



DCUSA CHANGE REPORT

DCP 262 - Schedule 19 Credit/Re-invoice for HH Specific Data

Executive Summary

DCP 262 seeks to include a timeline for a credit/re-invoice from DNOs to LDNOs upon the receipt of updated HH DUoS data.

This document presents the Change Report for DCP 262 and invites respondents to vote on the following:

- The legal text for DCP 262;
- Whether DCP 262 better facilitate the DCUSA Objectives; and
- The implementation date for DCP 262.

All Parties are invited to vote on this change by the **16 May 2016**.

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 262 'Schedule 19 Credit/Re-invoice for HH Specific Data'.
- 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 for DCP 262 (Attachment 1) and submit their votes using the form attached as Attachment 2 to dcusa@electralink.co.uk no later than **16 May 2016**.

2 BACKGROUND OF DCP 262

- 2.1 DCP 262 was raised by ESP Electricity Limited and seeks to include a timeline for a credit/re-invoice from Distribution Network Operators (DNOs) to Licenced Distribution Network Operators (LDNOs) upon the receipt of updated Half Hourly (HH) DUoS data.
- 2.2 The proposer notes that on a monthly basis and based on the consumption data received, the LDNOs provide a HH Data Report to the DNO Party. Currently, LDNOs provide HH data to the DNOs by the 15th of each month to allow the DNOs to produce invoices/credit notes to LDNOs for Distribution Use of System (DUoS) charges. When the revised HH consumption data is received from the relevant Data Collector (DC), in line with the billing arrangements in Clause 19 (Section 2B) Clause 44 (Section 2B), this can result in the need for a further invoice, or a credit being required from the DNOs to the LDNOs. DCUSA is silent on HH in regard to a defined timeline for receiving a credit/re-invoice once revised data is submitted.
- 2.3 In practice, the DNOs process some data efficiently, but in some cases the LDNOs wait for credit notes or invoices to be raised several months after the submission of the updated data. This causes concern for LDNOs as it can negatively affect cash flows within the organisation. By including a timeline for this situation in the DCUSA, this will allow it to be managed in a more effective manner.

3 DCP 262 WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess DCP 262. The group is comprised of Distributor, Supplier and Ofgem representatives. It is noted that all DCUSA Parties were

invited to attend. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

- 3.2 The Working Group proposes that a defined timeline for DNOs submitting their credit/rebill once revised Half Hourly data is received from the LDNO should be added to the DCUSA. The group considered the timeline to be set in the DCUSA and noted that the proposed 14 day timeline may not be appropriate as DNOs do not get their Half Hourly Data until the 15th day of the month and will have to rebill in the following month. It was suggested that a defined timeline could be set at 45 days to allow DNOs enough time to process their credit/rebill for the LDNOs.
- 3.3 The Working Group agreed to issue a consultation seeking industry views on the suggested timeline of 45 days and also for Parties to provide their views on the proposed change.
- 3.4 It was highlighted that although DCP 262 was raised as a Part 1 Matter, the DCUSA Panel and Ofgem recommended that this change be progressed as a Part 2 Matter. The Working Group felt that this change should be progressed as a Part 1 Matter as it impacts Schedule 19 of the DCUSA. The group agreed to consult the industry on whether the DCP 262 should be progressed as a Part 1 or Part 2 Matter and take forward accordingly.

4 DCP 262 CONSULTATION

- 4.1 One consultation was issued in relation to DCP 262. The DCP 262 consultation was issued to DCUSA Parties on 16 February 2016. There were seven responses received to the consultation.
- 4.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachment 3.

Question 1 - Do you understand the intent of the CP?

- 4.3 The Working Group noted that a majority of the respondents understood the intent of the CP.
- 4.4 One respondent was not supportive of the CP and noted that the change is not required as DCUSA currently provides timescales for data submission and subsequent submission of account and highlighted that there is already a process for DNO data submission.

