



## **DCUSA CONSULTATION**

### **DCP 254 - TRAS De Minimis Threshold**

## 1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a Consultation issued to DNOs, IDNOs, Suppliers, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 254 'TRAS De Minimis Threshold'. Parties are invited to consider the questions set out below and submit comments using the form attached as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **10 February 2016**.

## 2 BACKGROUND OF DCP 254

- 2.1 SPAA Schedule 34 and DCUSA Schedule 25 set out the provisions relating to TRAS. Paragraph 8.5 of these Schedules sets out the requirement on each Supplier to provide data to the TRAS Service Provider on a monthly basis commencing November 2015. This data includes the Consumption File which provides details of all metering points registered by the Supplier, and the Outcome File which provides updates on any theft investigations carried out by the Supplier.
- 2.2 DCUSA CP 254 was raised by Effortless Energy and proposes to introduce a minimum number of supply points, below which Suppliers are not required to submit data to the TRAS Service Provider. An equivalent SPAA CP has been raised (draft SPAA CP 15/316).

**Questions 1 and 2 are seeking confirmation from respondents that they understand the intent, and agree the principles of the CP.**

## 3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel acknowledged that a TRAS Working Group has already been established to oversee the implementation of the TRAS. Therefore it would be more efficient to use this TRAS Working Group to assess the DCP 254, rather than creating a new working group. DCUSA Parties were provided with information regarding DCP254 and the relevant

TRAS Working Group meetings were held in open session so DCUSA Parties not represented on the TRAS Working Group could attend.

Prior to DCP254 being formally raised, a Request for Information was issued to SPAA and DCUSA Parties in November 2015 seeking views on the issues that a de minimis threshold is seeking to address i.e. the costs and timescales involved in meeting the TRAS requirements; the impact on the TRAS arrangements as a whole; and the level at which any de minimis threshold should be set. Responses to this consultation were considered by the TRAS Working Group Governance Subgroup and have been included as attachment 4.

### **Costs of Participating in TRAS**

- 3.2 The Working Group discussed the costs associated with participation in the TRAS arrangements:

#### **Central TRAS Costs**

- 3.3 A contract for delivery of the TRAS service has been established between SPAA Ltd, DCUSA Ltd and the TRAS Service Provider (Experian). The costs associated with the implementation and ongoing delivery of the TRAS will be shared between SPAA and DUSA on a 41/59% basis respectively. Under each Code, provisions exist specifying that TRAS costs will be recovered from Suppliers on the basis of market share of the number of registered supply points.
- 3.4 The TRAS includes the use of Experian's Hunter system for communication of qualified outliers to Suppliers and for Suppliers to provide feedback on those qualified outliers back into the TRAS. The cost for a defined number of Hunter Licences has been included in the overall contracted costs. This includes 16 single-user instances of Hunter which will be allocated to Suppliers with over 50k registered supply points, and one further multi-user instance of Hunter which will be shared by up to 42 smaller Suppliers. Where the number of smaller Suppliers exceeds these figures then there will be associated additional costs. Therefore, the central TRAS costs are expected to increase as new Suppliers join the market, once 42 smaller Suppliers are using the multi-user Hunter instance.

### Supplier Costs and Timescales

- 3.5 In addition to the central costs, each Supplier will incur its own internal costs for participation in the TRAS arrangements and there will be a period of time required by Suppliers to develop the required systems and processes. The November RFI requested details regarding the level of these costs in order to understand the issue that DCP254 is seeking to address. However, specific costs were not received and therefore this consultation includes a further question regarding the impact on Suppliers that DCP254 is seeking to reduce to aid analysis of the benefits of the proposal.

**Question 3 is seeking information from Suppliers regarding the costs impacts that DCP254 is seeking to address.**

### Key Principles

- 3.6 During its consideration of DCP254, the Working Group agreed a number of key principles that should be applied to the final solution:
- 3.7 **Total Gas and Electricity Supply Points** - the de minimis threshold should be based on the total number of gas and electricity supply points registered by each individual Supplier rather than separate gas and electricity thresholds. This will minimise the complexity of the TRAS accession process as only one threshold needs to be monitored. The Working Group noted that if separate thresholds were introduced for gas and electricity then the central TRAS costs would be incurred once a Supplier was required to submit data under one Code.

