

DCP 314 Consultation Responses – Working Group 07

Company	Confidential/ Anonymous	1. Do you understand the intent of DCP 314?	Working Group Comments
Company	Confidential/ Anonymous	Do you agree with the intent of DCP 314?	Working Group Comments
BUUK Infrastructure	Non- confidential	Yes	Noted
Electricity North West	Non- confidential	We do understand the intent of the change.	Noted
ESP Electricity Ltd	Non- confidential	Yes	Noted
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non- confidential	<p>We understand the intent of DCP 314, but we believe it is based on an incorrect assumption; namely that independent distribution network operators (IDNOs) and distribution network operators (DNOs) operating out of area should be allowed to recover all bad debts associated with supplier failure.</p> <p>We do not consider it appropriate to allow licensed distribution network operators (LDNOs, being IDNOs and DNOs operating out of area) to recover bad debts associated with defaulting suppliers. Ofgem has allowed LDNOs to operate on an unregulated basis since they win new network competitively. Bad debts associated with defaulting suppliers</p>	The Working Group noted a couple points from this response shown in the summary box at the base of the question.

		<p>simply represent one of many business risks LDNOs face in a competitive market.</p> <p>Conversely DNOs are heavily regulated, and earn a low return on capital employed on long term investments. If costs beyond the control of DNOs were not recoverable, it would add to business risk, raise the cost of capital, and increase costs to energy consumers in the longer term.</p> <p>LDNOs will have priced the risk of bad debts into business decisions made when adopting new developments, either explicitly or through assumptions on the cost of capital. Hence allowing LDNOs to recover a portion of such bad debts from the host DNO would result in a windfall gain for LDNOs, at the expense of customers.</p>	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes	Noted
SP Distribution and SP Manweb	Non-confidential	Whilst we understand the intent we believe consumers interests would be best served by a modification to the IDNO licence so that LDNO bad debt is recovered in a more cost reflective way.	Noted
UK Power Networks	Non-confidential	Yes	Noted
Western Power Distribution	Non-confidential	Yes	Noted

All parties agreed with the intent of the change bar one party, with many believing the change would be best served through a licence modification. The Party that disagreed with the intent of DCP 314 stated that it is based on an incorrect assumption; namely that independent distribution network operators (IDNOs) and distribution network operators (DNOs) operating out of area should be allowed to recover all bad debts associated with supplier failure. We do not consider it appropriate to allow licensed distribution network operators (LDNOs, being IDNOs and DNOs operating out of area) to recover bad debts associated with defaulting suppliers.

Company	Confidential/ Anonymous	2. Do you agree with the principles of DCP 314?	Working Group Comments
BUUK Infrastructure	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	<p>We understand that the underlying principle of DCP 314 is that LDNOs should not be disadvantaged following the appointment of a Supplier of Last Resort in relation to a bad debt, but we believe this should be achieved through licence modifications that also provide a mechanism for DNOs to recover bad debt related costs, rather than progressing this change at this time.</p> <p>We are also concerned that as the LDNOs generally mirror the DNOs all-the-way tariffs, and DNOs would recover the bad debt costs through higher all-the-way tariffs, that these proposals would result in a higher margin for LDNOs; unless changes to the charging methodology ensured that LDNO tariffs were increased by the same value as all-the-way tariffs.</p>	<p>The Working Group commented that there is in progress a Change Proposal that looks at the part of the licence to enable distributors to recover Supply of Last Resort debt. This will be presented to the DCMDG when developed further.</p> <p>The Change Proposal in hand with the licence modification by Ofgem, could answer this issue.</p> <p>The Working Group agreed to leave to the process of Change Proposal to the DCMDG.</p>

ESP Electricity Ltd	Non-confidential	Yes	Noted
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	No. As we have laid out in response to question one, we do not agree with the underlying principle that LDNOs should be allowed to recover bad debts associated with defaulting suppliers.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We acknowledge that IDNOs are, in the same way as DNOs, obligated by Schedule 1 of DCUSA to provide potentially substantial levels of unsecured credit to electricity suppliers. However, IDNOs are not subject to recovery arrangements which provide mitigation to the bad debt exposure which clearly exists under these mandatory credit arrangements.</p> <p>We also recognise that the basis of the DCUSA credit arrangements is primarily the 2005 Ofgem 'best practice' guidance document, which drew on industry discussions and consultations in 2004 and earlier. This guidance, which Ofgem have confirmed as essentially remaining current, pre-dated embedded network development and operation on the scale which has subsequently emerged. It therefore did not consider how DUoS bad debt incurred by IDNOs should be handled and therefore requires to be significantly updated to reflect the current structures of electricity distribution.</p> <p>Accordingly, we agree that there is a firm case for an IDNO bad debt recovery mechanism. Although we have major reservations about DNOs taking on IDNO bad debt, we broadly but conditionally agree with the principles of this DCP to enable</p>	<p>Working Group commented on the fact that until the licence modification issue is resolved they are unsure on the next steps.</p> <p>Note within the Change report.</p>

		<p>a form of bad debt protection for IDNOs to be implemented in the near term.</p> <p>However, our support for the principles of the DCP is entirely conditional on the change representing a short term, temporary measure, pending development of a licence modification (and associated revised guidance) which provides for an alternative IDNO recovery process. The enduring process in our view must not require DNOs to carry and finance IDNO supplier bad debt for lengthy periods or require DNO administrative involvement.</p>	
SP Distribution and SP Manweb	Non-confidential	As previously stated in question one, in principle we believe that an IDNO Licence modification best serves all parties.	Noted
UK Power Networks	Non-confidential	At a high level yes we agree, however we are aware that work is currently taking place with Ofgem to look at the arrangements for DNO recovery of bad debts. It would therefore not be appropriate for a solution on DCP314 to be agreed prior to those wider discussions having concluded, to avoid the risk of an inconsistent approach between how DNOs and IDNOs would be able to deal with bad debt issues.	This response seems to state that the change should be placed on hold, the Working Group decided to take account of the response but to refrain from actioning anything.
Western Power Distribution	Non-confidential	WPD agree with the principles of the DCP although the consultation and legal text needs to specify what should happen about the LDNOs credit cover and how this should be apportioned, and more direction needs to be specified in the legal text regarding administrator payments sent to the LDNO.	From this comment the Working Group decided that they must discuss credit cover and admin payment to form part of the process.
<p>There was overall support for the change, but a licence modification approach may be favourable. One resposdee disagreed with the CP and mentioned that the CP should be placed on hold, a mixed response overall.</p>			

A Respondee noted an awareness that work is currently taking place with Ofgem to look at the arrangements for DNO recovery of bad debts. It would therefore not be appropriate for a solution on DCP314 to be agreed prior to those wider discussions having concluded.

