

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 320:</h1> <h2>DCUSA Ltd Shareholder Provisions</h2> <p>Date Raised: 12/06/2018</p> <p>Proposer Name: Angus Rae</p> <p>Company Name: Scottish Hydro Electric Power Distribution plc</p> <p>Company Category: DNO</p>	<div style="background-color: #008000; color: white; padding: 5px;">01 – Change Proposal</div>	
	<div style="border: 1px solid #ccc; padding: 5px; color: #0070C0;">02 – Consultation</div>	
	<div style="border: 1px solid #ccc; padding: 5px; color: #800080;">03 – Change Report</div>	
	<div style="border: 1px solid #ccc; padding: 5px; color: #FF8C00;">04 – Change Declaration</div>	
<p>Purpose of Change Proposal:</p> <p>The intent of this Change Proposal is to amend the DCUSA to make the allotment of DCUSA Ltd Shares optional for new Parties and to allow Parties who are not Shareholders to apply to become Shareholders.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should:</p> <ul style="list-style-type: none"> Be treated as a Part 2 Matter; Be treated as a Standard Change; and Proceed to the Change Report phase. <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: All Parties</p>	
	<p>Impacted Clauses: Schedule 10 – Paragraph 3</p>	

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	4
4	Solution and Legal Text	4
5	Code Specific Matters	5
6	Relevant Objectives	5
7	Impacts & Other Considerations	6
8	Implementation	6
9	Recommendations	7
Indicative Timeline		 Email Address DCUSA@electralink.co.uk
The Secretariat recommends the following timetable:		 Telephone 020 7432 3011
Initial Assessment Report	13 June 2018	Proposer: Angus Rae
Change Report Approved by Panel	20 June 2018	 email address angus.rae@sse.com
Change Report issued for Voting	22 June 2018	 telephone +44(0)1738 456308
Party Voting Closes	13 July 2018	
Change Declaration Issued to Parties	17 July 2018	
Implementation Date	01 November 2018	

1. Summary

What?

Currently, upon acceding to DCUSA, a new Party is given the option of taking up a Share in DCUSA Ltd. and thus becoming a Shareholder where the Party has decided to take up a Share. However, paragraph 3 in Schedule 10 states:

“New Parties. Upon the accession of a new Party in accordance with Clause 4, the Directors shall either:

- (a) transfer to such Party one Share held by a nominee in accordance with the provisions of Paragraph 10.3 or 10.4; or*
- (b) allot to such Party one unissued Share (and the Shareholders agree that, where no Shares are otherwise available for issue, they will exercise the voting rights attaching to their Shares to procure that all necessary steps are taken to create and/or authorise the issue of further Shares).”*

This creates a difference between current practice and the DCUSA as the drafting envisages a Share being allotted to each and every Party following that Party signing an accession agreement.

Why?

At the time of drafting the DCUSA there was discussion as to whether becoming a Shareholder should be optional. This discussion was had in light of the fact that some Parties wanted to avoid becoming Shareholders as it may be in conflict with their Articles of Association. As noted previously, the current drafting envisages a Share being allotted to each and every Party following that Party signing an accession agreement, however not all Parties are Shareholders. This difference between the provisions set out in the DCUSA and current practice has been discussed by the DCUSA Board and it was agreed that a Change Proposal (CP) should be raised to correct the difference.

How?

This CP seeks to amend the DCUSA so that the current requirement, which places a strict obligation on the Directors to issue Shares to all new Parties, is replaced with a requirement for the Directors to offer new Parties the option to become Shareholders should they wish to. Further to this, a provision will be included to allow Parties who are not currently Shareholders to take up a Share in DCUSA Ltd., if they so choose to. Upon amending the DCUSA, all Parties not currently holding a Share will be contacted to inform them of this option. This task will be carried out by ElectraLink as the DCUSA Secretariat and will also entail handling of any resulting Share applications.

2. Governance

Justification for Part 2 Matter

This Change Proposal is considered a Part 2 matter as it seeks to align the DCUSA to the current practice and in doing so, provide optionality for those who are currently Party to DCUSA and for those who accede in future. This optionality means that there is no material impact on DCUSA Parties.

