



DCUSA Change Report

DCP 099 - Change to Schedule 1 – Cover

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 099 – Change to Schedule 1 – Cover. The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.2 Parties are invited to consider the proposed amendments (Appendix A) and submit their votes using the form attached as Appendix B to dcusa@electralink.co.uk by 11 November 2011.

2 SUMMARY

- 2.1 DCP 099 was raised by UK Power Networks. The CP seeks to amend Schedule 1 of DCUSA such that a Supplier must have paid all outstanding DUoS monies owed before being able to build up a good payment record.
- 2.2 The CP deals with scenarios where the Distributor has an existing relationship with a given counterparty. Currently, Schedule 1 allows a Good Payment Record to build up from invoicing in the month after payment failure, but does not require the payment failure to have been remedied.
- 2.3 For clarity, the good payment record will continue to apply where there is a Company Sale / Name Change and/or Supplier of Last Resort.
- 2.4 If an event occurs which means that a new company is created but takes on an existing MPID any payment history is void and a new record should commence.
- 2.5 If an existing company takes over an MPID the payment record of that existing company will apply (regardless of the history of the MPID it has taken on).
- 2.6 If an existing company goes through a change of name, the existing payment history will continue.
- 2.7 DCP 099 will put into place better controls going forward for credit cover management. This will make certain that that DNOs are not left in a position where they are owed DUoS revenue whilst Suppliers potentially

build up a good payment record which can be used to determine their Credit Allowance Factor.

3 DCP 099 – WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess and develop DCP 099.
- 3.2 The DCP 099 Working Group met on 3 occasions and consisted of representatives from DNOs, IDNOs and Suppliers.
- 3.3 The group agreed that a consultation was not required for DCP 099 as the CP proposes a pragmatic solution and the issue raised is not contentious.
- 3.4 The DCP 099 Working Group agreed that all DCUSA Parties may be impacted by the CP and should therefore be eligible to vote on the proposal.

4 PROPOSED LEGAL DRAFTING

- 4.1 The proposed legal drafting of DCP 099 has been drafted by Wragge and Co and is attached as Appendix A.
- 4.2 The key drafting change is to substitute the word "remedied" for the word "occurs" so that good payment record commences in the month following remedy of a payment default rather than occurrence of one. This means that outstanding debt must be paid before good payment record commences.
- 4.3 A minor additional change is to replace "the" with "a" in respect of a relevant account and month which is designed to give more flexibility. Although in practice it is likely that Distributors will invoice in each month, if hypothetically there were a small Supplier with one Customer who became de-energised then there may be no invoices for a prolonged time period and therefore using "the month following" as the DCUSA is currently drafted would not be applicable to this scenario.

5 EVALUATION AGAINST THE DCUSA

- 5.1 The Working Group considered the consultation responses regarding whether DCP 099 better facilitated each of the DCUSA General Objectives.
- 5.2 The Working Group agreed the following:

- Objective 1¹ – Better facilitated. At present Schedule 1 allows a good payment record to build up from invoicing in the month after a payment failure, but does not require the payment failure to have been remedied. The CP will close this loophole which could result in financial risks to DNOs.
- Objective 2² – Better facilitated. It will facilitate competition as it will create a level playing field for all Suppliers and will also ensure transparency of the Agreement. The CP will ensure that a counter party that has failed to make a payment will not benefit from a good payment record until that invoice has been cleared. Their payment record will not increase in quality until all payments have been made up to date. The CP notes that when there is a dispute, it should be resolved by Parties.
- Objective 3 – No impact identified.
- Objective 4 – No impact identified.

6 IMPLEMENTATION

- 6.1 This CP is classified as a Part 2 matter in accordance with Clause 9.6 of the DCUSA.
- 6.2 The proposed implementation date of DCP 099 is the first DCUSA release following Party approval.

¹ The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

² The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity

7 PANEL RECOMMENDATION

- 7.1 The Panel approved this Change Report at its meeting on 19 October 2011. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 099.
- 7.2 The DCP 099 Working Group and the DCUSA Panel agreed that the CP impacts all Parties and will therefore be issued to all DCUSA Parties for voting on the 21 October 2011.
- 7.3 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	21 October 2011
Voting closes	11 November 2011
Change Declaration	15 November 2011
CP Implemented	First DCUSA Release following Party approval

8 APPENDICES:

Appendix A - DCP 099 - Legal Drafting

Appendix B - DCP 099 - Voting Form