issue was raised, and the same solution was agreed, the same changes would need to be made resulting in the same net effect.

**Question 2 - Will there be any associated costs with implementing DCP 148? Please provide supporting comments.**

- 5.11 The Working Group noted that there are impacts on two DNOs and the comments are noted below for each respective company.
- 5.12 One Supplier Party noted that no system changes will be required, however resources currently spending time on non-value added will be better utilised in providing better service and accurate data to customers.
- 5.13 There were two DNOs which indicated they would have associated costs with implementing DCP 148. One DNO respondent noted that their billing system will need to be redeveloped and that they envisage indicative costs of around £500,000, and noted that this cost includes both hardware and software development.
- 5.14 The Working Group discussed these comments, and it was explained by this respondent that the major issues come with the historic data. The Working Group then queried whether there could be a derogation applied regarding the historic data, and if that may be a more cost effective solution. It was also noted that this total includes man days, hardware and software changes.
- 5.15 The other DNO respondent which indicated that they will incur costs separated them out into One Off Costs and Business Costs:
- **One off costs**
- 5.16 The respondent explained that the system impact will be in the order of a large change (50-100 man days) together with significant testing and project management required from their business, and indicated that this is probably a cost in the region of £50k-£70k.
- **Business costs**
- 5.17 It was explained that as long as they obtain a common approach to what values are required on the e-billing data flow they believe that there are

minimal business impacts.

5.18 The Working Group noted the comments.

## **6 PROPOSED LEGAL TEXT**

6.1 The proposed legal drafting of DCP 148 has been considered by the Working Group, and reviewed by Wragge & Co, and is attached as Appendix B.

## **7 DCP 148 – WORKING GROUP CONCLUSIONS**

7.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses and Supplementary Questions, is that the proposed drafting meets the intent of DCP 148 and therefore should be issued for voting and Party determination.

## **8 EVALUATION AGAINST THE DCUSA OBJECTIVES**

8.1 The majority of the Working Group considers that the following DCUSA General Objective is better facilitated by DCP 148:

**General Objective 2<sup>1</sup>** – Better Facilitated. The Working Group agrees that DCP 148 will promote consistency and transparency in the methods faced by Suppliers, thereby better facilitating DCUSA General Objective 2.

## **9 IMPLEMENTATION**

9.1 DCP 148 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 determination after the voting process has completed.

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

## **10 ENGAGEMENT WITH THE AUTHORITY**

10.1 Ofgem has been fully engaged throughout the development of DCP 148 as a member of the Working Group.

## **11 PANEL RECOMMENDATION**

11.1 The DCUSA Panel approved this Change Report on 19 December 2012 and

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<sup>1</sup> 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

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 148.

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

<b>Activity</b>	<b>Date</b>
Change Report issued for voting	21 December 2012
Voting closes	9 January 2013
Change Declaration	11 January 2013
Authority Decision	15 February 2013
CP Implemented	1 October 2013

## **12 APPENDICES:**

- Appendix A – DCP 148 Change Proposal
- Appendix B – DCP 148 Proposed Legal Drafting
- Appendix C – DCP 148 Consultation Documents
- Appendix D – DCP 148 Supplementary Questions Summary
- Appendix E - DCP 148 Voting Form