- 4.5 The group noted that the intent of the CP is to set a timescale on the raising of credit notes and invoices and not to update the format of the templates for which the data is submitted from LDNOs to DNOs. It was observed that a new CP would be required to revise the template and data submission format as it is out of scope for DCP 262.

Question 2 - Are you supportive of the principles of the CP? Provide supporting comments.

- 4.6 The majority of respondents were supportive of the principles of the CP.
- 4.7 One respondent pointed out that they did not believe that the introduction of a defined timeline for DNOs to process credit/rebills is required and highlighted that Schedule 19 (Portfolio Billing) states that 'The EDNO shall provide a report to the DNO Party, on or before the 15th day of each month' including 'any adjustments to data previously reported'. The respondent provided a template illustrating how HH data could be submitted from the LDNO.
- 4.8 The group reviewed the template and noted that the process and format for submitting HH Billing data is within Schedule 19; however, there is no standardised template for IDNOs to use when submitting revised HH Billing data included within the DCUSA. Currently, DNOs request different reporting formats for revised data provided by IDNOs. The Working Group agreed that it would be beneficial to have a standardised format of reporting; however, this is out of scope for DCP 262 and a new Change Proposal would be required to address this issue.

Question 3 - Do you agree with the proposed legal text? Provide supporting comments.

- 4.9 The majority of the respondents agreed with the proposed timeline of 45 days for DNOs to issue a credit/re-bill for the LDNOs.
- 4.10 One respondent suggested that the legal text should amend Clause 44 rather than add a new paragraph to Schedule 19. The group considered whether the proposed legal text is better placed in Clause 44.2 and agreed to amend said clause rather than Schedule 19. The group agreed to confirm with the legal advisor whether Clause 44.2 meets the CPs intent and has the same effect as amending Schedule 19.
- 4.11 Another respondent pointed out that if any legal text is to be added, this should be to remove any ambiguity in the existing process and include a standardised template to be employed by LDNOs. The Working Group agreed that the legal text clarifies the set timescales for DNOs to complete the billing process which will remove uncertainty for LDNOs and ensure the entire

process is more robust. The Working Group agreed that the inclusion of a template is a good idea, however, this is out of scope of DCP 262 and would need to be raised as a new CP.

Question 4 - Are you supportive of the proposed implementation date of 30 June 2016?

4.12 The majority of respondents agreed with the proposed implementation date. It was agreed that the implementation date should be changed to the first release after Party Approval.

Question 5 - DCP 262 was raised as a Part 1 Matter as it impacts Schedule 19 which is defined as a Part 1 Matter in Clause 9.4.3 The DCUSA Panel have recommended that this Change Proposal be developed as a Part 2 Matter as it is a self-governance issue. Do you believe that CP should be raised as a Part 1 or Part 2 Matter? Provide supporting comments.

4.13 Most respondents felt that DCP 262 should be progressed as a Part 2 Matter as it is a self-governance issue and does not have a significant impact on Parties.

4.14 One respondent highlighted that the CP was raised as a Part 1 Matter because commercial activities are specifically identified as a Part 1 Matter in the DCUSA Clause 9.4.2D and credit/re-invoicing can substantially impact the cash flow of IDNOs. The Working Group noted the response that the CP could be progressed as a Part 1 Matter if the proposed change impacts other parties and processes.

4.15 The majority of the group agreed with most of the respondents that the CP should be progressed as a Part 2 Matter as it appears that there is support from the overall majority of DNOs. The Proposer of the CP agreed to progress it in this manner, but also acknowledged that if the CP were to be rejected by a majority of Parties there is a right to appeal to Ofgem that this should have been progressed originally as a Part 1 Matter.

Question 6 - Do you agree with the Working Group's view that 45 days from receipt of revised Half Hourly Data is an appropriate timescale for the credit/rebill exercise to be carried out by DNOs, if not please provide your detailed rationale?

4.16 Most of the respondents agreed with the Working Groups view that 45 days from receipt of revised Half Hourly Data is an appropriate timescale for the credit/re-bill process to be carried out by DNOs.