Company	Confidential/ Anonymous	3. Do you agree with the Working Group that the ultimate solution to this issue should be via a licence modification, but that DCP 314 should progress in the meantime? Please provide your rationale.	Working Group Comments
BUUK Infrastructure	Non-confidential	It is agreed that ultimately the most appropriate solution is via an amendment of the licence condition as this would remove and discriminatory difference between IDNOs and DNOs. It is also agreed that DCP 314 should continue to progress as there has been no direction from the Authority around associated timeframes to this potential change to licence conditions, and with the number of Suppliers defaulting increasing, a solution does need to be created, even if only for a the interim.	The Working Group agreed to discuss the issue of a licence modification progression and schedule a call with the Ofgem Representative. An issues/action log was created and tis was added to it.
Electricity North West	Non-confidential	We agree that a licence modification is the ultimate solution. Consequently, it does not seem appropriate to be progressing this change at this time as we do not know the outcome of any licence modifications. It's worth noting that there is no mechanism for DNOs to recover bad debt under the current price control and licence modifications need to be progressed for DNO's too.	WG Comments – No mechanism for bad debt – “Current process is that it gets rolled into the next price control”. Indicate the statement may not be correct in the change report. Maybe based on a misunderstanding.
ESP Electricity Ltd	Non-confidential	Ofgem has offered no indication as to what changes to Distribution Licence Conditions would allow the recovery of bad debt for DNOs and IDNOs that may or may not be	Noted

		<p>proposed. Furthermore, we also do not know if Ofgem’s proposals would even be an improvement on this modification or indeed any firm commitment as to when such a change would be published.</p> <p>It is therefore impossible to comment on changes that have yet to be proposed. Therefore, ESPE believes that the only option currently available is to pursue the implementation of DCP314.</p>	
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>We do not consider that the Working Group has in fact identified any issue. The existing arrangements enable LDNOs to price in the risk of bad debts arising from defaulting suppliers into business decisions made when adopting new developments, and so LDNOs have already had the opportunity to recover costs associated with the risk of future bad debts. Hence no ‘issue’ has been identified.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>As set out in our response to Q2, our heavily-qualified support for this DCP is based on it being strictly a temporary measure until a licence modification implements a more appropriate mechanism. In our view, if this DCP is implemented it must be replaced by an alternative process, independent of DNO input, as soon as possible to minimise the impact of complex administration and financing issues for the DNOs and to address underlying competition concerns.</p> <p>The ultimate IDNO bad debt recovery process which a licence modification brings into operation should operate entirely</p>	The Working Group agreed with the suggestion that the change is seen as a potential stop gap until a licence modification.

		<p>independently from DNOs, both from a point of overall principle but also because recovery through the DNOs potentially places significant administration and financing burdens on the DNOs.</p> <p>Bad debt support from DNOs in favour of IDNOs (the 'I' in this term standing for 'independent') is essentially incompatible with the spirit of distribution competition in our view. However, we acknowledge that there is a major flaw in the existing arrangements which is potentially very damaging for IDNO businesses and this DCP can provide a stop gap solution on a limited-time basis.</p>	
SP Distribution and SP Manweb	Non-confidential	Yes we would agree that widening the scope of SLC 38 would be a sensible approach and consideration should be given to DUoS Bad debt recovery due to Supplier insolvency. We would agree that the LDNO licence condition should also be modified to better protect IDNO's from exposure when a Supplier goes into liquidation.	Noted
UK Power Networks	Non-confidential	Yes we do agree that the ultimate solution is a licence modification. Further to this we do believe that DCP314 or any governance modifications, should be 'on hold' until the licence change discussions have been concluded.	Noted
Western Power Distribution	Non-confidential	WPD agree that the solution to this should be through a licence modification. The reasons for this are in the complications resulting from the issues raised in our answer to question 2 of this response.	Noted
All parties agreed with the potential solution except for one respondee who responded that it does not seem appropriate to be progressing this change at this time as we do not know the outcome of any licence modifications.			

The Same party mentioned that there is no mechanism for DNOs to recover bad debt under the current price control and licence modifications need to be progressed for DNO's too. The Working believe that it is a potential misunderstanding and requested an email be issuing to clarify the comment.

Company	Confidential/ Anonymous	4. Do you agree with the Working Group that Ofgem would need to either consider updating the 2005 document or provide a guidance note to allow the DNO to pass-through Bad Debt which has been transferred from the LDNO to the DNO? Please provide your rationale.	Working Group Comments
BUUK Infrastructure	Non-confidential	It is felt that the best solution at present is for Ofgem to provide a guidance note to allow the DNO to pass-through Bad Debt. This quick win would coincide with the possibility of DCP 314 acting as an interim solution following a more thorough Ofgem review where they could also analyse the 2005 document and any suitable actions from it.	Noted
Electricity North West	Non-confidential	<p>This does appear to be a sensible approach, but a guidance document isn't really appropriate in isolation. This should be progressed as a change to the licence to ensure DNOs are able to recover bad debt in the first instance. DNO's aren't in a position to recover funding requested by LDNOs and nor has provision been made for them to recover the bad debt of other network operators.</p> <p>We have not seen enough information in any case to make clear if LDNO's recovering their bad debt from DNO customers is the correct policy decision in any event.</p>	The Working Group reiterated that this response seems to be founded on a misunderstanding.
ESP Electricity Ltd	Non-confidential	Yes, we believe that updating the 2005 document regarding Ofgem's conclusions on the debts able to be recovered is	Noted

		<p>likely to support this change proposal (be they DNO debts or debts passed on through the LDNO).</p> <p>For Ofgem to publish a specific guidance document for the purposes of debt recovery by the DNO, including in the event that an LDNO has recovered their own debt under the proposed solution will provide clarity and transparency on the debt the DNO can recover.</p>	
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>Regardless of the mechanism by which it is achieved, if this change were to progress it is important that DNOs are able to recover any bad debts which are passed from LDNOs to DNOs. As previously stated, DNOs are heavily regulated, and earn a low return on capital employed on long term investments. In a regulated market, DNOs must be able to recover costs beyond their control (in this case bad debts passed from LDNOs to DNOs); otherwise this would add to business risk, raise the cost of capital, and increase costs to energy consumers in the longer term.</p>	The Working Group noted that this links to the action taken previously to add to the Change Report.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We agree that Ofgem should provide clear written support, either in the form of an updated guidance document or a specific note. It is only reasonable that DNOs should be given complete assurance that any IDNO bad debt which is taken on will be fully recovered and not represent an additional business risk in any respect.</p> <p>In our view, reflecting that we see this DCP only as a temporary step, Ofgem should also confirm their definite commitment to and a timetable for bringing forward a</p>	Noted

		replacement arrangement, to be implemented through a licence modification. We see this as an integral part of Ofgem's review of Supplier of Last Resort arrangements.	
SP Distribution and SP Manweb	Non-confidential	We would recommend that the 2005 Ofgem best practice guidelines for Network Operator credit cover be modified as it is now very much outdated. Section one containing all the commentary is now irrelevant.	Noted
UK Power Networks	Non-confidential	From our understanding of the issue at this time, we believe that a guidance note from Ofgem would be the most appropriate way forward.	Noted
Western Power Distribution	Non-confidential	Yes WPD agree the 2005 document should be updated to include LDNOs.	Noted
<p>There was qualified support for this method as it would allow a quick win for DNOs to recover their costs, but the Working Group saw this as a short term stop gap and a licence modification to be more favourable.</p> <p>The Working Group requested that Northern Powergrid's response to this question was included in whole within the Change Report.</p>			

