

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP009: Distribution Standard Licence Condition 4a review		
Decision:	The Authority¹ directs that this variation be made²		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	21 February 2008	Implementation Date:	28 February 2008

Background to the proposed variation

Under Distribution standard licence condition (SLC) 4A(1) all distributors are required to have in place a use of system charging statement in a form approved by the Authority. Emerging from an Ofgem led distribution charging group³, the ENA (Energy Networks Association) took up a project to produce a common template for the SLC 4A statement. The project sought to alleviate Suppliers' concerns that the SLC 4A statement has been used as a convenient place for Distributors to place a number of transactional charges for services which are ancillary to use of system (UoS). Suppliers also commented that each Distributor's SLC 4A statement was very different and that this added to their complexity.

The ENA has recently concluded its restructuring project for the SLC 4A statement. As part of their proposals, Distributors will remove the transactional charges for services which are ancillary to UoS from their SLC 4A statements. These charges will appear in a separate charging statement which falls outside the scope of SLC 4A.

At present, DCUSA requires Suppliers to provide Credit Cover for all services provided for under the Relevant Charging Statement. Relevant Charging Statement is defined as the statement prepared by a company pursuant to Condition 4A, 14A, 36C and 48 of its Distribution Licence. DCP009 was raised by the proposer in order to align the drafting of DCUSA with the restructuring project of the SLC 4A statement in which services which are ancillary to UoS will be provided for in a separate statement outside the scope of SLC 4A.

The proposed variation

The proposed variation suggests a number of changes⁴ as follows:

- A definition of 'Charges' has been added to Section 1A. This states that Charges mean "those charges referred to in clause 19.2 (and for the avoidance of doubt, includes both Use of System Charges and Transactional Charges)".
- The definition of the Relevant Charging Statement in Section 1A has been amended so as to include "any statement prepared by a Company and for the time being in force in relation to charges for any services offered by the Company".

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

³ The Implementation Steering Group (ISG). The minutes from these meetings are available on Ofgem's website at <http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>

⁴ The proposed textual changes to DCUSA were settled by Wragge & Co and subsequently approved by the DCP 009 Working Group on 18 December 2007.

- The definition of "Transactional Charges" in Section 1A has been redefined as having "the meaning given to that term in Clause 22.1" of DCUSA. It no longer includes, "and for the avoidance of doubt, such charges may compromise Use of System Charges".
- The definition of "Use of System Charges" in Section 1A has been redefined as having "the meaning given to that term in Clause 19.2.1." Clause 19.2.1 has been redefined as "the charges contained or referred to in the Company's Relevant Charging Statement for the time being in force pursuant to condition 4A of its Distribution Licence (Use of System Charges)".
- A new clause has been inserted at 19.2.4 so as to include "the charges for any other services provided by the company to the User pursuant to (A) a provision of this section 2A; or (B) any other agreement between the Company and the User for the provision of such services which provides for payment pursuant to this Agreement".
- Throughout DCUSA references to "Use of System Charges" have been amended to "Charges" where these charges are deemed to refer to both core use of system charges and those charges for services which are ancillary to UoS.

The proposer considers that the redrafting detailed above will better facilitate the efficient discharge by the distributor of obligations imposed upon them by their licence thereby better facilitating achievement of applicable DCUSA Objective (c)⁵.

Recommendation to Ofgem

Proposed variation

The DCUSA Parties' recommendation is for the proposed variation to be implemented. Of the Party Categories which were eligible to vote (DNO, IDNO, and Supplier) 100 percent in each Party Category recommended implementing the proposed variation.

Implementation Date

The DCUSA Parties recommendation is for the proposed implementation date to be accepted. Of the Party Categories which voted (DNO, IDNO, and Supplier) 100 percent in each Party Category voted to accept the proposed Implementation Date.

The Authority's decision

The Authority has considered the issues raised by DCP009 and the final Change Report (CR) dated 17 January 2008. The Authority has considered and taken into account the responses to ElectraLink's⁶ consultation which are attached to the CR⁷ and the recommendation of the DCUSA Parties. The Authority has concluded that:

⁵ As set out in the Distribution Licence Standard Condition 9B(9), see: <http://epr.ofgem.gov.uk/index.php?pk=folder100985>

⁶ The role, functions, and responsibilities of Electralink (as the Secretariat) are set out in Section 1B of the DCUSA.

⁷ DCUSA change proposals, modification reports and representations can be viewed on the DCUSA website at <http://www.dcusa.co.uk/Public/Default.aspx>

1. implementation of the proposed variation will better facilitate the achievement of the Applicable DCUSA Objectives⁸; and
2. directing that the proposed variation be made is consistent with the Authority's principal objective and statutory duties⁹.

Reasons for the Authority's decision

Both DNOs and Suppliers agreed with the need to redraft DCUSA in order to incorporate the change to the SLC 4A statement. Suppliers have commented that the proposal also maintains a framework for charging for the range of services that are currently being levied by Distributors. The proposal also provides for future services which may be developed that will require payment under the auspices of the DCUSA.

We note that the proposal is a consequential change of the restructuring of the SLC 4A statement and it has no impact upon the amount of Credit Cover which Suppliers are required to provide under Schedule 1 (Cover).

Based on the points above, it is our view that the change proposal would better facilitate applicable DCUSA objective (c), the efficient discharge by the licensee of the obligations imposed upon it by the Distribution licence. The proposal aligns DCUSA more closely to the relevant charging statements which are prepared in accordance with the Distribution licence.

We consider that DCP009 will better facilitate applicable DCUSA objective (b). The proposal will facilitate more effective competition in the supply of electricity as the services for which Suppliers are required to provide Credit Cover will be more transparent.

We do not consider that DCP009 will have an impact upon applicable DCUSA objectives (a) or (d).¹⁰

Decision notice

In accordance with Standard Condition 9B of the Distribution Licence, the Authority hereby directs that the proposed variation set out in DCP009:

"Distribution Standard Licence Condition 4a review" be made, and that it shall be implemented on 21 February 2008.



Rachel Fletcher

Director, Electricity Distribution

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

⁸ As set out in the Distribution Licence Standard Condition 9B(9), see: <http://epr.ofgem.gov.uk/index.php?pk=folder100985>

⁹The Authority's statutory duties are largely provided for in legislation, principally the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising under European Community legislation. The Authority's duties are wider than the matters which the Panel must take into consideration.

¹⁰ Objective (a) is the development, maintenance and operation by the DNO parties and IDNO parties of efficient, co-ordinated and economical Distribution Networks. Objective (d) is the promotion of efficiency in the implementation and administration of this agreement