





DCUSA Change Declaration		At what stage is this document in the process?
<h1>DCP 320</h1> <h2>DCUSA Ltd Shareholder Provisions</h2> <p>Date Raised: 12/06/2018</p> <p>Proposer Name: Angus Rae</p> <p>Company Name: Scottish Hydro Electric Power Distribution plc</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> <p>The intent of this Change Proposal is to amend the DCUSA to make the allotment of DCUSA Ltd Shares optional for new Parties and to allow Parties who are not Shareholders to apply to become Shareholders.</p>		
	<p>DCUSA Parties have voted on DCUSA Change Proposal (DCP) 320 with the outcome being a decision on whether or not the Change Proposal (CP) is to be accepted and the proposed variation to the DCUSA made accordingly.</p> <p>The DCUSA Parties consolidated votes are provided as Attachment 1.</p>	
	<p><b>For DCP 320, DCUSA Parties have voted to:</b></p> <ul style="list-style-type: none"> <li>• <b>Accept the proposed variation (solution); and</b></li> <li>• <b>Accept the implementation date of DCP 320</b></li> </ul>	
	<p>Impacted Parties: <b>All Parties</b></p>	
	<p>Impacted Clauses: <b>Paragraph 3 of Schedule 10</b></p>	

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Any questions?

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Timeline

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	13 June 2018
Change Report Approved by Panel	20 June 2018
Change Report issued for Voting	22 June 2018
Party Voting Closes	13 July 2018
Change Declaration Issued to Parties	17 July 2018
Implementation	First DCUSA Release following Approval.

## 1 Summary

### What?

- 1.1 Currently, upon acceding to DCUSA, a new Party is given the option of taking up a share in DCUSA Ltd. and thus becoming a Shareholder where the Party has decided to take up a share. However, paragraph 3 in Schedule 10 states:

*“New Parties. Upon the accession of a new Party in accordance with Clause 4, the Directors shall either:*

- (a) transfer to such Party one Share held by a nominee in accordance with the provisions of Paragraph 10.3 or 10.4; or*
- (b) allot to such Party one unissued Share (and the Shareholders agree that, where no Shares are otherwise available for issue, they will exercise the voting rights attaching to their Shares to procure that all necessary steps are taken to create and/or authorise the issue of further Shares).”*

- 1.2 This creates a difference between current practice and the DCUSA as the drafting envisages a share being allotted to each and every Party following that Party signing an accession agreement.

### Why?

- 1.3 At the time of drafting the DCUSA there was discussion as to whether becoming a Shareholder should be optional. This discussion was had in light of the fact that some Parties wanted to avoid becoming Shareholders as it may be in conflict with their Articles of Association. As noted previously, the current drafting envisages a share being allotted to each and every Party following that Party signing an accession agreement, however not all Parties are Shareholders. This difference between the provisions set out in the DCUSA and current practice has been discussed by the DCUSA Board and it was agreed that a Change Proposal (CP) should be raised to correct the difference.

### How?

- 1.4 This CP seeks to amend the DCUSA so that the current requirement, which places a strict obligation on the Directors to issue Shares to all new Parties, is replaced with a requirement for the Directors to offer new Parties the option to become shareholders should they wish to. Further to this, a provision will be included to allow Parties who are not currently Shareholders to take up a Share in DCUSA Ltd., if they so choose to. Upon amending the DCUSA, all Parties not currently holding a share will be contacted to inform them of this option. This task will be carried out by ElectraLink as the DCUSA Secretariat and will also entail handling of any resulting share applications.

## 2 Governance

### Justification for consideration as either a Part 1 or Part 2 Matter

- 2.1 This Change Proposal is considered a Part 2 matter as it seeks to align the DCUSA to the current practice and in doing so, provide optionality to those who are currently Party to the DCUSA and for those who accede in the future. This optionality means that there is no impact on DCUSA Parties.

## 3 Why Change?

### Background of DCP 320

- 3.1 The requirements set out under paragraph 3 'ESTABLISHMENT OF DCUSA LTD AND NEW PARTIES' in Schedule 10 places a strict obligation on the Directors to issue Shares to all new Parties. Currently, upon acceding to DCUSA, a new Party is given the option of taking up a Share in DCUSA Ltd. and thus becoming a Shareholder where the Party has decided to take up a Share.
- 3.2 At the time of drafting the DCUSA there was discussion as to whether becoming a Shareholder should be optional. This discussion was had in light of the fact that some Parties wanted to avoid becoming Shareholders as it may be in conflict with their Articles of Association.
- 3.3 This CP seeks to amend the DCUSA so that the current requirement which places a strict obligation on the Directors to issue Shares to all new Parties is replaced with a requirement for the Directors to offer new Parties the option to become shareholders should they wish to. Further to this, a provision will be included to allow Parties who are not currently Shareholders to take up a Share in DCUSA Ltd., if they so choose to.