Company	Confidential/Anonymous	5. Do you have any comments on the guidance note amendments suggested by the Working Group?	Working Group Comments
BUUK Infrastructure	Non-confidential	All the guidance notes amendments are approved, but as per the provided answer for question 4, it is noted that Ofgem should review the process in more detail.	Noted

Electricity North West	Non-confidential	The guidance note is now over 13 years old, consequently we are unsure how closely it reflects the current view of the Authority, so any amendments should initially be made by the Authority.	Noted
ESP Electricity Ltd	Non-confidential	The Working Group should consider whether the term IDNO should be amended to EDNO to match the term used in the legal text for Schedule 19 – Portfolio Billing.	The Working Group took the action to look into the Legal text. The concern was added to an action/issue log for further review.
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>We do not consider that an update to guidance alone is sufficient to ensure that DNOs can recover these costs. Guidance alone does not give sufficient certainty. As such, we consider that, if a solution to the perceived issue is progressed, it must be done through licence changes which resolve all bad debt issues for all distribution licensees.</p> <p>If the guidance continues to be relied upon, it should also clarify that DNOs operating out of area should not be allowed to recover bad debts through an increase to the revenue allowances for the relevant licensee. This would create a clear distortion in competition between IDNOs (who are not allowed to recover bad debts) and DNOs operating out of area, and would create a cross-subsidy from customers connected within a DNO licensee’s distribution services area to those connected to that licensee’s out of area networks.</p>	<p>WG Comment – Push for Licence Modification approach and guidance note isn’t sufficient.</p> <p>Last paragraph – DNO boundaries, Ofgem view is that e out of area DNOs to have ability to recover debt through the licence.</p> <p>Not appropriate to have difference between IDNO and DNO?</p> <p>There was a concern that this may give the out of area DNO with a double recovery mechanism.</p> <p>Issue is known that this already exists, and the solution may only partly give recovery to LDNOs but still with the issue of double</p>

			recovery that may be subject to change at a later date.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Our only comment is to suggest changing the first word of paragraph 4.7 to 'DNOs' rather than 'Companies' so that it is clear which category of companies is referred to.	WG Comment – Review 4.7 of the guidance doc
SP Distribution and SP Manweb	Non-confidential	We would agree with the guidance note amendments suggested by the working group and ensure that there is no delay in the recovery of the Pass through amount for the DNO and LDNO which allows for a secure and stable business environment.	Noted
UK Power Networks	Non-confidential	No not at this time.	Noted
Western Power Distribution	Non-confidential	No.	Noted
<p>The respondents had a couple of comments around the updating of the guidance note, the first was that the Working Group should consider whether the term IDNO should be amended to EDNO to match the term used in the legal text for Schedule 19 – Portfolio Billing. The Next suggestion was that the note should be update so it clarifies that DNOs operating out of area should not be allowed to recover bad debts through an increase to the revenue allowances for the relevant licensee.</p> <p>Other responders found that the guidance note alone was not sufficient and explained that guidance alone does not give sufficient certainty. As such, we consider that, if a solution to the perceived issue is progressed, it must be done through licence changes which resolve all bad debt issues for all distribution licensees</p>			

Company	Confidential/ Anonymous	6. Do you agree with the Working Group view that to progress with a redistribution of debt should be optional	Working Group Comments
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		for the LDNO rather than invoking a de minimis value? Please provide your rationale	
BUUK Infrastructure	Non-confidential	<p>It is agreed that the process to redistribute Bad Debt should be optional for the LDNO, but it is question which party would be responsible for determining any de minimis value? The DNO or LDNO? If the option is based on a high costing administration process, which party takes the lead in calculating this and determining if it is too high. Differing parties may have different approaches and thus doesn't create an industry standard for dealing with Bad Debt cases.</p> <p>It is felt the best option would be for the LDNO in question to have the right of setting their own minimum threshold for which to pursue any recovery of Bad Debt. This would allow the party to determine for themselves the best action to take rather than being forced into a situation which would not serve in their best interests.</p>	Noted
Electricity North West	Non-confidential	It may be useful to apply a fixed time-frame to LDNO requests for redistribution of debt in the interests of clarity and certainty for DNOs.	Noted
ESP Electricity Ltd	Non-confidential	Yes, similar to Schedule 21 (Portfolio Billing for Nested Networks), the LDNO should be able to choose to request the redistribution of debt or not. There will be cases where the administration required to report to the DNO outweighs the benefit of recovering small amounts of DUoS and these costs will vary from LDNO to LDNO.	Noted

		Setting a de minimis value would need to be agreed by all Parties and some Parties may have different approaches as to what they consider to be a burden administration wise. Invoking a de minimis value could impact smaller LDNOs adversely.	
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	We do not believe that redistribution of debt should be an option for LDNOs at all, as LDNOs will have priced the risk of bad debts into business decisions made when adopting new developments, either explicitly or through assumptions on the cost of capital.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree with this proposed provision and we are willing to rely on the business sense of our IDNO counterparties not to raise claims for frivolous amounts.	Noted
SP Distribution and SP Manweb	Non-confidential	We agree with the view that redistribution of debt should be optional on the basis that the LDNO should use its discretion to avoid the need to process or submit a number of small and immaterial claims.	Noted
UK Power Networks	Non-confidential	Yes we support this approach, as the administration of any claim could be greater than the bad debt looking to be recovered, and each case would need to be considered on its own merits.	Noted
Western Power Distribution	Non-confidential	Yes	Noted

Agreed that the process to redistribute bad debt should be optional for the LDNO, it was felt the best option would be for the LDNO in question to have the right of setting their own minimum threshold for which to pursue any recovery of Bad Debt