**Question 4 is seeking views on the Working Group's initial conclusion that the de minimis threshold should be based on the total number of gas and electricity supply points.**

- 3.8 **Domestic Supply Points Only** - the de minimis threshold should apply to domestic supply points only. Therefore Suppliers with at least one non domestic supply point will be required to submit data in relation to its non domestic supply points. This was based on concern that the financial impact of theft at non domestic supply points could be significant.

- 3.9 A Supplier with both domestic and non domestic supply points may be exempt in relation to its domestic supply points whilst still required to submit data in relation to its non domestic supply points. The group acknowledged that under this scenario, central costs for the Hunter Licence will be incurred as the Supplier must accede to TRAS. The group noted that Suppliers in this position could submit data in relation to their non domestic portfolio manually if they only have a small number of sites, whereas the exemption will remove the internal costs of developing systems to submit data in relation to their domestic portfolio.

**Question 5 is seeking views on the Working Group's initial conclusion that the de minimis threshold should apply to domestic supply points only.**

- 3.10 **Optionality** - any exemption applied would be done on an optional basis, therefore any Supplier wishing to participate in the TRAS arrangements would be allowed.

**Question 6 is seeking views on the Working Group's initial conclusion that Suppliers who are eligible for an exemption under DCP254 may choose to participate.**

- 3.11 **Suppliers Who Fall Below the Exemption Threshold** - once a Supplier has breached the de minimis threshold they will be required to submit data to the TRAS Service Provider for as long as they have any registered supply points i.e. a Supplier who falls back below the threshold in a subsequent month will not be exempt. This approach minimises the complexity of the arrangements and prevents additional administration costs where Suppliers sit on the cusp of the threshold value and move below and above the threshold over several months.

**Question 7 is seeking views on the Working Group's initial conclusion that Suppliers who breach the threshold will not be exempt if they subsequently fall below the threshold.**

- 3.12 **Recovery of TRAS Costs** - all Suppliers will be required to pay their share of the central TRAS costs based on market share of the number of supply points. This was based on the view that all Suppliers will benefit from any reduction in theft due to the introduction of the TRAS. Also the number of supply points covered by the exemption should be minimal and therefore the costs allocated to these Suppliers will also be small. It would not be

cost effective to introduce a separate invoicing process for these Suppliers for potentially a short period of time until they breach the threshold.

**Question 8 is seeking views on the Working Group's initial conclusion that all Suppliers will be required to pay their share of central TRAS costs.**

- 3.13 **Exemption to apply to Consumption and Outcome File** - where a Supplier is exempt from submitting data into TRAS, this will apply to both the data relating to supply points and also the results of any theft investigations.
- 3.14 The group considered a response from the TRAS Service Provider which confirmed that it would be possible for exempt Suppliers to provide data in relation to theft investigations using the Outcome File, but not provide portfolio data using the Consumption File. In this scenario the exempt Supplier would not receive any qualified outliers, however details of theft investigations would be held in the system for 12 months. If the supply point transfers to a non exempt Supplier in this timeframe then the historic theft investigation data provided by the exempt Supplier would be applied. The theft investigation data provided by the exempt Supplier would also feed into the TRAS analytics to improve the accuracy of the model.
- 3.15 The group concluded that the added complexity of this alternative solution was not justified by the potential benefits highlighted by the TRAS Service Provider.

**Question 9 is seeking views on the Working Group's initial conclusion that the exemption under DCP254 should apply to the submission of the Consumption and Outcome File.**

### **Data Analysis**

- 3.16 In order to determine an appropriate de minimis threshold, the Working Group carried out analysis to understand the number of Suppliers and supply points that would be excluded from the TRAS arrangements at various threshold levels. This analysis has been carried out based on information available at the time. I&C only Suppliers have been excluded from the analysis, however the Domestic Suppliers included in the table below may also supply I&C customers.

- 3.17 It has not been possible to carry out analysis on I&C only Suppliers as there are a number of I&C Suppliers who are not currently party to the SPAA arrangements and therefore data is not available.

