



# **DCUSA CONSULTATION**

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## **DCP 214 – Voting**

## 1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators.
- 1.2 Parties to the DCUSA can raise a DCUSA Change Proposal (“DCP”) to amend the Agreement. DCPs should better facilitate the DCUSA General Objectives and/or Charging Objectives of the DCUSA document.
- 1.3 Amendments to DCUSA may only be made with the consent of a majority proportion of Parties to the DCUSA, through a voting process, or (where applicable) the Gas and Electricity Markets Authority.<sup>1</sup>
- 1.4 When a DCP is raised, a Working Group is established to assess and develop the proposal in consultation with industry parties and other interested parties.
- 1.5 This document is a consultation issued in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 214 – Voting. The original DCP form is included as Attachment 1.
- 1.6 The Consultation has been issued to DCUSA Parties, the Distribution Charging Methodologies Forum (DCMF) Distribution List, Citizens Advice Bureau, Connection Charges Methodology Distribution List, National Terms of Connection Distribution List, Elexon (BSC), Gemserv (MRA), and Ofgem.
- 1.7 Parties are invited to consider the Change Proposals detailed in this consultation and submit comments using the form included as Attachment 4 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **21 November 2014**.

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<sup>1</sup> For more information about GEMA visit the Ofgem website: <http://www.ofgem.gov.uk/TheAuthority>

## **2 INTENT OF DCP 214 – VOTING**

- 2.1 DCP 214 has been raised by UK Power Networks. The intent is to ensure that the recommendation made to Ofgem of a Part 1 change or the outcome of a Part 2 change truly reflects the views (whether expressed through voting or not) of the Parties.
- 2.2 The Proposer explains that currently the DCUSA voting is based on Party categories and a Part 1 vote has to receive more than 50% acceptance from those who voted, from all Party categories, in order to be recommended for acceptance.
- 2.3 It is further noted that recent voting has resulted in recommendations being made to Ofgem that a DCP should be rejected, based on the votes of one or two parties who were the only parties who voted in a Party Category and so determined the outcome for that category. However, it can be argued that such an outcome does not truly reflect Parties' views if many in that Party Category did not feel impacted sufficiently enough to even exercise their right to vote.
- 2.4 As a result the Proposer has suggested that a non-vote should be considered in the outcome and the percentages for acceptance or rejection should reflect the interest of all Parties in a category rather than just those that vote.
- 2.5 To be fair and equitable, the recommendation should reflect the impact on and views of all Parties who are affected and not just those who voted. To illustrate where the Party recommendation is different than the Ofgem decision, the Working Group has completed analysis and included it as Attachment 2.
- 2.6 In summary, there have been 28 instances where Ofgem's decision has not been in line with the Party recommendation. There have also been 4 instances where the Party recommendation was not reflective of the overall majority of those who voted.

## **3 DCP 214 – WORKING GROUP CONSIDERATIONS**

- 3.1 The Working Group is comprised of Distributor, IDNO and Supplier Parties, as well as Ofgem representation; it is noted that all DCUSA Parties were invited to attend the Working Group.
- 3.2 The Proposer explained that their original proposed solution was tabled in order to stimulate debate. The Working Group discussed the original proposed solution

regarding Parties not voting and how this could be facilitated but they have also explored, in addition, other ways the intent of the CP could be achieved.

- 3.3 It was noted that the voting arrangements that are currently in place for DCUSA were put forward in Ofgem's acceptance letter of establishing DCUSA dated 23 November 2005 with minor refinements through subsequent DCPs.
- 3.4 The Working Group has developed different options for consideration in order to progress DCP 214; these include:
- **Option 1** - Move away from Party category voting to a Representative Panel
  - **Option 2** – Move away from Party category voting to a Change Board
  - **Option 3** – Two-tiered voting system where Party voting remains the same, but there will be an additional overall DCUSA Party Group outcome listed
  - **Option 4** – To introduce a “no interest or neutral” category into the voting mechanism
- 3.5 Option 1 would see the DCUSA voting system move away from weighted Party category voting to a Representative Panel approach. This option is based on analysis of other utility industry codes and is currently utilised in the Balancing and Settlement Code (BSC) and the Connection and Use of System Code (CUSC).
- 3.6 Option 2 would see the DCUSA voting system move away from weighted Party category voting to a Change Board approach. This option is based on analysis of other utility industry codes and is currently utilised in the Supply Point Administration Agreement (SPAA) and the Master Registration Agreement (MRA).
- 3.7 Option 3 would involve a two-tiered voting system where the weighted Party category voting remains the same, but there will be an additional overall DCUSA Party Group outcome listed within the recommendation. This would provide Ofgem not only with individual & Category party voting but, in addition, an overall DCUSA recommendation based on the votes of the majority of categories. An illustration of how the voting may work currently and how this option may work is detailed below:

DCP XXX	WEIGHTED VOTING (%)							
	Category A		Category B		Category C		Category D	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
<b>CHANGE</b>	100	0	0	100	100	0	n/a	n/a

SOLUTION								
IMPLEMENTATION DATE	100	0	0	100	100	0	n/a	n/a

Current:

- 3.8 As Category B has voted to reject the CP this results in a recommendation of “reject” to Ofgem.

**Option 2 Arrangement:**

DCP XXX	WEIGHTED VOTING (%)							
	Category A		Category B		Category C		Category D	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	0	100	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	0	100	100	0	n/a	n/a

- 3.9 As 2 Party categories have voted to accept the change, 1 Party category has not voted at all and only 1 Party category has voted to reject the overall DCUSA recommendation would be to accept the change.