Company	Confidential/ Anonymous	7. Which of the three options for the timing of the LDNO to DNO report and DNO to LDNO payment do you support? Please explain your rationale.	Working Group comments
BUUK Infrastructure	Non-confidential	Option C (Initial Settlement Run with a true-up after the Final Reconciliation Settlement Run) appears to be the best of choice of the three, providing both a mechanism to return Bad Debt early in the process, and reconcile after 14 months which Options A and B separate. Although meaning additional administration due to combining both Settlement Run types, as per the answer of question 6, this would be up to the assigned party to determine whether the Bad Debt should be redistributed or not.	Noted
Electricity North West	Non-confidential	We believe that option A is the most appropriate under these circumstances as it is the most efficient process requiring just one single accurate transaction.	Noted
ESP Electricity Ltd	Non-confidential	ESPE favours Option C as it enables the LDNO to recover the majority of bad debt in a shorter time period. Additionally, Option C is more accurate than Option B and has a shorter recovery period than A.	Noted

Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>If the change were progressed, we favour option A. We are aware that this creates a delay between the LDNO incurring bad debts and the redistribution from DNO to LDNO taking place, so would be open to considering a time value of money adjustment should this be necessary.</p> <p>Option B will not provide a sufficiently precise outcome, so if option A is not progressed our next preference would be for option C, albeit we consider this option to create disproportionate administrative effort for the amounts being redistributed.</p>	<p>The Working Group were unsure of the response and the Northern Powergrid Working Group member clarified the information, and stated the response was in regard to interest chargeable on the charges.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>Our strongly preferred choice from the Options presented is Option A.</p> <p>This choice is based on our view that Option A would enable the most accurate available data to be used between the parties. Therefore, any credits issued would be final and not skewed by subsequent billing runs. As our research into implementation of this CP indicates the requirement for complex manual processing, we wish to eliminate or minimise intermediate steps which would require subsequent reworking.</p> <p>Aside from using the best available data, the additional time provided by this Option before IDNOs can lodge claims with DNOs may better accommodate situations where an administrator makes one or more interim payments to creditors part way through the administration process.</p>	<p>The SEP Representative state that it can take up to 3- 4 years to resolve bad debt and the DNO will be sitting waiting on the resolution for years so would be unfair for the IDNO to receive the amount back almost instantly.</p>

		<p>We recognise that this would mean the IDNO waiting 14 months for the credit(s). However, under each of the CP's Options the DNOs are likely to have to finance the IDNO bad debt for multiple years, pending conclusion of the administration process and the ultimate recovery of the residual bad debt. This Option therefore represents the most reasonable sharing of the financing burden between the parties.</p>	
SP Distribution and SP Manweb	Non-confidential	<p>5.23 – Option C reconciling early appears to be the fairest option transferring the bad debt earlier in the process is a sensible approach. With a true up after the final Reconciliation settlement run, however this has to be subject to an equally appropriate mechanism for DNO's to be able to recover these costs timeously with no detriment to its customers.</p>	Noted
UK Power Networks	Non-confidential	<p>At this time, based upon the commentary in the consultation document, we believe that option A or C would be most appropriate, we believe it is important that any settlement takes into account the details of the final settlement run, which is why we believe that option B would not be appropriate.</p>	Noted
Western Power Distribution	Non-confidential	<p>From a DNO perspective our order of preference is:-</p> <ol style="list-style-type: none"> 1) Option A would be the simplest as there are no reconciliation issues. However IDNO may not wish to wait 14 months to receive their credits back 	Noted

		<p>2) Option B – again no reconciliation issues and may be the most pragmatic approach as the majority of charges will be at this point(SF)</p> <p>Option C – This option is the most complicated and there is no mention of whether the DNO should charge /pay interest at the RF reconciliation stage .</p>	
<p>The Working Group noted that the responses were even on Option A and C and that no-one looked to progress down the route of Option B. The chair instructed the Group to decide between them on the which option to progress. The majority of the Working Group voted in favour of Option A. Two members of the Working Group stating a need to enquire internally before committing to supporting an alternative Option.</p>			

Company	Confidential/ Anonymous	8. Is the information listed in paragraph 5.17, along with the resubmitted half-hourly invoicing reports and the non-half-hourly and half-hourly aggregate report sufficient to enable DNOs to process the LDNO's claim? If not, what additional information is required?	Working Group Comments
BUUK Infrastructure	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	As a DNO we only need to know the total amount recoverable whereas paragraph 5.17 is suggesting the LDNO provides the relevant elements for DNOs to undertake this calculation on their behalf, which is increasing the administrative burden unnecessarily on DNOs.	A Working Group member stated that the LDNO would need to provide the relevant elements otherwise there wouldn't be enough information to process the payments effectively. This was added to the action/issues log.
ESP Electricity Ltd	Non-confidential	We believe the information outlined in paragraph 5.17 and supported by the HH and NHH reports is sufficient for this change proposal. However, the Working Group should	A Member mentioned that sometimes for payments missed invoices may have been paid twice due to there being gaps. Could

		consider whether the LDNO should also report anomalies e.g. where the defaulting Supplier has missed a month in a consecutive run or an element of the debt that was able to be recovered due to previous credit arrangements in place.	we look into introducing a free text field? This will cover the potential issues of Gaps. This was added to the action/issues log.
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>We have two points to raise on the information to be passed from LDNO to DNO:</p> <ul style="list-style-type: none"> • The resubmitted information for half hourly sites should only include data for MPANs which were registered to the failed supplier and remain outstanding. • Additional information will be required to ensure that any credit cover collateral held by LDNOs is properly accounted for. <p>Half hourly data</p> <p>The consultation document and legal text suggest that the LDNO will resubmit the entirety of any half hourly report for periods for which the LDNO has not received payment. In order for the DNO to be able to process the credit, the DNO will need to know in respect of which sites the LDNO has invoices outstanding, i.e. which sites were registered to the failed supplier at the time of failure.</p> <p>This could either be achieved by the LDNO marking on the resubmitted reports the sites in respect of which it has bad debts; or by the resubmitted report only including rows which</p>	<p>WG comment – AE – HH data – Legal text find the spreadsheet from last month and send it again. The IDNO would take the spreadsheet and delete the ones that are paid and only keep the ones that are to be paid.</p> <p>Legal text regarding Credit cover, what ever is left needs to be apportioned between LDNO and DNO assets.</p> <p>Limit to cash deposits?</p> <p>Should be for all credit cover. The formula at the base only shows Cash Cover not total Credit cover.</p> <p>AE formula needs to be altered,</p>