Minimum Domestic Supply Points	Domestic Suppliers	Of which Tier 3	% Supplier Coverage	Estimated Domestic Supply Points	Estimated % Domestic Coverage
0	64	49	100%	49,872,700	100.0000%
100	52	37	81%	49,872,288	99.9992%
1,000	40	25	63%	49,868,886	99.9924%
5,000	35	20	55%	49,855,747	99.9660%
10,000	31	16	48%	49,827,380	99.9091%
50,000	20	5	31%	49,583,537	99.4202%

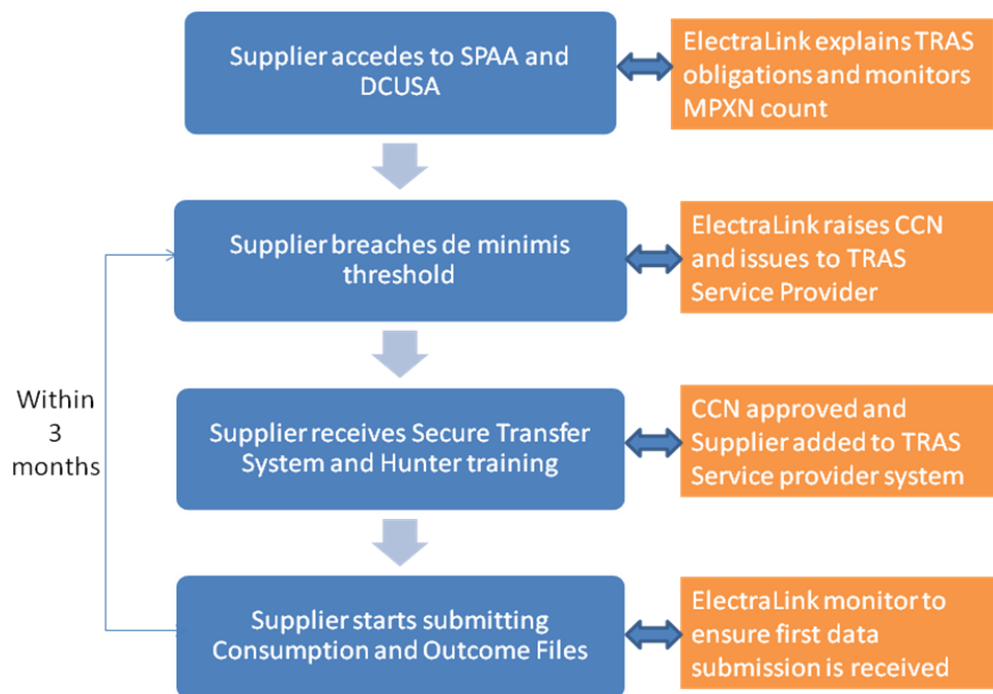
- 3.18 Based on the analysis above, the Working Group initially concluded that the de minimis threshold should be set at 5,000 supply points. By choosing a threshold of 5,000, the number of tier 3 Suppliers still included in the TRAS arrangements would be significantly lower than the 42 maximum which can be included in the single instance of Hunter before additional central costs are incurred.
- 3.19 In making this decision, the working group acknowledged that, based on the current data, a higher threshold would not substantially increase the number of supply points excluded from the TRAS. However, in future the number of excluded supply points could become significant should a high percentage of Suppliers be excluded and each be near the threshold point e.g. 40+ Suppliers excluded from TRAS, each with nearly 50k supply points.

**Question 10 is seeking views on the Working Group's initial conclusion that the de minimis threshold should be set at 5,000 supply points.**

#### **End to End TRAS Accession Process**

- 3.20 In order to understand the impact of DCP254, the Working Group has considered how provisions relating to the de minimis threshold will feed into the end to end TRAS accession process. To avoid central costs incurred when adding Suppliers to the shared Hunter Licence, Suppliers are not incorporated in the TRAS Service Providers systems until

they start registering supply points. At this stage a Contract Change Notification (CCN) is required to add the new Supplier. Therefore regardless of whether a de minimis threshold is introduced, there will be a time lag between the Supplier initially meeting the requirements to participate in TRAS and the physical submission of data. This is demonstrated in the process diagram below:



### **Time Versus Volume Threshold**

- 3.21 The group considered whether a time bound exemption should be applied to new Suppliers rather than a volume based exemption. For example, it was suggested that new Suppliers could be excluded from participation in the TRAS arrangements for [one year] following entry into the market.
- 3.22 The group noted that a new Supplier could still have a very small number of supply points after one year which would therefore not address the issue raised by the CP. Alternatively a new Supplier could grow rapidly and have a large number of supply points after 6 months whilst still being exempt from TRAS.
- 3.23 Given that the TRAS accession process includes a 3 month period from when the Supplier starts registering metering systems/breaches the threshold, before initial submission of data, the group concluded that a time bound exemption was not appropriate.



