

DCUSA CHANGE REPORT	
CHANGE PROPOSAL	DCP 044 – MOCOPA®
DATE OF ISSUE	23 September 2009
ISSUED TO	DCUSA Contract Managers
RETURN DEADLINE	07 October 2009

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA. The Change Report details DCP 044 - MOCOPA®.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the CP through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed amendment attached as Appendix A and submit votes using the form attached as Appendix B to dcusa@electralink.co.uk by 07 October 2009.

2 BACKGROUND

- 2.1 DCP 044 was considered by the DCUSA Panel at its meeting on 18 March 2009. The Panel determined that the CP is a non-urgent Part One change and recommended its progression through the Definition Procedure to allow a Working Group to assess and develop the drafting.
- 2.2 The DCP 044 Working Group was established by the Panel and has met on 3 occasions. Minutes and papers of all the DCP 044 Working Group meetings are available on the [DCUSA Website](#).

3 DCP 044 – MOCOPA®

- 3.1 Clause 27 of the DCUSA requires the User to procure that the Meter Operator appointed for each Metering Point shall (where relevant) comply with Schedule 5 of the Meter Operation Code of Practice Agreement (MOCOPA®).
- 3.2 Industry members have highlighted that the current drafting is not sufficiently robust and is ambiguous. Whilst Meter Operators must comply with the MOCOPA® they are not required to be party to it and therefore such compliance cannot be monitored or audited. Furthermore it is unclear from the drafting which elements of the MOCOPA® are 'relevant' and as such may be open to interpretation.
- 3.3 There is a further risk that Meter Operators who are not party to the MOCOPA® cannot be contacted collectively to be notified of any issues or changes to industry practices which may have safety implications. This may limit the ability of Distributors to achieve their obligation to offer terms. The

CP seeks to mandate accession to the MOCOPA[®] for Meter Operators and Distributors to address these areas of concern.

3.4 DCP 044 seeks to amend Clause 27 of the DCUSA to:

- oblige the User to procure that the appointed Meter Operator is a signatory to the MOCOPA[®]; and
- oblige Distributors to be a signatory to the MOCOPA[®]; and
- remove the ambiguity associated with the use of “where relevant”.

4 DCP 044 – WORKING GROUP CONSIDERATIONS

- 4.1 The Working Group has met three times to consider the Change Proposal, to address questions raised by Ofgem and to review the consultation responses.
- 4.2 The Working Group is supportive of the intent of the CP and agrees that it is pragmatic to update the DCUSA to remove ambiguity and make the current process more robust.
- 4.3 The Working Group acknowledges that Meter Operators complete the BSC Qualification process but that the BSC process focuses primarily on Settlement and does not deal with safety, permission issues or the competency of the meter operatives as these are addressed through MOCOPA[®]. The Working Group believes that there is currently one BSC Qualified Meter Operator who is not a signatory of MOCOPA[®] working on sites but that numbers could increase as new parties enter the market and if the obligation is not made clear.
- 4.4 Under the MOCOPA[®] Distributors have rights to challenge the quality of work and can be assured that competent operatives will be working on site. The Working Group agrees that this level of service and guarantee should be applied to all Meter Operators and can only be achieved through accession to the MOCOPA[®].
- 4.5 Distributors have a Licence obligation (SLC 16 - Requirement to offer terms for the connection of Metering Equipment) to offer terms to anyone wishing to fit meters to their systems. In practice this is discharged through MOCOPA[®]. However the BSC Qualification and Supplier appointment of Meter Operators does not require that Meter Operators seek such terms from Distributors. There could therefore be Meter Operators working on distribution systems, in accordance with the BSC and Supplier appointment, without any form of agreement with the Distributor or even without the Distributor's knowledge in the short term. Distributors are concerned that safety rules and advice may not be followed or effectively communicated in such circumstances. This issue could be addressed by mandating accession to the MOCOPA[®].
- 4.6 The MOCOPA[®] was created to ensure a consistent requirement from Distributors to assist competitive Meter Operators operate efficiently across all Distribution areas. The Working Group recommends that whoever the Supplier appoints as Meter Operator for site should be required to be signatories to and compliant with the MOCOPA[®] even where Meter Operators appoint sub-contractors. The Working Group also recommends that Distributors should be obliged to accede to the MOCOPA[®] on the basis

that all the communication and safety issues apply both ways and that a joint obligation will result in an open and transparent process for both parties.