		<p>relate to sites registered to the failed supplier at the time of failure. Our preference would be for the latter of these to be pursued.</p> <p>LDNO credit cover</p> <p>In some instances LDNOs will hold either a letter of credit or Escrow account deposit covering the full 'value at risk' (i.e. all billed but unpaid charges and an estimate of charges which would be levied for the next 15 days, as defined in DCUSA Schedule 1). In this circumstance, that collateral should be used in full, and so no bad debt will be enduring.</p> <p>In some instances LDNOs will hold a cash deposit, covering some or all of the value at risk. If the cash deposit in question is sufficient to cover all bad debts, then it should be used in full, and so no bad debts will be enduring. If the cash deposit is not sufficient, it should be split proportionally between LDNO revenue which relates to use of host DNO assets and LDNO revenue which relates to the use of host DNO assets. So the LDNO should report to the DNO on any cash deposit it holds, and what its total bad debt position is in respect of end users within the host DNO's distribution services area. The amount of bad debt to be redistributed would then be calculated as:</p> $ \begin{aligned} & \text{DNO to LDNO Payment} \\ &= \text{LDNO Bad Debt from DNO Assets} \\ &\times \left(1 - \frac{\text{LDNO Credit Cover Cash Deposit}}{\text{Total LDNO Bad Debt for DNO area}} \right) \end{aligned} $	<p>Limitation if Credit cover goes over bad debt there will be no claim but the way the legal text is drafted there may well be.</p> <p>There is a need to review the legal text associated with the Credit cover.</p> <p>The concerns above were added to the action/issues log.</p>
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Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We would expect that the self-certification of compliance with Schedule 1 should explicitly confirm that any sum claimed through the DNO is net of (i.e. excludes) any security deposits or other credit collateral which may have been placed by the defaulting supplier. If Option A is selected and implemented, the IDNO should also explicitly confirm that the sum claimed is net of any interim payment(s) made by the administrator.	WG comment – need to review the Administrator Clause. (legal Text) This was added to the action/issues log
SP Distribution and SP Manweb	Non-confidential	Yes the information listed within 5.17 is fairly comprehensive and would meet expectations.	Noted
UK Power Networks	Non-confidential	At this time, we believe that the details as laid out in paragraph 5.17 of the consultation would be sufficient to validate any claims. However we do have a concern over the additional work placed upon the DNO to provide the audit assurance role as part of this exercise, this would be vital to ensure a robust process is introduced. In addition we do not believe that the legal text (8.5) is clear enough about what the DNO is to do when notified of amounts received from administrators.	WG comments – Audit assurance? Is it just the additional work includes in this? Send an email in regard to the response This was added to the action/issues log
Western Power Distribution	Non-confidential	It should be noted that the resubmitted HH invoice reports should be resubmitted with the (-)ve values so that we can load into DURABILL and issue credit notes There are a number of options covering submission of NHHSC data to the DNO. It will not be possible to load this data into DURABILL to apply tariffs and create the necessary credits. Note that none of the suggested templates support the use of de-linked tariffs. Western Power currently uses de-linked tariffs and default TPRs, and DCP268 proposed that they are	WG Comments – April 2021 – DCP 268 no decision yet. DW – How can we apply it? Is there a way to automate this making it easy? Billing teams use DURABILL and would end in massive manual work Happy for WG to take off line and review the SS to see if the comment is correct and if so ho do we amend the SSSs?

		<p>extended to all NHHSC billing from April 2020. The data templates do not include the breakdown of data by settlement period. This would be required to support de-linked tariffs. One of the suggestions for grouping data is to group data by billed periods. It is not specified how data should be reported if a billed period spans two tariff years. For example if a LDNO bills SFs for 25th March to 24th April on a single invoice, the templates do not show how data should be reported.</p>	<p>Which SS do we support? By date or period?</p> <p>JL Look at the current HH report that caters for catering bills to see if for a credit bill they place Negatives.</p> <p>This was added to the action/issues log</p>
<p>Members of the Working Group were divided on the contents of 5.17 being in-depth enough to cover the invoicing and processing of LDNOs claim, this was supported by Western Power Distribution who mentioned a need to process a lot of the invoices through their internal system DURABILL and that currently without adaptation this will not be able to be completed. There was a question surrounding the additional work placed on the DNO to provide an audit assurance role, the Working Group were not sure on this point and an email was sent to the resposdee regarding the answer.</p>			

Company	Confidential/ Anonymous	9. Do you have any comments on the proposed format of the LDNO to DNO report?	Working Group Comments
BUUK Infrastructure	Non-confidential	No	Noted
Electricity North West	Non-confidential	From a DNO perspective the summary information would seem adequate. It doesn't seem necessary for DNOs to receive detailed data. We strongly support a standardised format in any event.	see earlier comment response.
ESP Electricity Ltd	Non-confidential	We have no comment on the format of the report. The inclusion of the report format as an appendix to the Schedule is prudent as the report could be complex and not easily determined from the legal text alone.	Noted

Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	No. We will have very limited ability to validate the information provided, other than that appropriate settlement dates have been included for each settlement run and that the MPAN counts and unit volumes are less than the total for each IDNO for each settlement run. This is as a result of the settlement processes which result in the data being reported to DNOs showing the total by IDNO rather than by supplier for customers connected to IDNO networks, so unlikely to be something which the working group can mitigate.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.	Noted
SP Distribution and SP Manweb	Non-confidential	Within column D of the report, there is paid/unpaid and not received. Would the DNO be liable for values that were in the unpaid category only?	WG comments – SP – not received only relates to the final reconciliation and relates to further runs for the same MPAN. Creates on single report within Option c. SP happy with explanation
UK Power Networks	Non-confidential	No not at this time.	Noted
Western Power Distribution	Non-confidential	Please see my response to Q8	Noted

There was strong support for a standardised format for the report, and the Working Group agreed that currently the reports are suitable if updated to include a few extra pieces of information.

From a DNO perspective responders found the summary data mostly sufficient and believed that for DNOs that there is not a great need for them to receive detailed data,

Company	Confidential/ Anonymous	10. Do you have a preference for the 'By Date' or 'By Period' version of the report to be used?	Working Group Comments
BUUK Infrastructure	Non-confidential	No preference	Noted
Electricity North West	Non-confidential	We don't believe DNOs require this report as they should not have a role in calculating or validating the amount of the bad debt losses to be recovered by the LDNO. Ultimately, this role of validating the amounts would be undertaken by the Authority.	WG comment – A has been added so that if this is all that is required for some parties they will see a total at the end.
ESP Electricity Ltd	Non-confidential	<p>Both reports have merits.</p> <p>'By Date' lists quite clearly the individual settlement dates that are being reclaimed and therefore, easier to monitor through full reconciliation.</p> <p>'By Period' is a shorter report but as ESPE's approach to DUoS NHH invoicing (circa 23rd each month to capture a full settlement run at SF), reconciliation date ranges can differ throughout the 14 months e.g. an invoice raised that includes R1 may span 23 Feb to 22 March and the subsequent R2 run may overlap on a later invoice spanning 14th Feb</p>	Noted

