

Proposed modification:	Distribution Connection and Use of System Agreement (DCUSA) DCP195/195A – Service Level Agreement for Resolving Network Operational Issues		
Decision:	The Authority ¹ directs that modification DCP195A be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	12 August 2014	Implementation Date:	12 February 2015

Background to the modification proposal

Suppliers are required by Government to roll out smart meters by 2020.³ In the course of this roll out, electricity suppliers or their agents may identify issues with network assets which require remedial action to be taken by the distribution network operators (DNOs).⁴ These could include issues with assets which may pose a danger to customers or their property, as well as issues which may be less serious but could still prevent the supplier from exchanging the meter.

Due to the mass nature of the roll out, a larger number of issues could be reported than has historically been the case. A number of related changes to industry processes have already taken place. For example, a new set of 'Asset Condition Codes' have been agreed as part of the Master Registration Agreement⁵ and changes have been made to the Data Transfer Catalogue⁶ which standardises the methods for reporting issues and requires a DNO to inform a relevant supplier when an issue is rectified.

British Gas also proposed a change (DCP153) in August 2012, to introduce service level agreements (SLAs) within DCUSA for DNOs to rectify issues identified by suppliers or their agents. We rejected DCP153⁷ in September 2013, as we considered that the level of staff and equipment that DNOs would need to have in place to comply with the 115% threshold proposed would not be efficient. We also considered it might not incentivise suppliers to provide accurate forecasts of meter exchanges. However, we noted that there was widespread support for SLAs. We agreed that an appropriate modification to introduce SLAs could in principle support the delivery of the efficient roll-out of smart meters. We therefore urged DNOs and suppliers to give further consideration to the issues discussed in our decision on DCP153 and to develop further modifications in the future, if appropriate.

The modification proposal

DCP195 is similar to DCP153, whilst also seeking to address the concerns referred to above. It proposes to introduce SLAs for DNOs to rectify issues reported to them by suppliers or their agents. SLAs are only proposed for the most serious issues. The proposer of DCP195 (British Gas Trading Ltd) considers that these should be categorised either as Category A or Category B. Category A and B issues are defined in the proposed legal drafting as follows –

- *Category A: means a situation in which the Company's Electric Lines or Electrical Plant does (or is likely to) pose a danger, including danger of death or injury to persons and/or danger of damage to or destruction of property.*

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ <https://www.gov.uk/smart-meters-how-they-work>

⁴ A similar modification to the Uniform Network Code is currently being developed but has not yet been raised.

⁵ <http://www.mrasco.com>

⁶ <http://dtc.mrasco.com>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/distribution-connection-and-use-system-agreement-dcusa-153-service-level-agreement-resolving-network-operational-issues>

- *Category B: means a situation in which the condition of the Company's Electric Lines or Electrical Plant prevents metering work from being carried out or prevents a meter from being exchanged but where the situation is not a Category A Situation.*

The proposed modification also includes requirements for DNOs to report when they have rectified Category A and B issues, as well as how many issues were incorrectly reported by the Suppliers or the Suppliers' agents.

The proposed modification would also require suppliers to report their roll out plans per Distribution Services Area⁸ to the DNOs. It is proposed to implement the requirements of the modification six months after it has been approved to allow all parties to develop the systems required to comply with the new obligations. Under the proposed modification, suppliers would report the number of meters they forecast to exchange in the future. For periods more than a year away, suppliers would report annually (until 2020) by grid supply point; for periods between six months and a year away, they would report quarterly by post code outcode.⁹ Finally, the proposed modification would release DNOs from their SLA obligations if suppliers, together, rolled out more than 102% of the smart meters they had forecast in a given period in a DNO area.

DCP195 Alternative proposal

DCP195A was raised (by E.ON Energy Ltd) as an alternative to DCP195. It contains the same elements as DCP195 described above, but also introduces a more prescriptive approach to the provision of information to Suppliers by DNOs regarding any DNO appointments made, rearranged or cancelled with their customer to rectify a Category B network issue.