- 4.7 The Working Group considers that implementation of the CP will introduce a single point of contact for all Distributors and Meter Operators resulting in better communication, standardised arrangements, more robust and audited processes and reduced risk. The Working Group considered the benefits associated with accession to the MOCOPA[®] including an annual audit of Meter Operators, the distribution of information regarding healthy & safety issues, and the assurance that competent operatives will be working on site.
- 4.8 The costs of the MOCOPA[®] are split 50/50 between the Distributor and Meter Operator groups. Meter Operator costs are then split on an equal share basis which currently equates to approximately £2,650 per annum per Meter Operator (most of which covers the Meter Operator audit activity). The charge will either be incurred for the initial audit fee as part of the accession process for new MOPs or as the annual audit fee going forward. Provided they complete the registration process, MOPs will not be required to pay twice in the first year.
- 4.9 Compliance with MOCOPA[®] is not thought to add any further significant overhead to the Meter Operators over the existing processes required to demonstrate safe methods of work in compliance with their general obligations under Health and Safety legislation. Accession to the MOCOPA[®] will also give Meter Operators voting rights and a say in the development of the MOCOPA[®].
- 4.10 The Working Group acknowledge that the implementation of DCP 044 will not remove the right for Distributors to carry out their own checks on Meter Operators. However it considers that DCP 044 will maintain the status quo in terms of training and competency for existing parties and ensure that any new party is clear about the obligations. This will give Suppliers and Distributors assurance that any MOP working on a site can be identified and will be working to an agreed safety standard.
- 4.11 There are no audit requirements for Distributors under MOCOPA[®] and the current annual fee for Distributors with less than 10,000 registered metering systems is £500. No fee is payable in the first year of membership. The Working Group considers that the benefits to industry outweigh the costs. With the exception of one IDNO, all current Distributor DCUSA Parties are also signatories to MOCOPA[®].
- 4.12 Ofgem has asked that parties consider whether the CP could be considered a barrier to entry for new participants. Working Group members consider that the cost of entering bi-lateral agreements with each DNO would be a greater and agreed that the additional benefits – consistency, efficiency and awareness of safety issues, single point of contact, audited operatives etc, are greater. The Working Group believes that accession to the MOCOPA[®] would therefore be no more onerous or restrictive than the BSC Qualification process.
- 4.13 The Working Group considers that the CP can also further develop competition in distribution and meter operation. Given the anticipated level of change and meter churn in the next few years it is vital to ensure that all MOPs are properly qualified and regulated with a robust governance and

audit framework. Members considered that implementation of DCP 044 will minimise risk and increase competition to allow all MOPs to operate on a level playing field.

5 CONSULTATION

- 5.1 DCP 044 was issued to all DCUSA Parties and all Meter Operators¹ on 01 July 2009 for a period of 15 Working Days. 17 Responses were received in that time and no late responses were received.

Do the proposed Change Proposal (CP) better facilitate the DCUSA Objectives?

- 5.2 16 out of 17 respondents considered that the DCUSA objectives will be better facilitated by DCP 044. 1 respondent considered that the impact on the objectives was 'neutral' but confirmed it is supportive of the CP. No respondents considered that the CP would have a detrimental affect.
- 5.3 Across the responses all the Objectives were considered to be better facilitated but Objectives 3² and 4³ were most frequently identified by Parties.

Do you understand the intent of the CP and are you supportive of its principles?

- 5.4 100% of respondents confirmed that they understand the intent of the CP and are supportive of its principles.

What do you consider the benefits / risks of implementing the CP?

- 5.5 2 respondents highlighted potential risks but that both considered that the benefits of the proposal outweigh them. One noted that there is a small risk that a customer could contract with a Meter Operator (MOP) that is not party to the MOCOPA[®], Suppliers would have to appoint a different (compliant MOP), resulting in the customer incurring costs. The second noted a potential risk in costs to Meter Operators but noted that the costs are shared on an equitable basis.
- 5.6 The benefits were identified by respondents as:
- Improved audit process
 - Full identification of MOPs working on distributor assets
 - Safety - Ensuring all operatives are suitably qualified and working to the required standard
 - Effective communication of matters of safety, changes in policy, issues etc
 - Uniformity and application of universal standards across all parties
 - Removal of ambiguity in the DCUSA
 - Mirrors the widely accepted industry view that all BSC qualified MOPs should be MOCOPA[®] compliant

Do you consider that the CP will introduce any additional hurdles or barriers for industry parties?

¹ The CP was issued to all MOPs registered under the BSC, MOCOPA and AMO.

² The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.

³ The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it

- 5.7 2 respondents indicated that the CP may introduce an additional hurdle in relation to costs. Other respondents noted the potential increase in costs to new entrants but considered both that the benefits of the CP outweigh the costs and that the costs are minor in relation to other costs incurred by MOPs entering the market.