		<p>to the 13th March. It has a level of complexity that may incur greater costs for system functionality changes.</p> <p>Our preference at this stage would be to report 'By Date' subject to confirmation of costs advised to us by our service provider.</p>	
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>We consider that only the 'by date' version is fit for purpose. DNOs will have limited means by which to validate the information provided by LDNOs, but the ability to validate the information is greater with the provision of more granular data which enables the DNOs to confirm that only data for appropriate combinations of date and settlement run have been included; hence reporting should be by settlement date rather than grouping settlement dates together.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We have no preference.	Noted
SP Distribution and SP Manweb	Non-confidential	<p>The version of the LDNO to DNO – preferred option would be by date.</p> <p>One of the suggestions for grouping data was to group data by billed periods. It is not specified how data should be reported if a billed period spans two tariff years. For example if a LDNO bills SFs for 25th March to 24th April on a single invoice, the templates do not show how data should be reported.</p>	Noted

UK Power Networks	Non-confidential	No not at this time.	Noted
Western Power Distribution	Non-confidential	To support validation of delinked or default TPR charging WPD would require data by settlement period	WPD want the data by HH periods. DW to check with Tracey. This was added to the action/issues log
Overall feedback from the parties are that the majority would prefer by date over period. this was due to the 'By Date' lists clearly showing the individual settlement dates that are being reclaimed and therefore, easier to monitor through full reconciliation.			

Company	Confidential/Anonymous	11. Do you agree that DCUSA already caters for a dispute process and as such there is no need to escalate to the Authority? Please provide your rationale.	Working Group Comments
BUUK Infrastructure	Non-confidential	Yes, as DCUSA provides a disputes process within Schedule 4, and Schedule 19 provided that legal text is amended.	Text is already in schedule 19. Ask BUUK regarding their answer. What extra is necessary? Review as part of the legal text review. This was added to the action/issues log
Electricity North West	Non-confidential	Although DCUSA does include robust dispute processes for Use of System charges, we are not sure that these processes are applicable to these circumstances, for example, DNOs making	WG – DNO is not making a payment it is cancelling a bill. So, it a cancelled bill use of system.

		payments to LDNOs does not seem to be covered by Schedule 4.	<p>Cancelling a bill doesn't create bad debt. This could actually be making a payment.</p> <p>Maybe Schedule 4 isn't the right approach? Or it needs to have a variation?</p> <p>Review Schedule 4 and 19 required</p> <p>This was added to the action/issues log</p>
ESP Electricity Ltd	Non-confidential	Yes, we believe that the DCUSA already caters for a disputes process under Clause 2.2 of Schedule 4 – Billing and Payment Disputes.	noted
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	Yes, we consider the DCUSA dispute process to be fit for purpose should a DNO and LDNO disagree on the amount to be credited.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Provided that the ultimate recovery of IDNO bad debts by DNOs is fully secure and detailed in clear written support from Ofgem, we do not believe that an escalation path to the Authority should be necessary, as any matters of disagreement or dispute between parties should be relatively minor and capable of resolution without Authority referral.	Noted
SP Distribution and SP Manweb	Non-confidential	If the legal text is amended within DCUSA schedule 4 then there will be no requirement to escalate to the authority.	Noted

UK Power Networks	Non-confidential	We believe that there are sufficient allowances in DCUSA at the current time for disputes, as long as it is an element of DCUSA which a party is in dispute over.	Noted
Western Power Distribution	Non-confidential	Yes	Noted
<p>The Working group agreed to review the schedules 4 and 19 of the legal text due to the need to amend the legal text as it was seen as not entirely robust enough to progress as is.</p> <p>The view of one responder was that although DCUSA does include a fairly robust dispute processes for Use of System charges, they were unsure that these processes are applicable to these circumstances, for example, DNOs making payments to LDNOs does not seem to be covered by Schedule 4. Whereas others considered the DCUSA dispute process to be fit for purpose should a DNO and LDNO disagree on the amount to be credited.</p>			

Company	Confidential/Anonymous	12. Do you have any comments on the proposed legal text for DCP 314?	Working Group Comments
BUUK Infrastructure	Non-confidential	No	Noted
Electricity North West	Non-confidential	<p>Before we know what the licence modification will be it is not possible to agree legal text, for example, should the proposed section 8 apply to DNOs operating out of area or would they be able to recover bad debts under a separate process.</p> <p>It's not appropriate for a DNO to be issuing credit notes in respect of services it has not previously invoiced for.</p> <p>It is our view that DCP314 would require the LDNO to invoice the DNO for total amount of recoverable bad debt losses, including the standard formatted backing data, which would then be settled in</p>	<p>WG comment – point 1 – section 8 applying to DNOs out of area or would they need a separate process? Ofgem view was under their own licence they can claim it.</p> <p>WG – as long as Ofgem are clear on the out of area method then they would not be worried about it also applying to the IDNOs.</p>

		<p>accordance with the payment terms (which we would suggest could be similar to those covering Use of System charges).</p>	<p>May need to amend the legal text that it applies to DNOs working outside of area.</p> <p>Point 2 – Not clear enough in consultation of the intent. Need to state that its not the intention to provide credit notice and the existing process would be retained.</p> <p>Regarding the need for an invoice to be raised, they could raise a change proposal or a Working Group member could raise an alternative proposal.</p> <p>Clarification to be requested from ENW, regarding the third Paragraph. What are they suggesting that is different to the working group?</p> <p>“standard formatted backing data” the proposed spreadsheet or one already in use?</p> <p>This was added to the action/issues log</p>
ESP Electricity Ltd	Non-confidential	We have reviewed the legal text and our comments are attached on a change marked document of the proposed legal text.	This was added to the action/issues log.
Confidential	Confidential	Confidential	Noted