- 3.10 Option 4 would introduce a “no interest or neutral” category into the voting mechanism which would affect the outcome of a Party category if only a small amount of Parties voted within it. This was the concept included within the original proposal, although variations on this theme could be further developed. The idea proposed was that a non-vote would be classed as neutral but would be counted in the voting. So any party category will have 100% of parties counted whether they vote or not. To be recommended for acceptance or rejection the hurdles would still have to be met but from the total population rather than from only those that respond.

- 3.11 For example, consider a Part 1 Matter change which requires more than 50% of “accept” votes for the outcome to be acceptance of the change. In this table below the Party category contains 5 equally weighted voting Parties.

3.12 The voting and the current and proposed outcomes are summarised below;

Number accept	Number reject	Number don't vote	Current outcome	Proposed outcome	Same or different
0	0	5	null	neutral	same
0	1	4	reject	neutral	different
0	2	3	reject	neutral	different
0	3	2	reject	reject	same
0	4	1	reject	reject	same
0	5	0	reject	reject	same
1	0	4	accept	neutral	different
1	1	3	reject	neutral	different
1	2	2	reject	neutral	different
1	3	1	reject	reject	same
1	4	0	reject	reject	same
2	0	3	accept	neutral	different
2	1	2	accept	neutral	different
2	2	1	reject	neutral	different
2	3	0	reject	reject	same
3	0	2	accept	accept	same
3	1	1	accept	accept	same
3	2	0	accept	accept	same
4	0	1	accept	accept	same
4	1	0	accept	accept	same

3.13 Therefore, under the proposed method, an “accept” or “reject” outcome under the current method is not achieved when only one or two parties expressly vote in that way and fewer parties than this expressly vote the other way.

3.14 The proposed outcome of “neutral” is effectively the same as “reject” in that it is failure to reach the required proportion for acceptance.

## 4 DCP 214 – LEGAL TEXT

4.1 The Working Group have not finalised the legal text for DCP 214 as they are requesting views on the different options and inviting submission of alternative options before progressing it further. Following a review of the responses to this consultation, the Working Group will develop the legal text and will issue this for consultation at a later date.

## 5 IMPLEMENTATION DATE

5.1 The implementation date for DCP 214 will be the next DCUSA release following Authority consent.

## 6 CONSULTATION

6.1 The Working Group would like Parties to consider the following consultation questions for DCP 214:

1. Do you agree with the intent of DCP 214?
2. Do you agree with the principles of DCP 214?
3. The Working Group considers that DCUSA General Objectives 2<sup>2</sup> and 3<sup>3</sup> are better facilitated by DCP 214, do you agree with this opinion? Please provide supporting comments on this and any other DCUSA Objective you feel may be impacted by DCP 214.
4. Do you agree with the proposed implementation date of DCP 214?
5. Provide your opinion on Option 1 – To move away from Party voting to a Representative Panel.
6. Provide your opinion on Option 2 – To move away from Party voting to a Change Board.
7. Provide your opinion on Option 3 – To have a two-tiered approach to the voting process which would maintain Party voting, but also produce an overall group recommendation.
8. Provide your opinion on Option 4 – To introduce a “no interest or neutral” category into the voting mechanism
9. The DCUSA Voting arrangements currently have two different types of changes – Part 1 and Part 2 matters. Part 1 Matters will ultimately go to the Authority for final determination and Part 2 Matters are self-governance and will follow the Party vote. Part 1 matters must achieve more than 50% acceptance in each of the Party categories in which votes were received in order to give a recommendation to “Accept” to the Authority. Part 2 Matters must achieve more than 65% acceptance in each of the Party categories in which votes were received in order for the modification to be approved and implemented. Are these approval levels appropriate? Does the higher threshold in Part 2 matters give additional assurance of the process, or should both Part 1 and Part 2 have the same approval threshold?
10. It was noted by the Working Group members that generally smaller Parties do not participate as much within the DCUSA Change Process and voting as

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<sup>2</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

<sup>3</sup> The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

larger Parties; in the interests of good governance, the aim should be for all Parties to participate fully. The Working Group would like to understand if there are any reasons – such as finances, time constraints, resources – that make it more difficult for small Parties to participate and what will make it easier for them to engage? Please provide supporting evidence.

11. Could the text box located on the DCUSA voting form (Attachment 3) that asks Parties to comment about their vote discourage Parties from voting if they don't have a rationale behind their vote?
12. Is a 2 week voting period sufficient, or is more time needed to ensure all Parties are able to vote? If not, what would be your preferred timescales?
13. Please provide your opinions on what works well with the DCUSA voting process, and also what you feel could be improved upon?
14. Are there any alternative solutions or matters that should be considered by the Working Group for DCP 214?

6.2 The Consultation response form (Attachment 4) should be submitted to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **21 November 2014**. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.

6.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

## **7 NEXT STEPS**

7.1 Following the end of the consultation period the Working Group will meet to review and consider the responses and progress the CP to the next stage of the DCUSA Change Process.

7.2 If you have any questions about this paper or the DCUSA Change Process or would like to participate in the Working Group please contact the DCUSA Help Desk by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 3014.



## **8 ATTACHMENTS**

- Attachment 1 – DCP 214 ‘Voting’
- Attachment 2 – DCP 214 Analysis
- Attachment 3 – Sample DCUSA DCP Voting Form
- Attachment 4 – Response Form