

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP075 – Voting Arrangements for a Party Category with few members</b>		
Decision:	The Authority <sup>1</sup> directs that proposal DCP075 be made <sup>2</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested Parties		
Date of publication:	4 February 2011	Implementation Date:	24 February 2011

## Background to the modification proposal

DCUSA Parties are currently split between different party categories, namely Distribution Network Operators (DNOs), Independent Distribution Network Operators/Offshore Transmission System Operator (IDNO/OTSO), Suppliers and Distributed Generation (DG). Parties/party groups vote on DCUSA change proposals according to whether proposals are Part 1 matters (and subject to an Authority decision) or Part 2 matters (self-governance and decided upon by parties themselves with no right of appeal). Only parties/party groups within party categories eligible to vote on specific change proposals can do so.

The number of votes cast in each party category is weighted in accordance with the DCUSA voting rules<sup>3</sup> and the outcome of a vote (whether each party category supports or rejects a proposal) is determined by the percentage (by weighted vote) in favour of, or against, the proposal. In the case of Part 2 matters, a proposal is accepted if, in all party categories eligible to vote, more than 65% of parties/party groups vote and more than 65% of voting parties/party groups support the proposal.

Where there is less than three parties/party groups in an eligible party category, there is a risk that one party/party group may hold 100% of the vote or that there may be a split vote (50% each). For Part 2 matters, therefore, one party/party group can block approval of a proposal or two parties/party groups, by splitting their vote, may do so even if all other eligible party categories are in favour. A change proposal was raised to address this risk.

## The modification proposal

The proposer (UK Power Networks) raised DCP075 in October 2010. The proposal (a Part 1 matter) provides that, where there are fewer than three parties/party groups in an eligible party category which creates the risk of blocking a Part 2 proposal (when all other party categories are in favour), the change proposal is deemed a Part 1 matter and the Authority would decide on the proposal against a recommendation that it is rejected.

The proposal would amend the relevant section of the DCUSA, namely Clause 13.7. The proposed implementation date is 24 February 2011.

In the proposer's view, DCP075 would better facilitate DCUSA objective 3.1.4 'the promotion of efficiency in the implementation and administration of the DCUSA'.

## DCUSA Parties' recommendation

The Change Declaration for DCP075 indicates that DNO, IDNO/OTSO, Supplier and DG parties were eligible to vote on DCP075. In each party category where votes were cast (no votes were cast in the DG party category), there was unanimous support for the proposal and the proposed implementation date. In accordance with the weighted vote

<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> Clause 12 of the DCUSA.

procedure, the recommendation to the Authority is that DCP075 is accepted. The outcome of the weighted vote is set out in the table below:

DCP075	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	0	n/a	n/a

### The Authority's decision

The Authority has considered the issues raised by the proposal and the Change Declaration dated 10 January 2011. The Authority has considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. The Authority has concluded that:

1. implementation of the change proposal DCP075 will better facilitate the achievement of the General DCUSA objectives; and
2. directing that the change is approved is consistent with the Authority's principal objective and statutory duties<sup>4</sup>.

### Reasons for the Authority's decision

We note the unanimous support for the proposal from those parties that voted.

#### **General objective 3.1.4 - the promotion of efficiency in the implementation and administration of the DCUSA and the arrangements under it**

We agree with the unanimous views of those supporting DCP075 that the proposal does better meets this objective. There is a risk, based on the existing voting rules, that a single party/party group or two parties/party groups in a party category can effectively block a change proposal when support for that proposal is otherwise overwhelmingly supportive. By blocking an otherwise valid proposal, there may be an adverse impact on the efficiency of DCUSA administration.

As Part 2 changes are less material, the current arrangements have the potential to be inefficient. If the blocking party or parties have legitimate concerns about the change proposal, it is arguable that the impact of the change is material. In that case, it would be treated as a Part 1 matter and decided upon by the Authority. As this is the proposed solution under DCP075, legitimate concerns can be raised and assessed by the Authority ensuring the efficient delivery of the DCUSA administrative arrangements. We would expect few proposals to be affected and so any adverse impact on the Part 2 (self-governance) arrangements under the DCUSA ought to be limited.

### Decision notice

In accordance with standard condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP075: '*Voting Arrangements for a Party Category with few members*' be made.

### Mark Cox

#### **Associate Partner, Smarter Grids and Governance**

Signed on behalf of the Authority and authorised for that purpose

<sup>4</sup> The 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.