4.17 A DNO respondent explained that in their view DNOs should deal with all bills that are produced and align them to a timeline be they new accounts, or amendments to accounts. In other words, whatever is provided in the 15th of the month report is billed within a certain

period. This avoids future issues should the main accounts start to be delayed since this change only covers amendments.

- 4.18 The group agreed that the timescales will cover all billing and not just amendments and will include a defined timescale of within 60 days.
- 4.19 One DNO respondent explained that they always attempt to issue billing for all data received from IDNOs on the next available billing run, 45 days from receipt does not allow for any problems with the data and having to withdraw billing and correct on the next billing run.
- 4.20 The Working group agreed to amend the timescale in the legal text from 45 days to 60 days to cover off any exceptions or eventuality that may occur.

Question 7 - Do you believe that the DCP 262 change will have an impact on DNOs' internal billing processes, if so please provide your rationale?

- 4.21 A DNO respondent explained that the data provided for any credit re-billing exercise would need to be provided in the same report as the HH Specific Portfolio data to avoid any impact in terms of processing the data. If they need to process two reports each month per IDNO, instead of one as at present, due to an additional credit/re-bill report then this exercise would take twice as long to complete.
- 4.22 The Working Group noted that a standardised format of data would simplify the process. It was highlighted that different types of templates are currently used to submit data. The group supports the view that a separate CP should be raised to address the formatting of the billing templates within the DCUSA; however, this is outside the scope of DCP 262. A member of the group highlighted that the amended text should not only cover revised billing but all HH billing data. The Working group agreed to update the legal text to state that all billing should be completed within 60 days.

Question 8 - Are there any technical constraints within DNOs' billing systems that need to be taken into consideration? If so, please provide an impact analysis of the associated costs and timescales.

- 4.23 One of the respondents observed that the change could have technical constraints on their billing systems and noted that their systems rely on the IDNOs providing the data in the correct format using the template, and also within the set timescales shown in DCUSA Schedule 19. Any change to this process would require a system change which would involve a cost time to develop such a change.

- 4.24 The Working Group highlighted that the CP is only proposing to set a timescale and not to update systems or any of the DNOs' re-billing processes. The group acknowledged the concerns raised on the basis of IDNO data being provided in different formats, and that this should be a standardised process. It was agreed that a separate CP will be required to address this issue as this is out of scope for DCP 262.

Question 9 - Do you consider that the proposal better facilitates the DCUSA General Objectives 2 and 4? Please provide supporting comments on these and any other relevant DCUSA General or Charging Objective that you feel would be impacted by DCP 262.

- 4.25 Most of the respondents agreed that the DCUSA General Objectives Two and Four are better facilitated by DCP 262:

General Objective Two - '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'

- 4.26 It was noted that the DCUSA General Objective 2 will be better facilitated as the introduction of this change promotes effective competition. Due to the fact that LDNOs have settled the difference in charges with Supplier Parties, and in some cases the LDNO is not being invoiced/credited for the difference by the DNO Party. This affects the LDNO's cash flow and can be considered a barrier to competition. In effect, LDNOs are supporting the DNO's cash flow.

General Objective Four - DCUSA General Objective 4 : The promotion of efficiency in the implementation and administration of this Agreement

- 4.27 DCUSA General Objective 4 will be better facilitated as it will provide IDNOs and DNOs a clear timeline of how best to manage credit/re-invoicing for HH invoices. This will positively impact IDNOs by helping to better manage cash flows, and also providing DNOs with a timeline of when to have this information produced and issued to the IDNOs. This efficiency will match what is already explained and included within Schedule 19 for NHH invoices.

Question 10 - Are there any alternative solutions or matters that should be considered by the Working Group?

- 4.28 The Working Group noted that one respondent felt that some improvements that could be made to the current DCUSA text or process that would assist Parties in managing this work.

- 4.29 The majority of the Working Group agreed with the view that improvements could be made to the data submission process and that a new CP would need to be raised to address the format of the templates or standardising processes.

Question 11 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 4.30 No respondents expressed any concerns with regards to the CP having an impact or being impacted by any wider industry developments.

