DCUSA CONSULTATION DOCUMENT	
CHANGE PROPOSAL	Establishment of a regular billing cycle for site specific billing
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ISSUED TO	DCUSA Contract Managers Ofgem
RETURN DEADLINE	24 June 2008 – DCUSA@electralink.co.uk

1 BACKGROUND

1.1 DCP 017 was raised by E.ON UK on 28 February 2008. The CP was considered by the DCUSA Panel at its meeting on 19 March 2008. The Panel determined that the CP was a non-urgent Part 2 change that should be progressed through the Definition Procedure.

1.2 The DCUSA Panel established the DCP 017 Working Group to consider the Change Proposal. The Working Group met on 11 April 2008 and 30 May 2008 to consider DCP 017[1] and evaluate it against the applicable DCUSA Objectives.

2 DCP 017 - ESTABLISHMENT OF A REGULAR BILLING CYCLE FOR SITE SPECIFIC BILLING

2.1 DCP 017 seeks to establish a limitation on the frequency of billing for those sites which are billed on a site specific basis. The CP seeks to document an agreed standard for all Parties, and in particular any new Parties, to follow.

2.2 The Proposer considers that the CP does not seek to change the status quo, or create new obligations or barriers, but that the clarification provides a reflection of the current situation of a competitive electricity Supply and Distribution market. The Proposer considers that the CP will better facilitate Objective 4[2] of the DCUSA and will introduce a number of benefits to Parties including:

- Decrease in resource and costs associated with administering and processing site specific invoices
- Decrease in resource and costs associated with administering and processing cash control items and remittances relating to these invoices
- Improved cash flow forecasts' accuracy
- Improved Credit Cover position forecasts' accuracy
- More valuable time will be spent on investigating and addressing invoice validation issues

3 WORKING GROUP CONSIDERATIONS

3.1 The Working Group noted that the intention of the CP is to achieve greater efficiencies for Parties. The Working Group considered that a reduction in the frequency of invoices issued by Distributors would reduce the administrative burden on Suppliers involved in processing the invoices and payments. The Working Group also considered that reducing the frequency of site specific billing should lead to efficiencies for Distributors by reducing the number of payments that require tracking. The Working Group agreed that different types of invoices (e.g. Half Hourly, Unmetered and Non Half Hourly Maximum Demand (MD) sites) could be sent in different files but that the preferred option was for HH and NHHMD to be batched together.

[1] The papers and minutes of all Working Group meetings are available on the DCUSA Website – www.dcusa.co.uk

[2] "The promotion of efficiency in the implementation and administration of this Agreement"

Members agreed that the principle of the CP was to reduce the overall frequency of account submissions.

3.2 The Supplier representatives at the Working Group agreed that the administration required to process frequent submissions and the amount of time dealing with administrative queries in relation to frequent billing was inefficient and results in a cost increase for processing payments. Working Group members noted that Suppliers are forced to batch payments as it is not economically viable to pay each bill separately and that bringing forward payments results in a reduction in the time available to Suppliers to validate the invoices.

3.3 The Working Group considered that all Distributors are potentially impacted by the CP, but noted the view of one member who will be significantly impacted by the proposal. The Distributor Party considered that the process it currently follows is more efficient than the proposed change as it reduces the number of disputes and queries. Supplier representatives suggested that there is no evidence to suggest that disputes are reduced by more frequent billing and that any issues would be resolved in the next billing run. The Working Group agreed that it would ask all Distributor Parties to consider whether they would be impacted by the proposal as part of the consultation exercise.

3.4 The Working Group noted that as soon this particular Distributor receives data it validates the data and, where the data passes the validation, generates a bill on a daily basis. The Working Group considered that the operation of this process means that the Distributor carries out a thorough validation process on the data it receives and does not issue a bill until it is confident it is fit for purpose which it believes minimises data and billing disputes.

3.5 The Working Group considered whether a Distributor could reduce the number of billing runs and frequency of submissions by reducing the level of data validation it performs. However it concluded that although this may be the case, the amount of validation required by Suppliers would increase as would the number of disputes. The Working Group agreed that it did not wish to reduce the level of validation carried out by Distributors.

