

DCP 314 Meeting 07 (Teleconference)

02 October 2018 at 14:00

ElectraLink, Third Floor, Northumberland House, 303-306 High Holborn, London, WC1V 7JZ / Teleconference

Attendee	Company
Working Group Members	
Andrew Enzor [AE]	Northern Powergrid
Rob Johnson [RJ]	ESP
Angus Rae [AE]	SSE
Dave Wornell [DW]	WPD
Gillian Miller [GM]	Scottish Power
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Huw Neyroud [HN] (Secretariat)	ElectraLink
Apologies	
Chris Parish	Ofgem

1. Administration

- 1.1 The Chair welcomed the members to the meeting.
- 1.2 There was one apology received prior to the meeting from Chris Parish of Ofgem.
- 1.3 The Working Group reviewed the "Competition Law Do's and Don'ts". All Working Group members agreed to be bound by the Competition Laws Do's and Don'ts for the duration of the meeting.
- 1.4 The Chair then proceeded to go through the previous actions these are shown in appendix 1.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting which was to review the responses to the Consultation document and the draft legal text.

3. Review of DCP 314 Consultation Responses

- 3.1 The Chair took the Working Group through the Consultation Responses question by question.
- 3.2 It was noted from the responses to question 1 that the intent of DCP 314 was understood with the exception of one respondent, who mentioned the potential issues surrounding the creation of a double recovery of charges. The respondent considered from the intent that it would not be appropriate to allow licensed distribution network operators (LDNOs, being Independent Distribution Network Operator (IDNO)s and Distribution Network Operator (DNO)s operating out of area) to recover bad debts associated with defaulting suppliers. Ofgem has allowed LDNOs to operate on an unregulated basis since they win new network competitively. Bad debts associated with defaulting suppliers simply represent one of many business risks LDNOs face in a competitive market. It was agreed within the Working Group to include this response within the Change Report to provide an alternative view point.

Action 01: ElectraLink to include Northern Powergrid's response to Question 1 in the Change Report regarding the LDNO and recovery of bad debts

- 3.3 The Working Group also noted for question 2 an overall support for the change but a favourable view to progressing a Licence modification from Ofgem over this change if the choice is there. The Working Group agreed that from the answers to question two that a catch up with the Ofgem Representative would be helpful to discuss the following points.
- The response letter sent to the WG Chair's letter in the spring;
 - Enquire with the Representative if there is likely to be an IDNO License modification;
 - And if so what is included within the IDNO license and expected timeframes for completion; and
 - Northern Powergrid's Question 4 response regarding the progress of this Change Proposal together with the Licence modification also in progress.
- 3.4 The Chair agreed to engage with the Ofgem Representative on the above points.

Action 02: Engage with Chris Parish from Ofgem to discuss the following:

- Response letter to the WG Chair's letter in the spring (02/03);
- Is there likely to be an IDNO License modification (action 03/01);
- And if so what is included within the IDNO license and expected timeframes for completion;
- Northern Powergrid's Question 4 response regarding the progress of this Change Proposal with the Licence modification also in progress.

- 3.5 Question 3, regarding the ultimate solution being a Licence Modification, again provided a response in which all but one respondent agreed, however the response from the Party was considered to be a possible misunderstanding of the Ofgem Licence as they stated that currently there is no mechanism for DNOs to recover bad debt. The Working Group agreed that a follow up email to the responder would be needed to clarify the response.

Action 03: ElectraLink to contact the respondent regarding their answer to this question.

- 3.6 The response to question 4 regarding the changes needed to the Guidance document issued by Ofgem in 2005 was again in support of such a change with the general view of the Change Proposal being a short-term quick win to a long-term issue therefore a full Licence modification would be preferable as the overall solution and avoid a further change to the guidance note.
- 3.7 The Working Group then progressed to Question 5 surrounding the contents of a guidance note. The overall view, once reviewing the responses, was to consider further amendments to section 4.7, references to EDNO rather than LDNO and, due to the issues raised by Northern PowerGrid relating to out of area DNO recovery of bad debt, consider how out of area charges are recovered through the Licence.

Action 04: Review section 4.7 of the Guidance Note Northern Powergrid mention that if the DNOs are able to operate out of area it would be an unlevel playing field.

Action 05: Investigate if the out of area charges are recovered through the Licence.

Action 06: SEPD suggest changing the first word of paragraph 4.7 to 'DNOs' rather than 'Companies' so that it is clear which category of companies is referred to.

