

Modification proposal:	Distribution Connection and Use of System Agreement (DCUSA) DCP262: Schedule 19¹ Credit/Re-invoice for HH Specific Data – decision following self-governance appeal²		
Decision:	The Authority ³ directs this modification ⁴ be made ⁵		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	29 July 2016	Implementation date:	Next scheduled DCUSA release after approval

Background

Licensed Distribution Network Operators (LDNOs)⁶ provide a Half-Hourly (HH) Data Report to the relevant Distribution Network Operator (DNO) on a monthly basis for billing purposes. This data is provided to the DNOs by the 15th of each month. DNOs use this data to produce invoices/credits to LDNOs for their Distribution Use of System (DUoS) charges. The Report is based on consumption data the LDNO has received from the relevant Data Collector (DC).

When revised⁷ HH consumption data is received from the DC, it can result in the need for a further invoice or credit from the DNO. The DCUSA is currently silent regarding a defined timeline for the LDNO to receive a credit/re-invoice once revised HH data has been submitted to the DNO. Delays in processing this updated data and producing invoices/credits can negatively affect the LDNO's cash flow.

The modification proposal

DCP262⁸ was raised by ESP Electricity Limited ('ESPE') (the 'proposer') in January 2016. DCP262 seeks to include a timeline for a credit/re-invoice from DNOs to LDNOs upon the receipt of updated HH data. ESPE considered that including a timeline would better facilitate the DCUSA General Objectives⁹ 3.1.2 and 3.1.4 by making a positive impact on LDNOs' cash flows through improved management of the process.

¹ Schedule 19 of the DCUSA (Portfolio Billing):

<https://www.dcusa.co.uk/DCUSA%20Document%20Public%20Version/Schedule%2019%20v8.3.pdf>

² The DCUSA (Section 1C)

(<https://www.dcusa.co.uk/DCUSA%20Document%20Public%20Version/Section%201C.pdf>) sets out the code change control process, including a process to appeal Part 2 (self-governance) decisions. Ofgem's self-governance modification appeal guidance is on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-self-governance-modification-appeals-process>

³ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

⁴ 'Change' and 'modification' are used interchangeably in this document.

⁵ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁶ An LDNO is defined in the DCUSA (Schedule 16: Common Distribution Charging Methodology) as an Independent Distribution Network Operator (IDNO) Party or a Distribution Network Operator (DNO) Party operating an electricity distribution system outside of its Distribution Services Area. Sometimes LDNO is used interchangeably with Embedded Distribution Network Operator (EDNO). In DCUSA Schedule 19, an EDNO is, in respect of each DNO Party, (a) any IDNO Party; or (b) any DNO Party acting outside of that DNO Party's Distribution Services Area, which (in each case) has a Distribution System within a GSP Group associated with that DNO Party.

⁷ In line with the billing arrangements set out in DCUSA Section 2A Clause 19 (Charges) and Section 2B Clause 44 (Billing and Payment). Clause 44.3 states that "Where the data referred to in Clause 43.6 is not available, the Company may use estimated data prepared by the Company to determine an account. Where an account is based on estimated data, the account shall be subject to any adjustment which may be necessary following receipt of actual data."

⁸ DCP262 papers, including the Change Declaration and the appeal documents, are available on the DCUSA website: <https://www.dcusa.co.uk/SitePages/Home.aspx>

⁹ 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.

A Working Group (WG) was formed to assess the proposal. It considered that a defined timeline of 45 days would allow DNOs enough time to process the necessary credit or additional billing. The WG also noted that the intent of DCP262 is to define the timeline, and not to change the format of the templates used for LDNOs to submit data to DNOs, for which a separate change proposal could be raised if necessary.

Seven responses were received to an industry consultation in February 2016 on the proposed change and timeline. One respondent did not support DCP262 as it considered it unnecessary as there is already a process in place for DNO data submission (but no standard template). In response, the WG noted that the process and format for submitting HH billing data is contained within Schedule 19 but without timelines, and that agreeing a standardised template for IDNOs to use when submitting revised HH specific data could be beneficial but was not essential and was out of scope of DCP262.

Other respondents supported DCP262 but raised concerns that the timeline proposed may not be achievable in some circumstances. The WG therefore agreed an extended timeline of 60 days to allow adequate time for DNOs to process the data within the defined timelines for data submission and subsequent submission of an account. The WG also agreed that amending Clause 44 of Schedule 2B of the DCUSA would be more appropriate to implement DCP262 than changes to Schedule 19. Schedule 2B already addresses 'Billing and Payment' issues whereas Schedule 19 is more relevant to Portfolio Billing Data.

DCP262 was initially raised as a Part 1 matter¹⁰ because the proposed changes could have a material impact on the financial position of affected parties. However, it was agreed by the DCUSA Panel and a majority of the WG that it could be reclassified as a Part 2 (self-governance) matter because it was seen as a relatively simple and non-contentious modification.

DCUSA Parties' recommendation

The Change Declaration for DCP262 indicates that all parties were eligible to vote on DCP262. In each party category where votes were cast (no votes were cast in the Supplier and DG party categories),¹¹ there was a different level of support, with no majority support (>50%) for the proposal and for its proposed implementation date in the DNO category. The weighted voting arrangements for Part 2 (self-governance) matters in the DCUSA require at least 65% support for a proposal to be accepted. As the DNO support for DCP262 was below this threshold, the Part 2 decision was to reject DCP262.

