

Proposed modification:	Distribution Connection and Use of System Agreement (DCUSA) DCP192 – Costs v. Budget		
Decision:	The Authority ¹ directs that modification DCP192 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	24 February 2014	Implementation Date:	Next DCUSA release

Background to the modification proposal

The DCUSA Panel are required to prepare a budget for each financial year. The DCUSA provides that where the Panel, Panel Secretary, Secretariat, any Working Group or DCUSA Ltd wishes to recover any cost or expense, this will only be approved to the extent that it is a 'Recoverable Cost'³ provided for in the approved budget.

The modification proposal

DCP192 was raised by Eastern Power Networks ('the proposer'). The proposal seeks to allow the DCUSA Panel greater flexibility to approve costs that are Recoverable Costs included in the approved budget, where the total value of these may exceed the total value of the budget line item, provided the total budget is not exceeded to a 'material' extent. The proposer suggests that movement in actual costs between budget line items should be permissible without recourse to DCUSA parties. Any material change to the approved budget would still require parties' approval as per the existing DCUSA provisions.⁴

DCUSA Parties' recommendation

The Change Declaration for DCP192 indicates that all parties were eligible to vote on DCP192. In each party category where votes were cast (no votes were cast in the DG party category),⁵ there was majority (>50%) support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP192 is accepted. The outcome of the weighted vote is set out in the table below:

DCP192	WEIGHTED VOTING (%)							
	DNO ⁶		IDNO/OTSO ⁷		SUPPLIER		DG ⁸	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	88	12	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	88	12	100	0	100	0	n/a	n/a

The Authority's decision

We have considered the issues raised by the proposal and the Change Declaration dated 20 January 2014. We have considered and taken into account the vote of the DCUSA

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 Reasonable costs and expenses properly incurred by the above parties in performing their duties, powers and functions under the DCUSA.

⁴ DCUSA clause 8.6.

⁵ There are currently no gas supplier parties.

⁶ Distribution Network Operator

⁷ Independent Distribution Network Operator/Offshore Transmission System Operator

⁸ Distributed Generation

Parties on the proposal which is attached to the Change Declaration. We have concluded that:

- implementation of the change proposal DCP192 will better facilitate the achievement of the General DCUSA objectives;⁹ and
- directing that the change is approved is consistent with the Authority's principal objective and statutory duties.¹⁰

Reasons for the Authority's decision

We consider that this proposal will better facilitate DCUSA General Objective 3.1.4. We consider that the proposal has a neutral impact on the other applicable objectives.

DCUSA General Objective 3.1.4 – the promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it

We note that one DNO voted to reject the change and commented that permitting a non-material variance in the approved budget introduces some ambiguity into the arrangements. We acknowledge that an assessment of what is 'material' will be a matter for consideration by the Panel and may be subject to differing interpretations. We consider that any deviation from overall budget under this revised provision should be given appropriate scrutiny and publicity by the Panel, and that the most cautious interpretation should be applied. Typically we expect the Panel will utilise this provision for flexibility to amend actual costs between budget line items whilst remaining within the agreed overall budget. On balance, we consider that greater flexibility with appropriate safeguards can be expected to increase efficiency in the administration of the DCUSA by removing the requirement to consult with DCUSA parties for very minor deviations.

Legal drafting

We note there appears to be an error in the legal text whereby a newly inserted sub-clause is incorrectly numbered.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP 192: 'Costs v. Budget' be made.

Lesley Nugent
Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

⁹ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

¹⁰ 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.