**Question 11 is seeking views on the Working Group's initial conclusion that a time bound exemption would not be a suitable alternative to the proposed volume based exemption.**

#### **4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

4.1 The Working Group considers that the following DCUSA Objective is better facilitated by DCP254:

**General Objective Two - 'The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity'**

4.2 General Objective 2 is better facilitated by DCP254 as it removes potentially disproportionate costs associated with implementing TRAS from those Suppliers who would be providing an insignificant amount of data.

**Question 12 is seeking views on whether DCP254 better facilitates the DCUSA Objectives.**

#### **5 DCP 254 – LEGAL DRAFTING**

5.1 Draft legal text for DCP 254 is provided as Attachment 2 based on the straw man solution proposed by the Working Group.

5.2 Following industry consultation, it is proposed that this legal text is reviewed by external legal advisors.

**Question 13 is seeking views on the draft legal text.**

#### **6 DCP 254 – IMPLEMENTATION**

6.1 The proposed implementation date for DCP 254 is 30 June 2016.

**Question 14 is seeking views on the proposed implementation date.**

## 7 DCP 254 – CONSULTATION QUESTIONS

7.1 The Working Group is seeking industry views on the following consultation questions:

Question Number	Question
1	Do you understand the intent of the CP?
2	Are you supportive of the principles of the CP?
3	If you are a Supplier who would seek to be excluded from the obligation to submit data into TRAS, please provide details of the impact that submission of this data has on your organisation. Where possible please provide specific cost information, with rationale for your response.
4	Do you agree with the Working Group's view that the de minimis threshold should be based on the total number of gas and electricity supply points? If not, please provide rationale.
5	Do you agree with the Working Group's view that the de minimis threshold should apply to domestic supply points only? If not, please provide rationale.
6	Do you agree with the Working Group's view that Suppliers who are eligible for an exemption under DCP254 may choose to participate? If not, please provide rationale.
7	Do you agree with the Working Group's view that Suppliers who breach the threshold will not be exempt if they subsequently fall below the threshold? If not, please provide rationale.
8	Do you agree with the Working Group's view that all Suppliers will be required to pay their share of central TRAS costs? If not, please provide rationale.
9	Do you agree with the Working Group's view that the exemption under DCP254 should apply to the submission of the Consumption and Outcome File? If not, please provide rationale.
10	Do you agree with the Working Group's view that the de minimis threshold should be set at 5,000 supply points? If not, please provide rationale.
11	Do you agree with the Working Group's view that a time bound exemption would not be a suitable alternative to the proposed volume based exemption? If not, please provide rationale.
12	Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.
13	Do you have any comments on the draft legal text?
14	Are you supportive of the proposed implementation date of 30 June 2016?
15	Do you have any other comments on the introduction of a de minimis threshold?
16	Are you aware of any wider industry developments that may impact upon or

	be impacted by this CP?
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7.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **10 February 2016**.

7.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

## 8 NEXT STEPS

8.1 Responses to the consultation will be reviewed by the Working Group. The CP will then be progressed through the change process agreed by the DCUSA Panel as set out below:

No.	Event	Target Date
1	Working Group meeting to review consultation responses, update legal text and agree Change Report	22 February 2016
2	Issue Change Report to DCUSA Panel.	9 March 2016
3	DCUSA Panel approves Change Report and Change Report issued for voting.	16 March 2016
4	DCUSA Voting Closes.	20 April 2016
5	Change Declaration issued to parties and Ofgem	22 April 2016
6	Implementation Date.	30 June 2016

8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 2842.

## 9 ATTACHMENTS

Attachment 1 – Response Form

Attachment 2 – DCP 254 Legal Text

Attachment 3– DCP 254 Change Proposal

Attachment 4 - De Minimis Threshold RFI Responses