

## DCP 314 Meeting 09 (Teleconference)

09 November 2018 at 10:00

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

Attendee	Company
<b>Working Group Members</b>	
Donna Townsend [DT]	ESP
Andrew Enzor [AE]	NPG
Chris Parish [CP]	Ofgem
Dave Wornell [DW].	WPD
Chris Barker [CB].	BU-UK
<b>Code Administrator</b>	
John Lawton [JL] (Chair)	ElectraLink
Huw Neyroud [HN] (Secretariat)	ElectraLink
<b>Apologies</b>	
Gillian Miller	SP
Lee Wells	NPG

### 1. Administration

- 1.1 The Chair welcomed the members to the meeting and noted two apologies received from Gillian Miller of SP energy and Lee Wells of Northern Powergrid prior to the meeting.
- 1.2 The Working Group reviewed the “Competition Law Guidance” All Working Group members agreed to be bound by the Competition Laws Guidance for the duration of the meeting
- 1.3 The previous meeting minutes required clarification around a statement made by the Ofgem representative along with a couple spacing issues, these are reflected in the final minutes for DCP 314 Meeting 08 circulated with the minutes for this meeting.

- 1.4 The Chair asked the Secretariat about action 08/03 from meeting 08 which was around the Unrecovered Bad Debts models and placement on the website and as to whether the contract is limited to certain models such as EDCM, CDCM, ARP, PDCM or whether there is a clause that states any new models are to be procured through TNEI. The Secretariat took the action to investigate further and report back to the group.

**Action 09/01: investigate the contractual agreements in place with CEPA/TNEI in relation to the creation of Models.**

- 1.5 The Chair then proceeded to go through the remaining actions these are shown in Appendix 1.

## 2. Purpose of the Meeting

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- 2.1 The Chair set out that the purpose of the meeting which was to review the Change Report and associated attachments before submitting them for Panel approval at the December meeting.

## 3. Review Updated Guidance Note

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- 3.1 The Chair took the Working Group through the guidance note that a Working Group member had provided amendments to. See Paper (DCP314\_GuidanceNote\_2018\_1109\_01).
- 3.2 The Chair stated that the guidance note amendments are for Ofgem to consider as a recommendation from the Working Group.
- 3.3 The Working Group looked through the amendments made on the Guidance note starting with section 4.1, 4.2 and 4.3.
- 3.4 The Chair suggested leaving the first section in its current state which would cater for both gas and electricity with the specific clauses differentiating the two or it could be updated to fixate purely on the electricity point of view which may suit this change better due to it being a DCUSA change. The Working Group agreed that this was the correct step forward for it to be related to the electricity licence but need to make sure when actioning that it is explicit in the fact that it is the Electricity version of Schedule 4.
- 3.5 The Working Group were content with the tracked changed on the document to be accepted for 4.1 to 4.3 assuming the Guidance note is updated to make it explicit to electricity.
- 3.6 The Chair then asked the Working Group for their opinion around the amendments made to Paragraph 4.5 to 4.7. The Working Group accepted the update of IDNO and Independent Distribution Network Operator to LDNO and Licensed Distribution Network Operator for consistency. They also accepted the use of DNO over Companies on paragraph 4.7 as it was considered the more accurate definition.

- 3.7 The Working Group then proceeded to converse around paragraph 4.8 in depth due to the potential need for a separate process flow diagram for the document to address the issue of the LDNO process. The Working Group looked into either including an additional step in the diagram that is shown in *Fig.1* or the potential for a separate LDNO flow diagram and a DNO diagram, the Working Group concluded there would not be a need for a separate flow diagram to be created but instead a modification to the current diagram would be necessary.
- 3.8 The Working Group decided to update the final step to Step F and lead off Step E with the text included to have reference to Where there is a LDNOs Submission provided unrecovered bad debt, this will be added to the Pass-through amount. The updated box is shown in *Fig.2*.

**Action 09/02: Process flow diagram to be updated to include a Step F after Step E to make sure the LDNO is covered within the guidance note.**

