

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP145 – Mandating Compliance with D2021 Processes</b>		
Decision:	The Authority <sup>1</sup> has decided to reject proposal DCP145 <sup>2</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	12 March 2013	Implementation Date:	N/A

## Background to the modification proposal

Distributors invoice suppliers and generators for the cost of distributing electricity from the point of generation to consumption. Distribution Use of System (DUoS) charges are incorporated into the total electricity bill that the consumer receives from their supplier.

Distributors often use electronic invoices<sup>3</sup> to bill suppliers for these DUoS charges. The electronic invoices are sent pursuant to the E-Billing Services Agreement, a contract between the distributor and the industry body Electralink that allows distributors to send data across the Data Transfer Network (DTN). This contract has associated business rules for using the DTN and instructions on how to populate the D2021 data flow. The D2021 data flow is the electronic DUoS invoice data flow.

## The modification proposal

This modification was raised by E.ON ('the proposer') following discussions at a DUoS billing forum<sup>4</sup> and it aims to ensure that all distributors adopt a common approach to billing DUoS charges.

The intent of the proposed change is to ensure that all distributors that use D2021 data flows comply with its business rules and data flow and data item definitions. The proposed legal drafting states that where a distributor submits accounts by sending an electronic invoice, it shall do so in compliance with the DUoS E-Billing Services Agreement.

The proposer considers that this change proposal will help ensure that distributors adopt a common approach to billing DUoS charges. The proposer believes that this will make it easier for suppliers to build validation routines and provide transparency on billing for new entrants. The proposer suggests that requiring compliance with the DUoS E-Billing Services Agreement, as part of the DCUSA, will provide a more effective mechanism for dealing with non-compliance with this agreement.

## DCUSA Parties' recommendation

The Change Declaration for DCP145 indicates that DNO<sup>5</sup>, IDNO<sup>6</sup>/OTSO,<sup>7</sup> Supplier and DG<sup>8</sup> parties were eligible to vote on DCP145. In each party category where votes were cast (no votes were cast in the DG party category), there was majority (>50%) support for the proposal and for its proposed implementation date. In accordance with the weighted

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

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

<sup>3</sup> The name of the data flow is D2021.

<sup>4</sup> Distribution Charging Methodologies Forum (DCMF) Methodology Issues Group (MIG) Billing Supergroup

<sup>5</sup> Distribution Network Operator

<sup>6</sup> Independent Distribution Network Operator

<sup>7</sup> Offshore Transmission System Operator

<sup>8</sup> Distributed Generation

vote procedure, the recommendation to us is that DCP145 is accepted. The outcome of the weighted vote is set out in the table below:

DCP145	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	51	49	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	51	49	100	0	80	20	n/a	n/a

### Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 5 February 2013. 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 concluded that implementation of the change proposal DCP145 will not better facilitate the achievement of the DCUSA General Objectives.<sup>9</sup>

### Reasons for our decision

We consider that this modification has a neutral impact on the DCUSA General Objectives.

#### **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**

The proposer considers that this change proposal will facilitate DCUSA General Objective 3.1.2. We agree that adopting a common approach to billing suppliers via electronic invoices could help to facilitate competition by ensuring transparency and consistency for suppliers. This may have proportionately greater benefits for new market entrants and smaller suppliers therefore helping to improve competition.

One DNO considered that this change proposal would not better facilitate DCUSA General Objective 3.1.2 as DNOs should already comply with their DUoS E-Billing Services Agreement and submit electronic invoices consistently.<sup>10</sup> We note that this change proposal does not introduce a common approach to electronic billing; rather it seeks to reinforce the existing arrangements by providing a potential mechanism for dealing with non-compliance. We consider that the sanctions for non-compliance with the rules and procedures of the DUoS E-Billing Service Agreement should be set out within the agreement itself and we consider that any alleged breach of the agreement would be addressed under the terms of that agreement in the first instance. We are not convinced that the change proposed would provide a more effective mechanism for dealing with non-compliance and, in turn, better facilitate effective competition.

Overall, since a common approach to electronic billing exists outside the DCUSA, and we are not convinced that this change proposal introduces a more effective mechanism for compliance, we conclude that the change proposal does not better facilitate the relevant objectives of the DCUSA. However, we support moves to ensure consistency and transparency in the industry code arrangements and there may be alternative solutions the industry could explore in order to achieve a similar objective.

<sup>9</sup> 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.

<sup>10</sup> The DNOs have signalled that they comply with their DUoS E-Billing Services Agreement.

## **Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority has decided that modification proposal DCP145: *'Mandating Compliance with D2021 Processes'* should not be made.

**Andy Burgess**

**Associate Partner – Transmission and Distribution Policy**

Signed on behalf of the Authority and authorised for that purpose