DCP195A would require that the information is sent in all cases, define the means by which the information must be provided (i.e. by data flow) and specify the timings. DCP195 would have left the timing and method of information exchange to be agreed between suppliers and DNOs.

DCUSA Parties' recommendation

The Change Declaration¹⁰ indicates that all parties were eligible to vote on DCP195 and DCP195A.

For DCP195, in each party category where votes were cast (no votes were cast in the DG party category)¹¹, the majority of parties across the DNO and supplier categories voted to reject the modification, one IDNO voted to accept it. For DCP195A, no votes were cast in the DG party category and the majority of Supplier and DNO parties voted to accept the modification. However, the single IDNO party to vote rejected the modification.

The current voting system requires that a majority of parties in each category must vote to recommend to approve a modification. Therefore, in accordance with the weighted

⁸ This term appears in the Standard Conditions of the Electricity Distribution License and specifies or describes the area within which, and the extent to which, the licensee will be obliged to comply with the requirements of the standard conditions of Section B of this licence.

⁹ This is the first part of a postcode. The outcode identifies the post code area using one or two letters, ie 'G' for Glasgow or 'SW' for South West London. These letter(s) are followed by one or two numbers and sometimes a final letter to identify a post code district, ie 'G2' or 'SW1P'. Subsequent parts of a post code narrow the geographic area to street or building level.

¹⁰ This document sets out how DCUSA parties voted on proposed modifications.

¹¹ There are currently no gas supplier parties.

vote procedure, the recommendation to us is that DCP195 and DCP195A are rejected. The outcome of the weighted vote is set out in the tables below:

DCP 195	WEIGHTED VOTING (%)							
	DNO ¹²		IDNO/OTSO ¹³		SUPPLIER		DG ¹⁴	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	46%	54%	100%	0	47%	53%	n/a	n/a
IMPLEMENTATION DATE	74%	26%	100%	0	47%	53%	n/a	n/a

DCP 195 Alternative	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	75%	25%	0	100%	85%	15%	n/a	n/a
IMPLEMENTATION DATE	75%	25%	0	100%	85%	15%	n/a	n/a

Reasons for our decision

We have considered the issues raised by the proposal and the Change Declaration dated 8 July 2014. We have considered and taken into account the vote of the DCUSA Parties on the proposal. We have concluded that:

- implementation of the change proposals DCP195 and DCP195A would better facilitate the achievement of the General DCUSA objectives¹⁵; and
- directing that the change is approved is consistent with our principal objective and statutory duties.¹⁶

We consider that DCP195 and DCP195A affect DCUSA General Objectives 3.1.1, 3.1.2, 3.1.3 and 3.1.5 and have a neutral effect on 3.1.4.

DCUSA General Objective 3.1.1 – the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

We agree with the views expressed in the Change Report¹⁷ that implementation of DCP195 or DCP195A would achieve this objective better.

There are various uncertainties associated with the roll out of smart meters. A key uncertainty relates to the roll-out profile in each location. To allow DNOs to prepare DCP195 and DCP195A propose that suppliers report their planned roll-out schedule to DNOs on a regular basis. This would allow DNOs to plan their operations knowing how many smart meters suppliers plan to roll-out in their licence area over time.

Under DCP195 and DCP195A, DNOs would not need to meet their SLA requirements if the sum of smart meters rolled out by suppliers, or their agents, exceeded 102% of the smart meters they had forecast for a single area in a given period. One of our concerns

¹² Distribution Network Operator

¹³ Independent Distribution Network Operator/Offshore Transmission System Operator

¹⁴ Distributed Generation

¹⁵ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

¹⁶ The relevant Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

¹⁷ This document summarises the modification and explains the working groups assessment of the modification. Parties should review this document before voting.

with DCP153 was that the release level was set too high (115%). This would require DNOs to put in place resources that would be less likely to be needed. We consider that 102% is an appropriate level to release DNOs from the SLAs. Setting the release point at this level should allow DNOs to address all issues raised by suppliers even if there is a small increase in actual activity compared to the forecast.