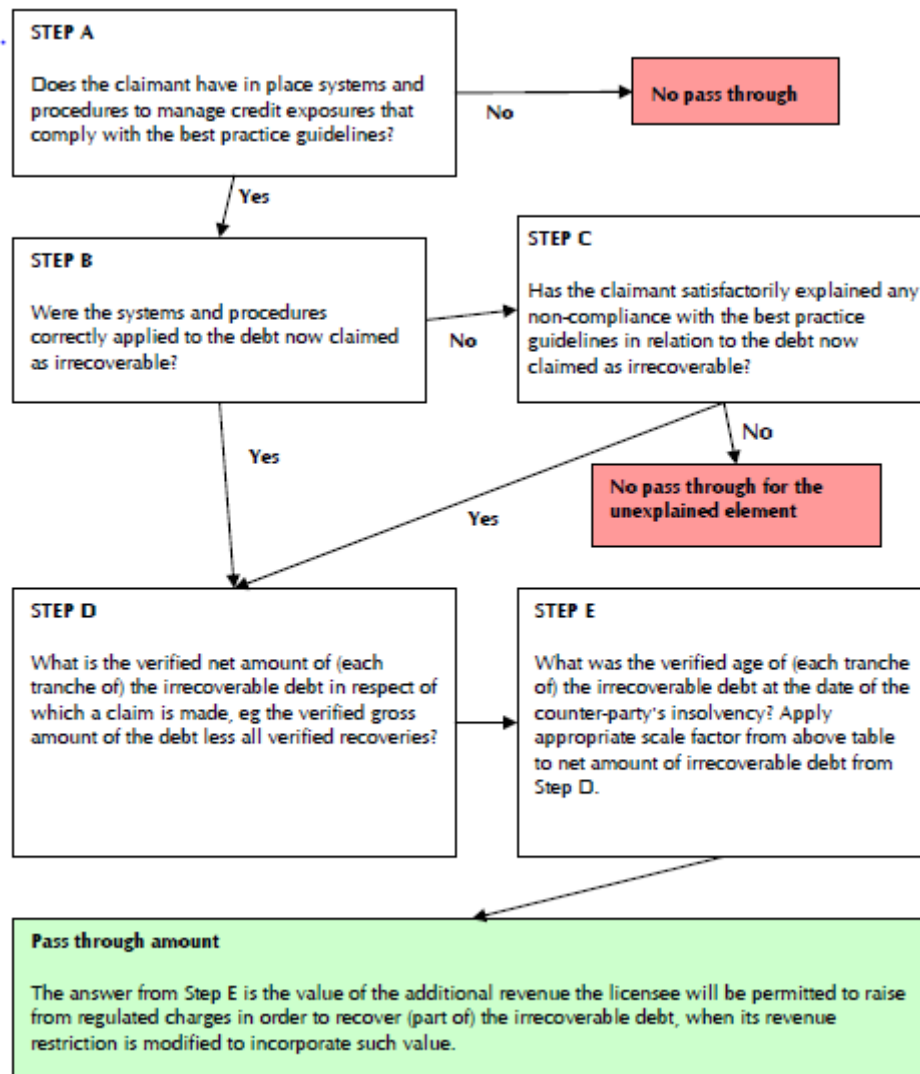


Fig 1 Process flow diagram bad debts and supplier of last resort DCP 314

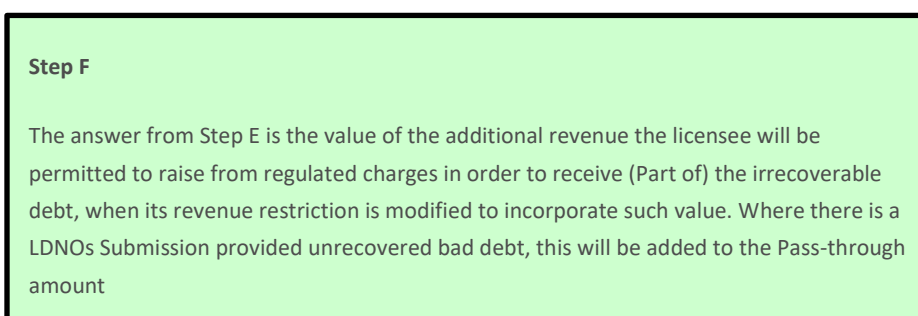


Fig 2 Updated Step F from the pass-through amount.