Northern Powergrid	Non-confidential	<p>Legal text amendments will be necessary to deal with the two issues detailed in our response to question eight and one in response to question five, namely:</p> <ul style="list-style-type: none"> • the content of the resubmitted half hourly report; • a provision for LDNO credit cover; and • appropriate treatment of bad debt for DNOs operating out of area. <p>Beyond these three points, we consider that the legal text as drafted is appropriate to implement the intent of DCP 314, albeit we reiterate our view that the intent is not valid.</p> <p>Half hourly report</p> <p>We would suggest that paragraph 8.3 be amended as follows:</p> <p style="padding-left: 40px;">“...the EDNO shall re-submit <i>an extract of</i> any half-hourly DUoS reports <i>which relates to sites registered to the defaulting Supplier Party, and</i> which relate to a period for which the EDNO has payments outstanding from the defaulting Supplier Party.”</p> <p>LDNO credit cover</p> <p>The legal text should be amended to account for credit cover collateral held by the LDNO.</p> <p>DNOs operating out of area</p> <p>Consideration should be given to the treatment of DNOs operating out of area. The current guidance does not distinguish between bad debts which relate to a licensee’s activities within its distribution services area and those outside, and so could enable the recovery of bad debts in respect of both of these activities through an</p>	This was added to the action/issues log
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		adjustment to revenue allowances in the next price control, recovered from customers connected within that licensee's distribution services area. This would create a clear distortion in competition between IDNOs (who are not allowed to recover bad debts) and DNOs operating out of area, and would create a cross-subsidy from customers connected within a DNO licensee's distribution services area to those connected to that licensee's out of area networks.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.	Noted
SP Distribution and SP Manweb	Non-confidential	The suggested legal text has a section that indicates that DNOs should return a percentage of the calculated debt, based on the number of business days past the LDNO's invoice due date. The proposed data templates do not provide a mechanism by which the LDNO can communicate the due date of invoices they have issued. This would prevent the DNOs from calculating this percentage.	<p>Review spreadsheets for the suggested legal text has a section that indicates that DNOs should return a percentage of the calculated debt, based on the number of business days past the LDNO's invoice due date. The proposed data templates do not provide a mechanism by which the LDNO can communicate the due date of invoices they have issued.</p> <p>This may be looking at the table within the guidance.</p> <p>Make the section clearer regarding the DNO on percentage of debt the report is expected to see.</p>

			This was added to the action/issues log
UK Power Networks	Non-confidential	No not at this time.	Noted
Western Power Distribution	Non-confidential	The legal text needs to include LDNO Credit cover and be more specific on administrator payments.	This was added to the action/issues log
<p>The Working Group concluded from the answers the below would need to be investigated from comments made on the proposed Legal text for DCP 314.</p> <ul style="list-style-type: none"> • the content of the resubmitted half hourly report; • a provision for LDNO credit cover; and • appropriate treatment of bad debt for DNOs operating out of area. <p>Beyond these three points, the Group considered that the legal text as drafted is appropriate to implement the intent of DCP 314, but amendments need to be made for clarity.</p>			

Company	Confidential/ Anonymous	13. Which of the DCUSA General Objectives does this change better facilitate? Please provide supporting comments.	Working Group Comments
BUUK Infrastructure	Non-confidential	The Proposers views are agreed that General Objectives 1 and 2 are better achieved through DCP 314. The change works to provide an improved mechanism and redistribution of risk associated with Bad Debt which supports for a competitive, co-ordinated and economical Distribution Network.	Noted
Electricity North West	Non-confidential	We agree with the working group's view that changes in this area could potentially better facilitate General Objectives 1 and 2 but only	Noted

		<p>if progressed through licence changes, enabling both DNOs and LDNOs to recover bad debt following the appointment of a Supplier of Last Resort. As currently drafted this change would result in a distortion of competition in the distribution of electricity as DNOs would be required to fund LDNO bad debt for some time in advance of DNOs being able to recover these monies.</p>	
ESP Electricity Ltd	Non-confidential	<p>ESPE believes that General Objectives 1 and 2 are better facilitated.</p> <p>Objective 1 - the ability for a LDNO to recover debt from the DNO under the Supplier of Last Resort process makes for a more economical running of the LDNO's distribution networks.</p> <p>Objective 2 – as, unlike the DNOs, the LDNO has no ability to recover bad debt under current regulations. This change promotes competition in the distribution of electricity</p>	Noted
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>General Objectives two and four will be negatively impacted by this change. General Objectives one, three and five will not be impacted by this change.</p> <p>General Objective two: this change will distort competition in the distribution of electricity. LDNOs operate on an unregulated basis since they win new network competitively. Bad debts associated with defaulting suppliers simply represent one of many business risks LDNOs face in a competitive market. LDNOs will have priced the risk of bad debts into business decisions made when adopting new developments. Any redistribution of bad debts would represent a</p>	Noted

		<p>windfall gain for LDNOs in respect of existing connections, and accentuate existing regulatory distortions between LDNOs and DNOs when competing for new developments.</p> <p>General objective four: this change would introduce a significant administrative burden into the DCUSA requirements, with the associated risk of error. We will be unable to use our DUoS billing system to generate this credit (the only way to do so would be to credit the invoice, which in turn would reduce billed revenue and so create under-recovery rather than additional bad debt). Whilst we accept that the bad debts to be redistributed from LDNO to DNO relate to the use of DNO assets, they remain LDNO bad debts (as it is the LDNO's invoices to the defaulting supplier which remain unpaid); hence if LDNOs are to be allowed to recover bad debts despite the reasons we set out as to why they should not, then this should be dealt with through licence changes enabling LDNOs to recover all of their bad debts.</p>	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We particularly see General Objective 2 as being better facilitated, as the issue behind the CP is clearly related to development of competition in electricity distribution.	Noted
SP Distribution and SP Manweb	Non-confidential	This change best facilitates General objectives 1 & 2. They are both economical choices and mitigate risks.	Noted
UK Power Networks	Non-confidential	At the current time, due to the licence drafting still being separately worked on, we do not believe that any of the DCUSA General Objectives are better facilitated as a result of this change proposal.	Noted
Western Power Distribution	Non-confidential		Noted

		General Objective 1 - the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	
<p>Respondents were supportive of Objective 1 and 2 with one respondent noting a potential negative impact on General Objective two they believed this change will distort competition in the distribution of electricity they also stated General objective four as this change would introduce a significant administrative burden into the DCUSA requirements, with the associated risk of error.</p>			

Company	Confidential/ Anonymous	14. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
BUUK Infrastructure	Non-confidential	None identified	Noted
Electricity North West	Non-confidential	We understand that Ofgem is running a SoLR Licence modification working group that has given some consideration to arrangements addressing the recovery of bad debt following the appointment of a Supplier of Last Resort.	Noted
ESP Electricity Ltd	Non-confidential	Ofgem published a consultation (closed in July 2018) on proposed modifications to the Supplier of Last Resort supplier licence conditions. On completion of their review, Ofgem may proceed to modify the Supplier licence. Should this change proposal be approved, it would be prudent for Ofgem to review the DCUSA clauses brought in by DCP 314 to ensure the licence and DCUSA do not conflict.	Noted
Confidential	Confidential	Confidential	Noted

Northern Powergrid	Non-confidential	<p>Yes.</p> <p>Ofgem has recently consulted on changes to the supply licence to amend conditions relating to the appointment of a supplier of last resort.</p> <p>A further consultation is expected within the next few months on changes to the distribution licence to improve the process by which DNOs recover the costs associated with last resort supply payment claims from customers (including rectifying contradictions between the DCUSA and distribution licence) and the process by which DNOs recover their own bad debts. The treatment of LDNO bad debt is being considered as part of this work. We do not consider it to be appropriate to continue with the development of DCP 314 until this work has been allowed to progress to a conclusion, and the industry has had a meaningful debate on whether LDNOs should be allowed to recover bad debts.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.	Noted
SP Distribution and SP Manweb	Non-confidential	<p>We recognise that there are a number of Industry initiatives and reviews which may take higher priority. Existing Ofgem consultation relating to modification of SOLR Supply licence conditions could impact upon this CP. The charging futures forum could have an impact on timescale for the licence change.</p>	Noted
UK Power Networks	Non-confidential	<p>As mentioned elsewhere there is currently a separate piece of work looking at the treatment of debt following the appointment of a SoLR which needs to be concluded prior to the approval of this DCP, in</p>	Noted

		order to avoid further obligations and costs being placed upon DNOs which they would have no way of addressing.	
Western Power Distribution	Non-confidential	No	Noted
The Responders noted that there is currently a separate piece of work looking at the treatment of debt following the appointment of a SoLR which needs to be concluded prior to the approval of this DCP.			