When considering DCP153 we were concerned that suppliers would be incentivised to over forecast the number of smart meters they would roll-out so that DNOs had in place adequate resources. While this concern remains, it has been reduced for two reasons. Firstly, suppliers will be obliged to submit binding annual milestones to us and we could take enforcement action if they do not meet these milestones (within agreed tolerance levels¹⁸). Secondly, we note that DCP195 and DCP195A would require suppliers to use the same diligence and accuracy when preparing forecasts for DNOs as they do when developing forecasts for us as part of the roll-out. We also recognise that there would be two reviews after the modification comes into force. DNOs will have an opportunity to express any concerns about the forecast data they receive during these reviews.

While we consider that both DCP195 and DCP195A will achieve this objective better than at present where there are no SLAs, we consider DCP195A would be the more effective option. DCP195 will require DNOs to provide appointment information in a format agreed with each supplier. DCP195 could lead to DNOs needing to put in place multiple systems and processes to provide this information to different suppliers. DCP195A would require this information to be provided in a standard form by an industry data flow. DCP195A is likely to be the lower cost option for distribution customers.

A minority of parties voted to reject DCP195A. When voting, parties provided additional comments alongside their votes. In summary, parties who voted against DCP195A felt there was no additional benefit to be delivered by implementing DCP195A given the additional associated costs. We do not agree with these concerns. DCP195 would not mandate how DNOs' appointment information would be shared. DCP195A requires information to be shared by an industry data flow. While DCP195 has the potential to be more flexible, it would likely require DNOs to invest in a number of systems so they could share information in agreed formats with each supplier. This would increase the resource requirements if a number of suppliers ask for appointment information. This concern was expressed by at least one party who voted to accept DCP195A. DCP195A would only require the development of a single system that DNOs could use to interact with all suppliers. We also recognise that supplier and DNO parties can work together to make this solution as cost effective as possible. For this reason we consider DCP195A to be a better solution.

In summary, we consider that the provision of accurate forecasting, the introduction of SLAs with a release at 102%, and the sharing of appointment information in a consistent manner will achieve this objective better.

DCUSA General Objective 3.1.2 – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity

We agree with the views expressed in the Change Report that DCP195 and DCP195A would both achieve this objective better than the current situation where there are no SLAs. Both proposed modifications would give Suppliers the right to receive DNOs'

¹⁸ <https://www.ofgem.gov.uk/publications-and-updates/supplier-reporting-ofgem-during-smart-meter-roll-out>

appointment information, thereby allowing them to improve their customer service. However, they would do this using different means.

DCP195 would require DNOs to provide appointment information where this is requested by a supplier. It does not stipulate the timing or the method of transferring this information. This means that delays could be incurred in providing this information. DCP195 may also give larger suppliers a competitive advantage because they would have a stronger negotiating position with the DNOs.

DCP195A would prescribe the timing and method for transferring this information, ie by an industry data flow. This would mean that DNOs would treat all suppliers consistently and the relative size of different suppliers and their ability to negotiate with DNOs should not put them at a disadvantage.

We therefore consider that whilst both better achieve this objective, of the two options DCP195A best achieves it.

DCUSA General Objective 3.1.3 – the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences

We agree with the working group assessment that the implementation of DCP195 or DCP195A would mean this objective was better achieved. DNOs are required to facilitate the roll-out of smart meters. For the reasons noted above, we consider that DCP195A would achieve this better. DNOs are required to operate a safe, reliable, and efficient distribution network. The introduction of SLAs to rectify network issues will improve network operation by ensuring that issues are dealt with quickly. DCP195A would meet this objective better as it would provide for a single consistent means of sharing appointment information with suppliers and their agents rather possibly requiring DNOs to develop multiple new systems.

DCUSA General Objective 3.1.5 - compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

We agree with the working group assessment that the implementation of DCP195 or DCP195A would mean this objective would be better achieved. The introduction of SLAs to rectify network issues will improve the rate at which smart meters are able to be rolled out.

Our decision

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP195A: 'Service Level Agreement for Resolving Network Operational Issues' be made.

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose