DCUSA

DCUSA DCP 333 Change declaration
Voting end date: 9 August 2019

DCP 333 'APPROPRIATE TREATMENT AND ALLOCATION OF ELIGIBLE USE OF SYSTEM BAD DEBT COSTS'	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	CVA REGISTRANT	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	Accept	n/a	n/a
IMPLEMENTATION DATE	Accept	Accept	Accept	n/a	n/a
RECOMMENDATION	**Change Solution – Accept.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the change solution be Accepted. **Implementation Date – Accept.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to the implementation date was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the implementation date be Accepted.				
PART ONE / PART TWO	**Part One** – Authority Determination Required				

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A / R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
DNO PARTIES				
SP Distribution	Accept	Accept	DCUSA Charging Objectives two, three and four	
SP Manweb	Accept	Accept		
Northern Powergrid (Northeast) Ltd	Accept	Accept	As proposer of these changes our view remains that DCUSA charging objectives 2, 3 and 4 are better facilitated. Charging objective 2 - better facilitated by avoiding the distortions which would occur by not amending use of system charges levied on LDNOs. Charging objective 3 - better facilitated by ensuring that eligible bad debt costs are allocated to customers appropriately. Charging objective 4 - better facilitated by ensuring appropriate allocation of eligible bad debt costs in the CDCM, which are currently not included. We do not believe the other charging objectives are impacted.	No.
Northern Powergrid (Yorkshire) plc	Accept	Accept		
Western Power Distribution (East Midlands)	Accept	Accept	**Charging objective two**: better facilitated by avoiding the distortions which would occur in	None.
Western Power Distribution (West Midlands)	Accept	Accept		

Western Power Distribution (South Wales)	Accept	Accept	tariffs for LDNOs if the change were not made. **Charging objective three**: better facilitated by ensuring that eligible bad debt costs are allocated to customers appropriately.	
Western Power Distribution (South West)	Accept	Accept		
Electricity North West Limited	Accept	Accept	We believe the change better facilitates DCUSA charging objective 2 ensures IDNO margins are not distorted by bad debt costs. We believe the change also better facilitates charging objective 4 as it provides a more comprehensive mechanism for dealing with the impacts of an increase in Supplier failures on distributors.	None.
Eastern Power Networks	Accept	Accept	We believe that Charging Objective two will be better facilitated by this change as it will avoid the distortions which could occur in tariffs for LDNOs DCUSA Charging Objective three will be better facilitated by this change by ensuring that eligible bad debt costs are allocated to customers appropriately and doing so through the fixed charge ensures that all contribute to these costs which should not be avoided. Charging Objective four will be better facilitated by ensuring appropriate allocation of pass-through costs in the CDCM.	
London Power Networks	Accept	Accept		
South Eastern Power Networks	Accept	Accept		

IDNO PARTIES				
Leep Electricity Networks Limited	Accept	Accept	1 The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.	NA
ESP Electricity Ltd	Accept	Accept	ESPE agrees with the WG in that Charging Objectives two, three and four would be better facilitated. Obj 2: Removes the distortion which would occur in LDNO tariffs. Obj 3: Improves cost-reflectivity as eligible bad debt is allocated to customers appropriately. Obj 4: Ensures appropriate allocation of pass through costs.	

SUPPLIER PARTIES				
E.ON Energy Solutions Ltd	Accept	Accept	Objective 2,3,4	
Npower ltd	Accept	Accept		
	Reject	Reject		Noting that this DCP is designed to bring DCUSA in line with Ofgem's Distribution Licence, we disagree with the principle that bad debt owed by failed suppliers to distributors should be recovered from other suppliers. This could lead to a lack of an incentive for distribution companies to operate efficiently and manage bad

				debt, knowing they are not exposed to its risks should the supplier fail.
British Gas	Reject	Reject	We do not consider the change better facilitates any of the charging objectives. This change isolates a small subset of residual costs and seeks to recover them via a single flat fixed charge applied to all demand customers. This has to the potential to disproportionately burden domestic customers with the recovery of bad debts costs. As has been acknowledged in the Change Report, use of system bad debt costs are incurred for domestic and non-domestic customers alike. However, a flat fixed charge will mean that domestic customers will pay over 90% of bad debt costs despite representing less than 50% of the overall DUoS revenue pot. This treatment has not been justified. We also do not believe a justification has been provided for why this subset of residual cost should be isolated and treated differently from the remainder of residual costs.	The methodology and implementation date for the recovery of all residual costs should follow the outcome of the TCR. We also note that the minded-to decision of the Targeted Charging Review (TCR) did not propose a single fixed charge applied to all customers (DCP333), but rather a fixed charge per DUoS tariff group, derived after segmenting the residual costs into the broad DUoS tariff groups using net demand. Therefore, the Change Report is inaccurate in paragraph 3.8 when it states that the DCP333 solution aligns with the TCR minded-to decision.
Haven Power	Accept	Accept	Positive impact for DCUSA Objectives 2, 3 and 4	
Opus Energy Ltd	Accept	Accept	Positive impact for DCUSA Objectives 2, 3 and 4	

CVA REGISTRATION PARTIES
N/A

GAS SUPPLIER PARTIES
N/A