Company	Confidential/ Anonymous	15. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?	Working Group Comments
BUUK Infrastructure	Non-confidential	None identified	Noted
Electricity North West	Non-confidential	It would appear that this change may also impact Schedules 16, 17 and 18 in respect of setting DUoS prices. DNOs would be required to set 'all-the-way tariffs' that would recover the total bad debt, which would normally be mirrored by LDNOs. Changes would be required to LDNO tariffs to ensure that the margin available to LDNOs is not artificially increased.	WG comment – Working group are aware of this concern and there are Change Proposals DCP 332 and 333 to meet this concern.
ESP Electricity Ltd	Non-confidential	Outside of the potential for licence modifications and guidance documents to be updated to support the LDNO's recovery of bad debt, ESPE are not aware of alternative solutions at this stage. ESPE do not believe there will be unintended consequences should this change be approved.	Noted
Confidential	Confidential	Confidential	Noted

Northern Powergrid	Non-confidential	If implemented, this change will create a windfall gain for LDNO shareholders, to the detriment of customers who will be required to fund that windfall gain.	see earlier response
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	No.	Noted
SP Distribution and SP Manweb	Non-confidential	We would like to reiterate that an LDNO license change would be the preferred option.	Noted
UK Power Networks	Non-confidential	Self certification of compliance with Schedule 1 should include confirmation that any cash deposits have been used or LoCs/PCGs called or other collateral used, to offset debt, before any claim is made. Consideration should be given to the treatment of any disputed invoices. The SoLR process could be extended for the inclusion of IDNOs alongside Suppliers.	This was added to the action/issues log
Western Power Distribution	Non-confidential	No	Noted
One respondent mentioned that if implemented, this change will create a windfall gain for LDNO shareholders, to the detriment of customers who will be required to fund that windfall gain.			

Company	Confidential/ Anonymous	16. The proposed implementation date for DCP 314 is the first scheduled DCUSA Release following approval. Do you agree with the proposed implementation date?	Working Group comments
BUUK Infrastructure	Non-confidential	Yes	Noted
Electricity North West	Non-confidential	This change is reliant on other changes to the licence that would enable DNOs to recover these costs in the future under Use of System charges, so implementation should be linked to these changes.	The Working Group believe that this is not the case and that the response is based on a misunderstanding.
ESP Electricity Ltd	Non-confidential	Yes, first release following Ofgem approval (anticipated to be the February release of DCUSA). Our system changes are expected to be minor. It would require the addition of a new automated report from our billing system and is not a major functionality change.	Noted
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	We consider that the change should not proceed until work on the distribution licence concludes.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.	Noted
SP Distribution and SP Manweb	Non-confidential	We would agree with the proposed implementation being the first scheduled DCUSA release following approval.	Noted

UK Power Networks	Non-confidential	As mentioned elsewhere in this response, this change cannot be introduced until the work that Ofgem are currently looking at relating to SoLR has concluded, as a result we believe that this change should be placed 'on hold' until such time that the wider work has concluded. It would however be appropriate to ensure that this change is implemented at a time consistent with any wider licence changes.	Noted
Western Power Distribution	Non-confidential	Yes	Noted
The majority of responses supported the first release following Ofgem approval (anticipated to be the February release of DCUSA) with one responder continuing with the view point of not progressing until the Ofgem work on SoLR is concluded.			

Company	Confidential/Anonymous	17. Will you be required to make any system changes as a consequence of this change proposal and if so what would be the cost and implementation time frame?	Working Group Comments
BUUK Infrastructure	Non-confidential	System costs would be required, but at present the value and timescales are unknown.	Noted
Electricity North West	Non-confidential	It is too early at this stage given the range of options being tabled to form a view on system changes that may be required, but we have not identified any significant changes to date.	Noted
ESP Electricity Ltd	Non-confidential	Yes. Costs are not known at this stage and would be dependent on the reporting option (1 to 3) agreed upon. To create a new automated report is expected to be a minor change and, as a result, we do not expect a significant cost (in the region of £2K	Noted

		- £3k).	
Confidential	Confidential	Confidential	Noted
Northern Powergrid	Non-confidential	<p>No.</p> <p>We will generate this credit separately from our DUoS billing system in order to avoid reducing billed revenue and so creating under-recovery. Whilst this precludes the need for system changes, it is a manual process with the associated risk of error.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We do not believe that our billing system can accommodate the processes that this CP would necessitate, and that significant manual processing would be involved in the event of a claim. Whilst we broadly support the case for an IDNO bad debt recovery mechanism, the cumbersome mechanics of processing any claims that may arise concern us and are a notably unwelcome aspect of the proposal, in our view.</p> <p>The implementation issues that we foresee further strengthen our view that the CP can only be considered a short-term solution and that an alternative enduring solution, independent of all DNO involvement, is imperative.</p>	Noted
SP Distribution and SP Manweb	Non-confidential	<p>Based on a high level impact assessment from our IT service partners we understand that significant changes would be required to align our billing, credit management and debt management processes and systems to automatically handle the proposed changes and to this end costs may be prohibitive. To implement a work around is therefore going to incur an increased level of effort and cost in order to receive, validate, process and administer claims manually.</p>	Noted

		A further level of detailed analysis would need to be carried out in order establish the cost associated with the proposal as it stands.	
UK Power Networks	Non-confidential	There will be system changes we would need to make, but these will not be material.	Noted
Western Power Distribution	Non-confidential	No – the costs associated with processing this data in DURABILL would not be justified. , therefore we would have to validate the charges with a manual process	WG – when the final outcome is known Parties can I give a better understanding of what the impact will be as part of their voting submission.
Majority of respondents mentioned that with this change there will be significant manual processing involved in the event of a claim, with other respondents mentioning that a further level of detailed analysis would need to be carried out in order establish the cost associated with the proposal as it stands.			