

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP044: MOCOPA®		
Decision:	The Authority ¹ directs that this proposed variation be accepted		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	16 November 2009	Implementation Date:	25 February 2010

Background to the variation

Clause 27 of the DCUSA requires a User to procure that the Meter Operator (MOP) it appoints for each Metering Point shall (where relevant) comply with Schedule 5 of the Meter Operation Code of Practice Agreement (MOCOPA®), which deals with safety, permission issues, and the competency of the meter operative. MOPs can also hold qualifications through the The Balancing and Settlement Code (BSC) for settlement (such as data collection and aggregation).

DNOs are required by their licence conditions² to offer terms to anyone wishing to fit meters to their systems. This obligation also requires the DNO to specify the safety requirements that must be adhered to by the MOP when undertaking a meter connection. Distributors have indicated that this requirement is discharged through the DCUSA obligation on Users to use MOCOPA® registered MOPs.

Industry members have highlighted that the current drafting of the DCUSA is not sufficiently robust, and in places, is ambiguous. Whilst the DCUSA requires a MOP to comply with the MOCOPA® (as set out above), the MOP is not required to be party to it, and therefore such compliance cannot be monitored or audited. Furthermore, the DCUSA is not clear on when it is "relevant" for a MOP to comply with Schedule 5 of the MOCOPA®. Industry members believe all MOPs should be signatories to MOCOPA®, but the current arrangements do not bind MOPs to accede.

The proposed variation

This proposed variation seeks to amend the DCUSA to ensure relevant MOPs are party to all of the MOCOPA® and seeks to remove the ambiguity around when it is relevant (or not) to comply. The proposed variation amends Clause 27 of the DCUSA, in order to:

- oblige the User to procure that the appointed Meter Operator is a signatory to the MOCOPA® in its entirety;
- oblige Distributors to be signatories to the MOCOPA®; and
- remove the ambiguity on when a Meter Operator is required to comply with Schedule 5 of the MOCOPA®.

Recommendation to Ofgem

In the final Change Declaration for the proposed variation, dated 7 October 2009, the DCUSA Parties recommended unanimously to the Authority that DCP044 be implemented. The Parties also unanimously recommended the implementation date as 25 February 2010.

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

² See SLC 16 - Requirement to offer terms for the connection of Metering Equipment.

The Authority's decision

The Authority has considered the issues raised by DCP044 and the final Change Declaration. The Authority has considered the recommendation of the DCUSA Parties and has concluded that:

1. Implementation of the proposed variation will better facilitate the application of DCUSA objectives³, and
2. Directing the variation is consistent with the Authority's principal objective and statutory duties⁴.

Reasons for the Authority's decision

We note the views expressed in the DCUSA final Change Declaration and in the responses to the associated industry consultation. The initial Change Proposal sought to make the proposed variation as it enhanced relevant objective (c). The Panel's view of the objectives was in line with that of the Working Group, who endorsed the proposed variation in terms of objectives (c) and (d). In addition to the Panel's unanimous support, 16 out of 17 respondents considered that the DCUSA objectives will be better facilitated by DCP044. The remaining respondent considered that the impact on the objectives was 'neutral' but confirmed it is supportive of the proposed variation.

In the consultation responses, representatives from DNOs, independent DNOs (iDNOs), MOPs and Suppliers all considered that the proposed variation will better facilitate all four DCUSA relevant objectives due to improved standards of work, better coordination between DNOs and MOPs leading to more efficient systems, as well as enhanced levels of competition. It would also remove existing ambiguity in the agreement.

Objective (a): the development, maintenance and operation by the licensee of an efficient, co-ordinated, and economical Distribution System.

We believe that the proposed variation is neutral with respect to this relevant objective.

Relevant objective (b): 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.