5 WORKING GROUP ASSESSMENT OF DCP 262 FOLLOWING INDUSTRY CONSULTATION

- 5.1 After reviewing the consultation responses, the Working Group discussed the Change Proposal. The Working Group agreed that the legal text should amend Clause 44.2 of the DCUSA and clarify that the timescale will be set for the entire billing process. It was agreed that instead of the proposed 45 day timescale, it should be updated to within 60 days to cover any eventuality.
- 5.2 The Working Group agreed with some of the responses that a separate CP should be raised to address the need for standardised format and a template for submitting revised HH billing data. However, this is out of scope for DCP 262.
- 5.3 The majority of the group agreed with most of the respondents that the CP should be progressed as a Part 2 Matter as it appears that there is support from the overall majority of DNOs. The Proposer of the CP agreed to progress it in this manner, but also acknowledged that if the CP were to be rejected by a majority of Parties there is a right to appeal to Ofgem that this should have been progressed originally as a Part 1 Matter as it significantly affects LDNOs.

6 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives and five Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 4.
- 6.2 The Working Group considers that the following DCUSA Objectives are better facilitated by 262.

General Objective Two - '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'

- 6.3 DCUSA General Objective 2 will be better facilitated as the introduction of this change promotes effective competition. Due to the fact that LDNOs have settled the difference in charges with Supplier Parties, and in some cases the LDNO is not being invoiced/credited for the difference by the DNO Party. This affects the LDNO's cash flow and can be considered a barrier to competition. In effect, LDNOs are supporting the DNO's cash flow.

General Objective Four - DCUSA General Objective 4 : The promotion of efficiency in the implementation and administration of this Agreement

- 6.4 DCUSA General Objective 4 will be better facilitated as it will provide IDNOs and DNOs a clear timeline of how best to manage credit/re-invoicing for HH invoices. This will positively impact IDNOs by helping to better manage cash flows, and also providing DNOs a timeline of when to have this information produced and issued to the IDNOs. This efficiency will match what is already explained and included within Schedule 19 for NHH invoices.

7 IMPLEMENTATION

- 7.1 The proposed implementation date for DCP 262 first release after Party Approval which is scheduled for 30 June 2016. As the CP has been classed as a Part 2 Matter, Authority consent is not required.

8 DCP 262 WORKING GROUP CONCLUSIONS

- 8.1 The DCP 262 Working Group has discussed the proposed amendment to DCUSA and unanimously agreed that the legal text developed for DCP 262 meets the requirements set out in the CP. The Working Group agreed that the CP should be issued for industry voting.

9 ENGAGEMENT WITH THE AUTHORITY

- 9.1 Ofgem has been fully engaged throughout the development of DCP 262 as a member of the Working Group.

10 ENVIRONMENTAL IMPACT

- 10.1 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would

be a material impact on greenhouse gas emissions if DCP 262 was implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

11 PROPOSED LEGAL TEXT

11.1 The legal text for DCP 262 is provided as Attachment 1.

11.2 The legal text adds a new Clause 44.2A to the DCUSA and clarifies that the entire billing process, including the submission of revised data and the creation of credit invoices and re-bills, should be completed within 60 days.

12 PANEL RECOMMENDATION

12.1 The Panel approved this Change Report on 20 April 2016. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 262.

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

Activity	Target Date
Change Report Agreed	20 April 2016
Change Report Issued For Voting	22 April 2016
Party Voting Ends	16 May 2016
Change Declaration Issued	18 May 2016
Implementation	First Release After Party Approval. ¹

13 NEXT STEPS

13.1 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to DCUSA@electralink.co.uk by **16 May 2016**.

13.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email DCUSA@electralink.co.uk to or telephone 020 7432 3008.

¹ 30 June 2016

14 ATTACHMENTS

- Attachment 1 - DCP 262 Legal Text
- Attachment 2 - Voting Form
- Attachment 3 - DCP 262 Consultation
- Attachment 4 - DCP 262 Change Proposal Form