Action 07: Action to review the guidance note with reference if the text should be updated to EDNO from LDNO

- 3.8 The Working Group then discussed Question 6 relating to the de minimis value for LDNOs, the responses all stated a preference for no de minimis value the view was that the LDNO should be able to choose to request the redistribution of debt or not. The reasoning behind this answer was that there will be cases where the administration required to report to the DNO outweighs the benefit of recovering small amounts of Distribution Use of System and these costs will vary from LDNO to LDNO.
- 3.9 The responses to Question 7 regarding the three options on the submission of three reports were split down the middle with five responses in support of Option A and five responses for Option C. This Split led to the Chair calling for a Working Group vote, which resulted in another close vote, with option A receiving three votes and option C, two votes.
- 3.10 From the voting the Working Group are to support Option A, however two of the Working Group wished to return the question to their internal business before committing to sponsoring another Option. There was also a feeling that selecting Option A may lead to a position where the License modification is already in place and will therefore the change will become null.

Action 08: RJ and GM both to investigate internally regarding whether to raise an alternative to Option A and feedback the result to the Working Group

- 3.11 When progressing through Question 8 associated with the overall process, the Working Group made a few different points regarding the question,
- To include a free text box on the report for anomalies;
 - HH invoice reports should be resubmitted with the (-) ve values to allow us to load into DURABILL and issue credit notes;
 - Review the legal text associated with Credit Cover; and
 - The formula provided by Northern Powergrid needs to be investigated as it states only “Cash Deposit” rather than the whole cover.
- 3.12 The Working group agreed to investigate further into the legal text and look into Half Hourly data on the TRAMs Report for DURABILL suitability.

Action 09: Review the TRAMs Report Spreadsheets to see if there is scope to include a “Anomaly Box” for out of the ordinary costs in regard to ESPs Consultation response in Question 8

Action 10: Include a Total in the TRAMs Report Spreadsheet for DNOs

Action 11: Review the legal text associated with Credit Cover relating to Northern Powergrids response to question 8

- 3.13 Question 9 regarding the formatting of the report, received strong support for a standardised format in any event, and only one query relating to the unpaid/paid category a Working Group member explained that this only relates to the final reconciliation and to further runs for the same MPAN.
- 3.14 Question 10 (by date or by period) brought up the issue of needing Half Hourly data to allow the processing of the bill through the system that some of the DNOs use, a Working group member took an action to ask internally if the issue is purely billing system related or if there is a further need for the HH data. The overall feedback from the parties was that the majority would prefer by date over period report.

Action 12: Review the TRAMs Report and proceed with the voted option of “By Date”. Also look into the potential for providing Half Hourly settlement data to allow more accurate reconciliation

Action 13: Dave Wornell to investigate internally on the response to Question 10, and feedback if the issue was a billing system related issue.

- 3.15 Question 11 on the dispute process was discussed in regard to the understanding of Schedule 4 of the legal text. This was not agreed during the meeting and an action was taken to review the schedules 4 and 19 of the legal text for the next meeting.

Action 14: Review the legal text for disputes process within Schedule 4, and Schedule 19 provided that legal text is amended.

- Identify which clause refers to schedule 4 and what amendments are required
- ElectraLink to email BU-UK in regard to the response in which they stated “provided that legal text is amended”

Action 15: Review schedule 4 and 19 to see if this is relating to making payments rather than cancelling a bill as the Working Group were unsure on if Schedule 4 was the correct approach.

- 3.16 One responder's comment on question 12 on the legal text stated that DNOs should return a percentage of the calculated debt, based on the number of business days past the LDNO's invoice due date, however the proposed data templates do not provide a mechanism by which the LDNO can communicate the due date of invoices they have issued. The Working Group agreed that it would be worth making the section clearer regarding the DNO on percentage of debt in the report. It was also suggested to email the Electricity North West responder regarding their response on "standard formatted backing data" to find out which data they are referring to.

Action 16: Investigate the current Half Hourly Reports and see if for a credit if the bill shows a negative value on the report.

Action 17: Clarify the spreadsheet associated with the percentage being claimed due to the passage of time post the expected payment date

Action 18: Email Electricity North West regarding the answer to Question 12

- standard formatted backing data?

Working group were unsure on the data they were talking about in the response.

- 3.17 The responders all agreed for question 13 except one on the DCUSA objectives that the change will benefit, with the change benefitting Objectives 1 and 2 the exception stated that General Objectives two and four will be negatively impacted by this change.

- General Objective two: this change will distort competition in the distribution of electricity.
- General objective four: this change would introduce a significant administrative burden into the DCUSA requirements, with the associated risk of error

- 3.18 The Working Group noted the responses.

- 3.19 The Working Group noted the responses to Question 14 on other industry impacts with the overall view from the responses that a Licence modification would be preferred over the Change Proposal, this was in part to the current Ofgem working groups on Supplier of Last Resort (SoLR) that may impact or contradict the content from this Working Group and lead to this Change Proposal not having the desired impact.