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 2 Matter;
- Be treated as a Standard change; and
- Proceed to the Change Report phase

3. Why Change?

The requirements set out under paragraph 3 '*ESTABLISHMENT OF DCUSA LTD AND NEW PARTIES*' in Schedule 10 places a strict obligation on the Directors to issue Shares to all new Parties. Currently, upon acceding to DCUSA, a new Party is given the option of taking up a Share in DCUSA Ltd. and thus becoming a Shareholder where the Party has decided to take up a Share.

At the time of drafting the DCUSA there was discussion as to whether becoming a Shareholder should be optional. This discussion was had in light of the fact that some Parties wanted to avoid becoming Shareholders as it may be in conflict with their Articles of Association.

This CP seeks to amend the DCUSA so that the current requirement which places a strict obligation on the Directors to issue Shares to all new Parties is replaced with a requirement for the Directors to offer new Parties the option to become Shareholders should they wish to. Further to this, a provision will be included to allow Parties who are not currently Shareholders to take up a Share in DCUSA Ltd., if they so choose to.

Part B: Code Specific Details

4. Solution and Legal Text

Due to the nature of this change, the drafting of the legal text was undertaken by the DCUSA legal advisors. The proposed drafting makes the allotment of Shares optional for new Parties going forward and allows Parties who are not currently Shareholders to apply to become Shareholders.

As this legal drafting has been provided by the DCUSA legal advisor, it is proposed that the Panel will be provided with a Change Report at the same time as this CP.

Legal Text

The document containing the redlined amendments to Paragraph 3 of Schedule 10 acts as Attachment 1.

5. Code Specific Matters

Reference Documents

N/A

Relevant Objectives

DCUSA General Objectives	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input type="checkbox"/> 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	None
<input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input checked="" type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	Positive
<input type="checkbox"/> 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<p>Updating the requirements for how and when Shares are issued to align the text in the DCUSA to current practice ensures that all Parties are treated in a fair and equal manner. In making the updates, the strict obligation currently placed on the Directors to issue Shares to all new Parties and thus all new Parties needing to be Shareholders is removed. This will increase efficiency as only those that want to take up a Share in DCUSA Ltd., will need to undertake the administrative process to become a Shareholder. This in turn means the Directors and/or the Secretariat only need to undertake the administrative process for those that want to take up a Share. As a result, DCUSA General Objective four is better facilitated by this Change Proposal due to the improved efficiency in the administration of the DCUSA.</p>	

Impacts & Other Considerations

Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

No wider industry impacts have been identified. However, it is noted that similar provisions are included in the SPAA and MRA code documents and as such, the Code Administrators for each may wish to review their code documents and consider whether current practice is in line with the provisions in the code.

Confidentiality

This CP is not considered to be confidential.

Implementation

Proposed Implementation Date

It is intended that this CP will be implemented in the next scheduled DCUSA release following approval, which is noted as being on 01 November 2018.

Recommendations

Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	Attachments	Append any proposed legal text or supporting documentation to better support / explain the CP.
2	Governance	<p>A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.</p> <p>Part 1 Matter</p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <ul style="list-style-type: none"> (a) it is likely to have a significant impact on the interests of electricity consumers; (b) it is likely to have a significant impact on competition in one or more of: <ul style="list-style-type: none"> i. the generation of electricity; ii. the distribution of electricity; iii. the supply of electricity; and iv. any commercial activities connected with the generation, distribution or supply of electricity; (c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties); <ul style="list-style-type: none"> i. it is directly related to the safety or security of the Distribution Network; and ii. it concerns the governance or the change control arrangements applying to the DCUSA; and iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A. <p>Part 2 Matter</p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>

3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.</p> <p>The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> • 15 months, for DNOs acting within their Distribution Services Areas; or • 14 months, for IDNOs and DNOs acting outside their Distribution Services Area. <p>Please select an implementation date that provides sufficient time for the Change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Impacts & Other Considerations	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance.
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.

10	Detailed Rationale for DCUSA Objectives	Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal.
12	Defining 'Material' for Charging Methodology Changes	In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.