

Proposed Variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP002: Removal of the ability of parties to recover travelling costs associated with Panel or Working group meetings (DCP002)</b>		
Decision:	<b>The Authority<sup>1</sup> provides notice that it does not direct that the proposal be made<sup>2</sup></b>		
Target audience:	<b>Parties to the DCUSA and other interested parties</b>		
Date of publication:	<b>13 August 2007</b>	Implementation Date:	<b>N/A</b>

## Background to the Proposed Variation

Currently clause 8 of the DCUSA allows for the Panel to recover all reasonable costs and expenses properly incurred by the Panel, the Panel Secretary any Working Group, the Secretariat and DCUSA Ltd in performing their respective duties powers and functions. This may include their general administration costs and expenses, and any costs and expenses of any professional advisers properly retained by them.

## The Proposed Variation

This proposed variation seeks to remove the ability of parties to recover travel costs associated with attending Panel meetings or Working Group meetings.

The Proposer suggested that this change proposal better facilitates the achievement of Applicable DCUSA Objective (c) on the basis that the proposed variation will reduce the uncertainty in costs incurred by DCUSA and allow the Panel to set appropriate budgets.

## Recommendation from DCUSA Parties

### *Proposed Variation*

The DCUSA parties' recommendation was for the proposed variation to be rejected. Of the Party Classes which voted (DNO, IDNO and Supplier) over 50% of DNOs recommended implementing the proposed variation, 100% of the IDNOs recommended rejection and over 50% of the Suppliers recommended implementation of the proposed variation.

### *Implementation Date*

The DCUSA parties' recommendation was for the proposed implementation date to be rejected. On a weighted vote, over 50% over the DNOs voted to accept the proposed

<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.

implementation date, as opposed to the IDNOs and Suppliers, over 50% of whom in each party class respectively voted in favour to accept the proposed implementation date.

A full breakdown of the votes for both the proposed variation and the implementation date can be found in the change report.

### **The Authority's decision**

The Authority has considered the issues raised by DCP002 and the final Change Report (CR) dated 18 May 2007. The Authority has considered and taken into account the responses to ElectraLink's<sup>3</sup> consultation which are attached to the CR<sup>4</sup> and the recommendation of the DCUSA parties. The Authority has concluded that implementation of Proposed Variation, DCP002 will not better facilitate the achievement of the Applicable DCUSA Objectives.<sup>5</sup>

### **Reasons for the Authority's decision**

Ofgem does not consider that removing the present ability of parties to reclaim legitimate travel expenses would better facilitate achievement of the Applicable DCUSA Objectives.

Ofgem considers that it is important that the governance arrangements for the DCUSA are sufficiently inclusive to facilitate participation from a broad spectrum of market participants, including smaller parties. In this respect, Ofgem agrees with the consultation respondent who stated that removal of the provision relating to reclaiming legitimate travel expenses may hinder the ability of some smaller parties to participate as fully in the new arrangements as would otherwise be the case. To the extent that particular classes of parties are unable to participate in code development and change processes this may have longer term detrimental impacts upon competition. Ofgem's view therefore is that the proposal would not facilitate effective competition in the generation and supply of electricity and the promotion of competition in the sale, distribution and purchase of electricity

Ofgem notes that the cost arrangements have been in place for less than a year. In relation to Ofgem's statutory duties regarding better regulation, Ofgem does not consider it a proportionate response to modify the cost arrangements when no detriment has been proven so far in practice.

In response to the concerns expressed in consultation responses relating to the management of costs, Ofgem notes from the consultation responses that so far DCUSA parties have not made significant levels of expense claims. In addition, guidelines are also in place under the DCUSA that are applied to all expense claims which should assist in ensuring that the claims process is not abused. This being the case and given the need to ensure that parties are not inhibited from participating in governance processes, we do not consider that there is justification from removing the relevant sections relating to claiming expenses from the DCUSA. If in the light of further operational experience

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<sup>3</sup> The role, functions, and responsibilities of Electralink are set out in Section 1B of the DCUSA.

<sup>4</sup> DCUSA change proposals, modification reports and representations can be viewed on the ElectraLink website at [www.electralink.co.uk](http://www.electralink.co.uk)

<sup>5</sup> As set out in the Distribution Licence Standard Condition 9B(9), see: [http://195.12.224.140/document\\_fetch.php?documentid=8378](http://195.12.224.140/document_fetch.php?documentid=8378)

the situation changed Ofgem would keep this in mind when considering future proposals to vary the expenses provisions of the DCUSA.

#### **Decision notice**

**In accordance with the Distribution Licence the Authority hereby gives notice that it will not direct the implementation of DP002: "Removal of the ability of parties to recover travelling costs associated with Panel or Working group meetings" (DCP002)**



**Mark Feather**

**Associate Director, ICL**

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