

DCUSA Panel Open Session

Paper Title	Governance Principles for the Theft Risk Assessment Service (TRAS)
Meeting Date	17 September 2014
Purpose of Paper	For Decision
Synopsis	This paper proposes high level governance principles for managing change, breach and default, and funding for the TRAS. The DCUSA Panel is invited to consider the discussions of the TRAS Working Group and agree the governance principles. The TRAS Working Group will then draft the required Change Proposals.

1 INTRODUCTION

- 1.1 At its meeting on the 20th August 2014 the DCUSA Panel and SPAA Executive Committee (EC) agreed the plan for Phase 3 of the Theft Risk Assessment Service (TRAS) procurement project. This phase includes the progression of changes to the DCUSA Agreement and Schedules required to implement the TRAS.
- 1.2 The TRAS Working Group has made an assumption that in order to implement the TRAS, a new DCUSA Theft Schedule will be created which will include the rights and obligations on DCUSA Parties in relation to TRAS. Although the high level service requirements are available, as these have been issued to potential Service Providers in the form of a Request for Proposal and draft Contract, the expectation is that the more detailed service requirements will not be available until later in the procurement process. Therefore it will not be possible to complete the drafting of this new Schedule until further through the procurement exercise.
- 1.3 However, the TRAS Working Group are keen to agree governance principles setting out how the change management process, breach and default process, and funding for TRAS should be managed. Once these principles have been agreed, the required Change Proposals (CPs) can be drafted ready for progression when the detailed service requirements are available.

2 CHANGE MANAGEMENT

- 2.1 The TRAS Working Group felt that a simple change process should be developed for the progression and approval of TRAS related Change Proposals (CPs). They therefore agreed the following points:
 - TRAS requirements will be included in a specific Theft Schedule;
 - Only Suppliers will be able to raise, comment on, vote on and appeal changes to this Schedule;
 - The majority of changes to this Schedule will need an Authority decision, apart from minor typographical changes;
 - Only Suppliers can vote on changes to the Schedule and they will have one vote per Party Group.
 - Changes in relation to the Theft Schedule should be decided by a simple majority with one vote per Party Group;

- The DCUSA Panel will recommend a change to the Authority based on a simple majority of Supplier votes.
- 2.2 It was acknowledged that currently Supplier voting on DCUSA changes is weighted, based on market share if more than 5 Supplier Party Groups cast a vote. If less than 5 vote on the change then all votes are given equal weight regardless of market share. However the group felt that this was overly complex for TRAS and a simple one vote per Party Group with change approved by a simple majority would be preferable.

3 BREACH AND DEFAULT

- 3.1 DCUSA Clause 54 'Termination' sets of the process that should be followed where a breach occurs. This section states that "It shall be an Event of Default in respect of a Party if the Breaching Party is in material breach of any of its material obligations under this Agreement". Where a breach occurs the Party is given an opportunity to remedy the breach and if the Party fails to resolve the issue further action can be taken.
- 3.2 The TRAS Working Group discussed whether failure to comply with the requirements in the TRAS Schedule would result in an overall breach of the DCUSA. The group agreed that non compliances should in principle be managed the same as other non compliances within the DCUSA. However, the group raised concerns over whether the full breach process should be initiated or whether an alternative process should be included in the Theft Schedule to manage non compliances.

4 FUNDING

- 4.1 The TRAS Working Group noted that the SPAA EC and DCUSA Panel have already agreed to split funding between SPAA and DCUSA on a 41/59% basis.
- 4.2 Further to this the group are proposing that the funding of TRAS within the DCUSA should be based on market share of Metering Points. Market share on this basis is already used in DCUSA to calculate the costs to be paid by each Supplier. Therefore the methodology for determining each Supplier's market share would be based on the method already set out in Clause 8.9A of the DCUSA.
- 4.3 In addition, should there be any re-distribution of funds required due to breaches by the Service Provider, these funds will be re-distributed to Suppliers on the basis of market share for the previous year.
- 4.4 The funding of TRAS within the DCUSA would be borne solely by Supplier Parties.

5 WAY FORWARD

- 5.1 Feedback from this DCUSA Panel meeting will be discussed at the next TRAS Working Group meeting on 3rd October 2014.
- 5.2 Based on the agreed governance principles, the TRAS Working Group will then draft the relevant CPs and these will be raised in December 2014, in accordance with the Phase 3 plan.

6 RECOMMENDATION

- 6.1 The DCUSA Panel is invited to:
- NOTE the report;
 - AGREE the governance principles; and
 - APPROVE the way forward.