Please indicate if you expect to incur any costs to support the CP

- 5.8 1 respondent indicated that it may incur costs if changes are required to its contracts with meter operators as a result of the CP but confirmed that it considers that the benefits of the CP outweigh such potential costs.

Do you support the proposed implementation date of February 2010?

- 5.9 100% of respondents confirmed that they support the implementation date.

Are there any alternative solutions you would like to be considered?

- 5.10 One respondent re-iterated its comment in regard to the sharing of costs on a market share basis. Another did not request any that alternatives be considered but suggested that there may be some benefit in developing a non compliance / breach reporting procedure in order for Suppliers to monitor their Agents.

Please state any other comments or views on the Change Proposal

- 5.11 One respondent noted its support for the CP but expressed some concern that 2 Distributors have additional requirements to those set out in the MOCOPA®. It recommended that the MOCOPA® audit process should be expanded to cover all the elements required by such DNOs.

6 WORKING GROUP CONCLUSIONS

- 6.1 The Working Group has concluded that the CP better facilitates the DCUSA objectives as confirmed by the respondents to the consultation. It agrees that the benefits case is clear and that the only identified risk, a small increase in costs to new MOPs, is outweighed by the benefits and minor in comparison to the other costs of market entry and new business set up.
- 6.2 The Working Group has noted the risk identified by a respondent that Suppliers may have to change contracts with MOPs as a result of the change and concluded that the risk and costs are low.
- 6.3 The Working Group has considered that the financial impact of the proposal on Meter Operators but concluded that the costs are minor in relation to other costs incurred by MOPs entering the market. One party had questioned whether the 'one cost fits all' model was appropriate and suggested costs should be apportioned on market share. The Working Group considers that the point raised is valid but that it is an issue for the MOCOPA® members rather than a DCUSA matter.
- 6.4 Currently DNO costs are apportioned on market share between 'large' and 'small' parties and then on an equal share basis. MOPs are charged equal amounts because the audit methodology is identical regardless of the size of

the organisation. The Working Group considers that the MOCOPA[®] change process, under which all parties to the MOCOPA[®] are entitled to raise modifications to the Agreement, is the appropriate mechanism for addressing such issues. The Working Group further considers that the matter could be considered under the current review of the MOCOPA[®] audit process.

- 6.5 The Working Group has considered the issue raised regarding the additional testing that is required by some DNOs, noting that the respondent had recommended that the MOCOPA[®] audit process should be expanded to cover all the elements required by such DNOs.
- 6.6 The Working Group agrees that the comments have merit but considers that there are not directly relevant to the CP and would be better discussed under the auspices of the MOCOPA[®]. The Working Group has noted that MOCOPA is already working with the DNOs as part of its current audit review in order to address this issue and ensure that the MOCOPA[®] audit is recognised as the industry standard and no further testing is required.
- 6.7 The Working Group has noted the suggestion that there may be some benefit in developing a non compliance / breach reporting procedure in order for Suppliers to monitor their Agents. The Working Group considers that there may be scope for sharing the MOCOPA[®] audit reports with the relevant Suppliers and has agreed with the respondent that this would address the comments made.
- 6.8 The Working Group has concluded that there are no alternative variations to be considered.

7 IMPLEMENTATION

- 7.1 It is proposed that DCP 044 is implemented in the February 2010 Release. Implementation of the CP may impact Suppliers contracting with Meter Operators that have not acceded to the MOCOPA[®] and / or require them to change existing contracts. The Working Group considers that implementation in February 2010 will allow such changes to be made. The MOCOPA[®] accession process can be completed in a short time period and applicants issued with a temporary (three months) certificate under which they can operate whilst they are audited and await the full certificate to be issued.

8 PROPOSED AMENDMENT AND LEGAL DRAFTING

- 8.1 The proposed legal drafting of DCP 044 has been reviewed by Wragge and Co and is set out in Appendix A.
- 8.2 The Working Group has sought legal opinion on whether obliging parties to sign up to MOCOPA[®] could be anti-competitive. Wragge and Co has advised that if the Authority approves the change there should not be any issues with competition or restricted trade. Parties will be obliged to comply with the DCUSA by their licences and cannot be accused of anti-competitive behaviour where their behaviour is mandated by law.

9 PANEL RECOMMENDATION

- 9.1 The Panel approved the Change Report for issue at its meeting on 16 September 2009. The Panel directed that the Change Report should be issued to all DCUSA Parties for 10 Working Days.

APPENDICES

- Appendix A – DCP 044 – Legal Drafting
- Appendix B – Voting Form