The outcome of the weighted vote is set out in the table below:

DCP262	WEIGHTED VOTING (%)							
	DNO ¹²		IDNO/OTSO ¹³		SUPPLIER		DG ¹⁴	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	50	50	100	0	n/a	n/a	n/a	n/a
IMPLEMENTATION DATE	50	50	100	0	n/a	n/a	n/a	n/a

¹⁰ DCUSA Part 1 matters are those which require an Authority decision.

¹¹ There are currently no gas supplier parties.

¹² Distribution Network Operator

¹³ Independent Distribution Network Operator/Offshore Transmission System Operator

¹⁴ Distributed Generation

Self-governance appeal¹⁵

On 25 May 2016, we received notice of an appeal by ESPE of the DCP262 decision. On 24 June 2016, we issued a letter¹⁶ acknowledging the appeal by ESPE and agreeing that it was valid on the basis that the decision to reject DCP262 may unfairly prejudice ESPE, and that DCP262 could potentially better facilitate achievement of at least one of the DCUSA General Objectives.

The Part 2 (self-governance) modification appeals process set out in the DCUSA provides us with the following options in making our decision on a code modification appeal:

1. Reject the appeal and uphold the original decision; or
2. Uphold the appeal and quash the DCUSA parties' decision. We may then:
 - a. send back the proposal for further consideration and redetermination by DCUSA parties; or
 - b. remove self-governance and make the decision on the proposal. In this case, the original decision would be treated as a recommendation to us.

Our decision

We have considered the issues raised by the proposal, the Change Declaration and the Change Report dated 18 May 2016. We have also considered the information provided in the appeal dated 25 May 2016. We have considered and taken into account the vote of the DCUSA parties on the proposal which is attached to the Change Declaration.

We have decided to uphold the appeal and quash the DCUSA parties' decision. We have also decided to remove self-governance and decide on DCP262 as a Part 1 matter.

We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the DCUSA General objectives;¹⁷ and
- directing that the modification is approved is consistent with our principal objective and statutory duties.¹⁸

Reasons for our decision

We consider this modification proposal will better facilitate DCUSA General Objectives 3.1.2 and 3.1.4, and has a neutral impact on the other applicable objectives.

The DCP262 WG considered that DCUSA General Objectives 3.1.2 and 3.1.4 would be better facilitated by the proposal.

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

¹⁵ The process for an appeal of a Part 2 Decision is contained in paragraphs 13.17 to 13.22 of DCUSA. A DCUSA party Appeal may be made by eligible parties within 10 working days of receiving notice of a self-governance modification decision where it is, or is likely to be, unfairly prejudiced by the (in this case) non-implementation of the modification, or if it reasonably believes that a self-governance modification which is not being implemented better facilitates achievement of at least one of the applicable objectives of the DCUSA.

¹⁶ <https://www.dcusa.co.uk/Documents/DCP262%20Appeal%20Acknowledgement.pdf>

¹⁷ See footnote 9.

¹⁸ The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

promotion of such competition in the sale, distribution and purchase of electricity'

The WG considered that this objective would be better facilitated because DCP262 removes a barrier to competition. Under the current situation, some LDNOs may have settled the difference in charges with their Supplier Parties, but not yet been invoiced/received credit for the difference from the relevant DNO Party. The proposer considers that this would affect the LDNO's cash flow.

We consider that delays in processing invoices/credits could adversely impact on cash flows. Due to the relative size of the LDNOs compared to the DNOs, this would disproportionately have a larger effect on LDNO cash flows and could, in extreme cases, impact on their ability to continue operating.

Different DNOs currently have different timelines for dealing with the HH data adjustments, with only some DNOs not always processing adjustments in a timely way. LDNOs operating within one area could be at a disadvantage compared to LDNOs operating in another area who are not experiencing similar delays. In addition, LDNOs operating within the same DNO area will not all be equally impacted by data adjustments, which could place one at a financial disadvantage compared to another. This barrier is removed if all DNOs are processing adjustments in the same timelines.

For these reasons we consider that DCP262 would better facilitate competition in the distribution of electricity.

DCUSA General Objective 3.1.4 'the promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it'

The WG considered that DCP262 will provide IDNOs and DNOs with a clear timeline for how best to manage credit/re-invoicing for HH invoices. It considered that this will provide DNOs with a timeline for when to have this information produced and issued to the LDNOs, which would provide LDNOs with more certainty. This will match what is already explained and included within Schedule 19 for NHH invoices.

We agree that procedures with clearly identified timelines provide additional clarity and certainty. This allows those responsible for these processes to more efficiently discharge their requirements for Portfolio Billing.¹⁹ It also brings the process of dealing with HH data for specific sites in line with those for NHH invoices, in principle ensuring a more consistent and efficient process.

We consider that DCP262 will better facilitate this objective by providing clarity on the timelines and a consistent approach by all DNOs to billing HH data adjustments.

We note that some DNOs considered that supplementing this modification with a standardised template for submitting this data could further improve the efficiency of this process. The WG considered that a further proposal to determine how the DNOs would like this information submitted could be raised by a DNO. We agree that raising a further modification to introduce a standardised template could potentially further enhance the efficiency of this process, although it is out of scope of DCP262.

¹⁹ Under the CDCM, each IDNO end customer is allocated a tariff and the IDNO charged on the aggregate consumption across the Distribution Service Area of each customer class. See DCP060 Introduction of Portfolio Billing Alternative Solution decision: <https://www.ofgem.gov.uk/sites/default/files/docs/2010/04/dcp060d.pdf>

Decision notice

In accordance with Standard Licence Condition (SLC) 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP262 '*Schedule 19 Credit/Re-invoice for HH Specific Data*' be made.

James Veaney**Head of Electricity Connections and Constraint Management**

Signed on behalf of the Authority and authorised for that purpose