#### 4. Review legal texts DCP 314 and 314A

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- 4.1 The Working Group then proceed on to the two legal texts for DCP 314 and DCP 314A. The Chair made the Working Group aware that the updated Legal text had now considered the changes implemented by DCP 312<sup>1</sup> which was implemented on the 01 November 2018.
- 4.2 The first amendment made to the legal text associated with this change proposal was relating to amending the definition of Unrecovered Bad Debt to make it simpler and potentially avoid creating issues. The first amendment was to remove a section covering the issuing of a Last Resort Doirection to another Supplier Party by the Authority. Working Group members agreed to remove it since the trigger is the revocation of the Supply licence.
- 4.3 , the Ofgem Representative made the point that it should also be amended regarding the final section where it states “defined by Authority” as the Authority won’t be the only party that have a recovery mechanism in the process. The Working Group accepted this change also to the legal text.
- 4.4 The revised legal text for the definition is:
- “means Use of System Charges bad debt due to the revocation of the Supply Licence for a given Supplier Party that is not recovered by any other recovery mechanism.”*
- 4.5 A Working Group member had also provided, in an email, three scenarios around the legal text providing the Licence modification is implemented.
- 4.6 Three Scenarios were provided by the Working Group member for DCP 314 were:
- IDNO cannot recover bad debt other than the upstream DNO assets dealt with via DCP 314 – the Unrecovered Bad Debt will be recovered by the DNO via the current ‘logging up’ mechanism or proposed pass-through term. Therefore, the IDNO cannot recover the costs by any other mechanism but the DNO can.
  - IDNO can recover all bad debt and DCP 314 is withdrawn – the Unrecovered Bad Debt term does not exist, but the licence changes do not seek to prevent IDNOs recovering debt DCP 314 deals with anyway (hence probably why it would be withdrawn).
  - IDNO can recover all bad debt and DCP 314 is implemented – the Unrecovered Bad Debt would be recovered by the DNO but could be recovered by the IDNO as well – therefore there is another recovery mechanism for the IDNO and DNO.
- 4.7 The Chair on point two of the email stated that if the change proposal is withdrawn there would be no change proposal and no definition to review but the other two scenarios were considered regarding the redrafting of the text prior to issuing to legal advisors for review.

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<sup>1</sup> DCP 312 - Standardisation of the Reporting of HH Portfolio Billing Data by EDNOs

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- 4.8 From these scenarios the Working Group member suggested in their email to simplify the definition of bad debts even further to “*Means Use of System Charges bad debt due to the revocation of the Supply Licence for a given Supplier*”. The Ofgem Representative explained that this definition would be to unrefined and it is necessary to retain the additional working due to two reasons, the first is Ofgem need DCP 314 available in the background so if the process of recovery changes there is a gap, Ofgem will require this DCP to cover the gap and by refining the text to this level it would not be fit for purpose. The Second reason is having the extra section makes it clear and removes the risk of the administrator paying some of the SoLR<sup>2</sup> costs which is uncommon but has occurred in previous cases.
- 4.9 The Ofgem representative went on to mention that DCP 314 is needed to act as a safety valve if the licence modification is delayed allowing IDNOs to recover the partial amounts of the debt until the final solution is created.
- 4.10 The Working Group agreed with the reasoning but didn’t agree with the wording the Ofgem Representative used when saying DCP 314 is needed as a “Stop Gap” or a “Safety Valve” and mentioned it is sounding more as a “Risk valve”. To this point the Ofgem member mentioned that the DNO will always have a mechanism in place and this is concerned more with the IDNO not having a mechanism. The rationale for this was currently the IDNOs don’t have mechanism and this could again occur in the future.
- 4.11 After this discussion the Working Group reviewed the additional comments and changes which included the addition of “Unrecovered Bad Debt model” in preference to including the table titles within Appendix [X]. The Working Group accepted these changes together with the re-inclusion of the right for a DNO not to include the IDNO values within its return to the Authority but excluding the reference to best practice guidance since the updates where not within the gift of the Working Group and if this change was approved by the Authority it was replicating the best practice guidelines in any case.
- 4.12 The Chair took the action to update the text in line with the suggestions and comments on the document and circulate early next week to get final comments before sending for legal review.

**Action 09/03: Legal text amendments to be made to both DCP 314 and DCP 314A and then sent to Gowlings PLC for legal review with the aim for these to be circulated on the 19 November to the Working group for final review.**

## 5. Unrecovered Bad Debt Models Option A and C

- 5.1 The Working Group agreed that due to the majority of changes already being actioned on the Models that they would leave the review until after this meeting. See Paper. It was suggested that further work was however required, and the Chair asked the Working Group to consider them at the next meeting.

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<sup>2</sup> Supplier of Last Resort

## 6. Review Draft Change Report

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- 6.1 The Chair directed the Working Group to the Draft Change report amended by a Working Group member, with the aim of finalising the report ready for Panel review in December.
- 6.2 A Working Group member noted a typo in the Purpose of the Change Proposal, where “an” needed to be moved for the sentence to be grammatically correct. This action was completed in the meeting.
- 6.3 The next section was related to the timeline of the change and if the 15 WD voting period was acceptable due to the Christmas period. The Working Group considered this and agreed that the timetable was acceptable but requested ElectraLink to send a reminder around post-Christmas to make the industry aware that the Change is still out for voting.

**Action 09/04: Secretariat to email reminder to the industry post-Christmas regarding voting for DCP314 Change report**

- 6.4 After accepting the timeline for the change, the Working Group worked through the finer details of the Change Report with a few corrections made for grammatical errors, the Working Group requested that for the Change Report “bad debt” is altered to be lowercase throughout.
- 6.5 A Working Group member mentioned that the why change section of the Report was not concise enough for this change and required more detail and that it needed to explain that this change is only looking at bad debts arising from charges in respect of DNO assets. The member also mentioned that for section 3.2 the “DNOs Share of risk” is actually the LDNOs risk as they put in place the credit cover for the total amount it invoices.
- 6.6 The Working Group member agreed that they would take this section of the Change Report and amend it to meet the requirements of this change and then return the amended section to the Secretariat for review.