3.6 The Working Group considered whether it would be possible to allow all Distributors to operate their systems as they chose, i.e. data validation and generation of invoices, but to either limit the frequency with which the invoices are issued to Suppliers, or amend the payment terms for Suppliers. The Working Group considered that the latter proposal would require a fundamental change to the DCUSA but that the former may be viable.

3.7 One Distributor member indicated that the former option would require a significant system change for their organisation. The Party also considered that in its opinion it was likely that the proposal would significantly impact Credit Cover arrangements for Suppliers with which it operates, although this view was not shared by all Supplier representatives. The Distributor member noted that for the NHH MD sites it currently sends out invoices over a number of weeks based on the read cycle of the Supplier's Data Collector. Members considered that should the invoices be sent out on the same day this may affect the credit cover arrangements.

3.8 The Working Group agreed that it was satisfied that it understood the intent of the CP - to reduce the frequency with which site specific submissions that

are sent to Suppliers in a month - but that the drafting needed to be developed to find a position to meet the needs of all industry participants as far as possible. At its meeting on 30 May the Working Group revised the drafting of the legal text to minimise the impact on Distributor Parties but to reach a consensus position to address the issues facing Suppliers. The Proposer confirmed that it was supportive of the Working Group drafting and agreed that it should be issued for Consultation but reserved the right to progress the original CP depending on the outcome of the Consultation responses. The proposed legal drafting is contained within Appendix B.

3.9 The Working Group further considered the status of the CP noting that it had been raised as a Part 2 matter. The Proposer indicated that it believed that the proposal should be classified as a Part 1 matter in accordance with Clause 9.4.3 of the DCUSA and members considered that Clause 9.4.2 may also apply. The Working Group agreed to seek opinions from Parties as part of the consultation.

3.10 In accordance with Clause 11.17 of the DCUSA the Working Group agreed that DCP 017 should be put forward for consultation.

4 CONSULTATION

4.1 In accordance with the DCUSA, any CP progressed through the Definition Process may be issued to DCUSA Parties as part of a consultation exercise.

4.2 Parties are asked to review the proposed CP and provide feedback, paying particular attention to the following:

- Whether you believe that the proposed variation better facilitates the DCUSA Objectives;
- Identify any other relevant, suitable alternative solutions for consideration by the Working Group that would better facilitate the DCUSA Objectives;
- Whether you expect to incur any costs to support the CP;
- Whether you support the proposed implementation date of the CP;

4.3 Note that comments will inform the Working Group and Panel's decision about which alternate(s) to put forward for voting. In addition, the Working Group has requested that Parties provide answers to the following specific questions:

- Whether you agree with the Working Group's conclusion that the CP should have been considered as a Part 1 matter;
- Whether there will be an impact on Parties Credit Cover arrangements as a result of the CP;
- Whether you consider that the business justifications for the CP as drafted by the Proposer are appropriate.
- Distributors: Whether you consider that you will have to make changes to your current systems / process as a result of the CP as drafted.

4.4 Your response, or any part thereof, can be provided in confidence. Please clearly indicate which parts of your response are to be treated confidentially.

4.5 You are asked to provide as much relevant detail in your response as possible to enable the Working Group and the DCUSA Panel to understand your comments and the reasons behind them. A response form has been included in Appendix C for your convenience.

5 NEXT STEPS

5.1 Following the end of the consultation period the Working Group will consider all responses and present a final report to the DCUSA Panel. The DCUSA Panel will determine which variation(s) will be put forward to the vote.

6 TIMESCALES

6.1 The Working Group has determined that the consultation period should be 10 Working Days. Parties are invited to submit responses to DCUSA@electralink.co.uk no later than 23 June 2008.

6.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3017.

7 APPENDICES

- Appendix A – DCP 017 v1.2
- Appendix B – Proposed Legal Drafting v1.3
- Appendix C – Consultation Response Form