## 4 Solution

### DCP 320 Assessment

- 4.1 Due to the nature of this change, the drafting of the legal text was undertaken by the DCUSA legal advisors. The proposed drafting makes the allotment of shares optional for new Parties going forward and allows Parties who are not currently shareholders to apply to become shareholders.
- 4.2 As this legal drafting has been provided by the DCUSA legal advisor, it is proposed that the Panel will be provided with a Change Report at the same time as this CP.
- 4.3 The document containing the redlined amendments to paragraph 3 of schedule 10 acts as attachment 2

## 5 Relevant Objectives

## Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. The CP form provided as Attachment 3, details which of the DCUSA Objectives the Proposer considers DCP 320 better facilitates.

### Impact of the Change Proposal on the Relevant Objectives:

Relevant Objective	Identified impact
General Objective Four - The promotion of efficiency in the implementation and administration of this Agreement	Positive

- 5.2 Updating the requirements for how and when Shares are issued to align the text in the DCUSA to current practice ensures that all Parties are treated in a fair and equal manner. In making the updates, the strict obligation currently placed on the Directors to issue Shares to all new Parties and thus all new Parties needing to be Shareholders is removed. This will increase efficiency as only those that want to take up a Share in DCUSA Ltd., will need to undertake the administrative process to become a Shareholder. This in turn means the Directors and/or the Secretariat only need to undertake the administrative process for those that want to take up a Share. As a result, DCUSA General Objective four is better facilitated by this Change Proposal due to the improved efficiency in the administration of the DCUSA.

## 6 Impacts & Other Considerations

### Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 6.1 Not applicable

### Consumer Impacts

- 6.2 No consumer impacts have been identified.

### Environmental Impacts

- 6.3 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 320 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## 7 Implementation

- 7.1 The proposed implementation date for DCP 320 is the next applicable release following approval, which is scheduled to be on 01 November 2018.

## 8 Legal Text

- 8.1 Due to the nature of this change, the drafting of the legal text was undertaken by the DCUSA legal advisors. The proposed drafting makes the allotment of Shares optional for new Parties going forward and allows Parties who are not currently Shareholders to apply to become Shareholders.
- 8.2 As this legal drafting has been provided by the DCUSA legal advisor, it is proposed that the Panel will be provided with a Change Report at the same time as this CP.
- 8.3 The Document containing the redlined amendments to Paragraph 3 of Schedule 10 acts as Attachment 2.

## 9 Code Specific Matters

### Modelling Specification Documents

- 9.1 Not applicable.

### Reference Documents

- 9.2 Not applicable.

## 10 Voting

- 10.1 DCP 320 Change Report was issued to DCUSA Parties for Voting on 22 June 2018.

### Part 2 Matter: Authority Decision is not Required

### DCP 320 Proposed Variation (Solution) Decision

- 10.2 For the majority of the Party Categories that were eligible to vote:
- the number of groups in each Party Category which voted to accept the proposed variation was more than 65% of the total number of Groups in that Party Category which voted; and
  - the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the proposed variation was more than 65%

- 10.3 DCUSA Parties have voted to **accept** the proposed variation (solution) of DCP 320.

### DCP 320 Implementation Date Decision

- 10.4 For the majority of the Party Categories that were eligible to vote:
- the number of groups in each Party Category which voted to accept the implementation date was more than 65% of the total number of groups in that Party Category which voted; and

- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 65%.

10.5 DCUSA Parties have voted to **accept** the implementation date of DCP 320

The table below sets out the outcome of the votes that were received in respect of the DCP 320 Change Report that was issued on 22 June 2018 for a period of 15 working days.

DCP 320	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	Accept	n/a	n/a
IMPLEMENTATION DATE	Accept	Accept	Accept	n/a	n/a

## 11 Recommendations

### DCUSA Parties

11.1 DCUSA Parties have voted on DCP 320, with the outcome being a decision to be accept the Change Proposal and thus the proposed variation to the DCUSA will be made accordingly.

### Attachments

- Attachment 1 – Voting Results
- Attachment 2 – DCP 320 Legal Text
- Attachment 3 – DCP 320 Change Proposal