Ofgem notes the costs associated with the governance arrangement to cover auditing and reporting and considers that this is commensurate with similar schemes in gas⁵ and therefore we do not think these costs are onerous. The Working Group has considered

³ The Applicable DCUSA Objectives are these:

- (a) the development, maintenance and operation by the licensee of an efficient, co-ordinated, and economical Distribution System;
- (b) 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;
- (c) the efficient discharge by the licensee of the obligations imposed upon it by this licence; and
- (d) The promotion of efficiency in the implementation and administration of the DCUSA arrangements.

⁴ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

⁵ The meter asset managers code of practice (MAMCoP)

the financial impact of the proposal on MOPs, and concluded that the costs are minor in relation to other costs incurred by MOPs entering the market.

Ofgem considers that implementation of the proposed variation will better facilitate effective competition. As noted by the Working Group, there is a considerable level of meter churn anticipated over the coming years, and therefore it should be ensured that MOPs are adequately qualified and regulated with a robust governance and audit framework.

Once all MOPs operate from the same level of qualification, Suppliers can choose a MOP on a more competitive basis, as their price will reflect the uniform application of universal standards. Additionally, throughout the Change of Supplier process, Suppliers can be confident of safety, standardisation and transparency of services with respect to metering arrangements. Finally, the variation mirrors the widely accepted industry view that all BSC qualified MOPs should be MOCOPA® compliant, and thus all MOPs hold the same competitive advantage. For these reasons, we consider that the variation will better facilitate objective (b).

Relevant objective (c): the efficient discharge by the licensee of the obligations imposed upon it by this licence

Having all relevant parties as signatories to the MOCOPA and enshrining the entire agreement within DCUSA mitigates the risk of industry practices and procedures not being adhered to and further provides additional assurances that where there are changes in those practices MOPs can be contacted collectively. The proposed variation seeks to mandate accession to the MOCOPA® for Meter Operators, which will address the DNOs' areas of concern.

Under the MOCOPA® DNOs have rights to challenge the quality of work and can be assured that competent operatives will be working on site. We agree with the Working Group that this level of service and guarantee should be applied to all Meter Operators and this can be achieved through their accession to the MOCOPA®. We therefore agree with the views of the Working Group that the variation will better facilitate relevant objective (c).

Relevant objective (d): the promotion of efficiency in the implementation and administration of the DCUSA arrangements has been met

We note that the Panel considered that relevant objective (d) was positively affected by this proposed variation, and note that Respondents agreed that efficiency would be improved for MOCOPA processes. However, with regard to efficiency in the DCUSA, we consider that the proposed variation is neutral with respect to this relevant objective.

Further issues

We note a number of important matters which have been raised by the Working Group and over the course of consultation that may be more suitable for further consideration under the auspices of MOCOPA®.

The costs of the MOCOPA® are split equally between the DNO and MOP groups. MOP costs are then split on an equal share basis which equates to approximately £2,650 per annum per MOP (most of which covers the MOP audit activity) plus an additional one off

fee of £2,650 for the initial audit as part of the Accession Process⁶. One respondent to the consultation questioned whether the 'one cost fits all' model was appropriate and suggested costs should be apportioned on market share. The Working Group supported this view but considered that it was an issue for MOCOPA® members rather than a DCUSA matter. Ofgem would welcome further consideration of this issue by MOCOPA® members for example on whether it would be more appropriate to allocate costs by size.

Additionally, we agree with the views of the Working Group that there would be transparency benefits associated with Suppliers viewing MOCOPA® audit reports of their MOPs. Again, we would welcome further consideration of this issue by MOCOPA® members.

Finally, the Working Group discussed the issue of additional testing/training of Meter Operatives that is required by some DNOs. Ofgem notes that one respondent recommended that the MOCOPA® audit process should be expanded to cover all the elements required by such DNOs, as it would better facilitate MOPs working on all DNOs. Ofgem welcomes further development of this issue.

Decision notice

In accordance with Standard Condition 9B of the Electricity Distribution Licence, the Authority hereby directs that the proposed variation set out in DCP044 MOCOPA® be made.

Ian Marlee
Partner, Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose.

⁶ This additional fee may not apply if the initial audit can be carried out at the same time as the annual audit.