- 3.20 The responses to Question 15 on unintended consequences raised a previously noted issue from Northern Powergrid that could mean a DNO will recover debt twice. The Working Group noted the potential issues with no feedback apart from the earlier actions identified.

- 3.21 Concerns was raised over an understanding regarding disputed invoices. The Working Group agreed to seek further clarification from the responder.

Action 19: Email UK Power Networks regarding their responses to the consultation questions to see if there is a misunderstanding or if there is insight into ways in which to improve the Change.

- Question 8 “However we do have a concern over the additional work placed upon the DNO to provide the audit assurance role as part of this exercise”

Working Group also unsure on UK Power Network’s to Question 15 in regard to the treatment of any disputed invoices an Email will be sent to understand the response.

- 3.22 The Working Group progressed to Question 16 regarding the proposed implementation date for DCP 314. The responses in general were split between agreement for the date proposed in the consultation (first release after Authority approval) and for the change to be placed on hold mentioning that this change cannot be introduced until the work that Ofgem are currently looking at relating to SoLR has concluded due to the previously discussed issue of contradiction.
- 3.23 In response to the final question which was based on the requirements to make any system changes as a consequence of this change proposal and if so what would be the cost and implementation time frame for this, the group agreed that it is too early at this stage given the range of options being tabled to form a view on system changes that may be required.
- 3.24 From the discussion above there were many additional actions required for the Working Group as shown below, these were related to the three main documents from the responses which were the Legal Text, the Guidance note and the TRAMs Report.

Action 20: Review the legal text associated with the Administrator

Action 21: Review the legal text provided by ESP

Action 22: Produce the legal text appendix based on the option chosen

Action 23: Consider a legal text amendment suggested by NPG associated with the HH report suggest that paragraph 8.3 be amended as follows:

“...the EDNO shall re-submit an extract of any half-hourly DUoS reports which relates to sites registered to the defaulting Supplier Party, and which relate to a period for which the EDNO has payments outstanding from the defaulting Supplier Party”

Action 24: Attach ESPs legal text to the Actions log

- 3.25 The Working Group agreed to create a consultation action log rather than capture each separately and for the Working Group to have the action log as an agenda item at future meetings.

Action 07:01: ElectraLink to create an action log for the areas of further consideration by the Working Group.

4. Review of DCP 314 Legal Text

- 4.1 The Working Group decided due to the previously identified action to not proceed to the review of the Legal text and to complete the required actions before reviewing the content.

5. Work Plan

5.1 The Working Group agreed the next steps as follows:

- Meeting on the 18 October 2018 to review the Actions Log from Meeting 07

5.2 The DCP 314 Work Plan has been updated to reflect these next steps and is provided as Attachment 3.

6. Agenda Items for the Next Meeting

6.1 The following agenda items will be discussed at the next meeting:

- Review of action log from consultation
- Work Plan for the Change Proposal

7. Any Other Business

7.1 There were no items of AOB and The Chair closed the meeting.

8. Date of Next Meeting: 18 October 2018

8.1 The Working Group agreed that the next meeting will be held on 18th of October at 10am.

9. Attachments

- Attachment 1 – Actions Log
- Attachment 2 - Legal Text ESP Updates and Suggestions
- Attachment 3 – Work Plan DCP 314

Open Actions DCP 314

Action Ref.	Action	Owner	Update
02/03	Ofgem to respond to the letter from The Chair.	Ofgem	03/08/2018 - CP is awaiting multiple responses from various streams of Ofgem. Aim for end of Month August.
03/01	The Ofgem representative to seek approval for a licence modification for IDNOs to be able to collect bad debt.	Ofgem	Ofgem are drafting an IDNO Licence modification. 03/08/2018: It is to have an internal review by the networks team before being made available to the working

			group it is currently with Regulatory finance.
07/01	ElectraLink to create an action log for the areas of further consideration by the Working Group.	Working Group	Completed and added to the minutes as an attachment.

Closed Actions DCP 314

Action Ref.	Action	Owner	Update
05/01	RJ and AE to create and compile three TRAMs reports based on the expected settlement timings provided by AE as the Options	Working Group	Completed
05/02	ElectraLink to attach the TRAMs reports to the legal text as an appendix within the consultation document.	ElectraLink	Completed
05/03	ElectraLink to investigate the Supply Licence for references to SoLR events.	ElectraLink	Completed
05/04	ElectraLink to update the consultation document to reflect the discussions held.	ElectraLink	Completed
05/05	The Chair to update the legal text to reflect the discussions held.	ElectraLink	Completed