**Action 09/05: Working Group member to amend the Why Change Section of the Change Report and provide an updated section to the Secretariat and Chair for redrafting of the Final Report.**

- 6.7 After agreeing to take the action the Working Group continued to make small amendments to the Solution section, with the replacement of “IDNO” for “LDNO” in section 4.1 for consistency.
- 6.8 When the conversation did reach the consultation stage a Working Group member asked why there was no Working Group discussion or conclusion after each question, the Chair explained that this was placed at the base of the consultation and covered the overall response to the consultation. The Working Group agreed to leave the section as is but to look into providing a step by step summary of the Solution before the Consultation section to improve the clarity of the answers provided and give the Change Report more of a background for easier understanding at point of voting and review.



- 6.9 The Working Group had no further amendments to the Consultation section and proceeded to section 4.41 of the report where an embedded comment mentioned that it was not the revocation of a Supplier licence that commences that process but actually the Supplier failure, the action was taken to look back through the Change Report and make sure this was reflected throughout for accuracy and consistency.

**Action 09/06: Check the change report for the references to revocation of a Supplier license being the start of this process, and update to Supplier failure to match the correct process**

- 6.10 The Chair moved the Working Group onto the General objectives of the DCUSA and the impact that this change could have, there were conflicting views on the potential impact and this led to the Working Group deciding to use the wording of “majority” and “minority” for the objectives.
- 6.11 There was input from the whole Working Group regarding objective 4 “The promotion of efficiency in the implementation and administration of the DCUSA”, with again differing views on what the objective itself was looking at. A Working Group member mentioned that they believed that it was based on the actual administration of DCUSA and not based on the administration of those that are Party to it.
- 6.12 The Working Group agreed to move the negative impact listed in objective 4 to objective 1 as it was agreed by the majority that it was more relevant to objective 1 rather than 4. The responder who had provided the negative impact still wished for it to remain in objective 4 and accepted an amended text to be included in place of the previous response.
- 6.13 The Working Group did agree that this section of the Change Report needs a lot more input and work to get the final product, and the action was taken to review the General Objectives and provide a redrafted more concise General objectives section for the next Working Group meeting.

**Action 09/07: Take on board comments from the meeting and the tracked comments added to the Change Report and redraft a more concise General objectives section for the next Working Group meeting**

- 6.14 The Working Group scanned the remaining text for any inaccuracies and picked up on the consumer impacts showing as “no impacts” and agreed that it should be changed to read “There will be a negligible impact on consumer tariffs as a result of this change.” This change was made during the meeting.
- 6.15 Following the last amendment, the Working Group were content to allow the previously discovered amendments be made in preparation for the next Working Group meeting and were keen to progress with the sending of the legal text to Gowlings for review once the Chair circulated them for final review by the Working Group.

**Action 09/08: Circulate the Legal texts one final time before sending to Gowlings for final amendments.**

## 7. Work Plan

- 7.1 The Working Group agreed the next steps as follows:



7.2 The next meeting is to be on the 23 November 2018 to review the amended Change Report, the legal texts and to review the Unrecovered Bad Debts Models for DCP 314 and 314A

7.3 The DCP 314 Work Plan has been updated to reflect these next steps and is provided as Attachment 2.

## 8. Agenda Items for the Next Meeting

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8.1 The following agenda items will be discussed at the next meeting,

- Change Report;
- Legal Texts; and
- Unrecovered Bad Debts Models

## 9. Any Other Business

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

## 10. Date of Next Meeting: 23 November 2018 at 10am

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10.1 The Working Group agreed that the next meeting will be held on 23 November at 10am via teleconference.

## 11. Attachments

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11.1 Below are attachments to the Minutes;

- Attachment 1 – Meeting 08 Final Minutes
- Attachment 2 – DCP 314 Work Plan

## Actions DCP 314 Meeting 09

Action Ref.	Action	Owner	Update
<b>09/01</b>	investigate the contractual agreements in place with CEPA/TNEI in relation to the creation of Models.	HN	<b>Completed</b> The models for DCP 314 are not related to any contractual agreement with CEPA/TNEI and can be progressed without them.
<b>09/02</b>	Process flow diagram to be updated to include a Step F after Step E to make sure the LDNO is covered within the guidance note.	HN/JL	
<b>09/03</b>	Legal text amendments to be made to both DCP 314 and DCP 314A and then sent to Gowlings PLC for legal review with the aim for these to be circulated on the 19 November to the Working group for final review.	JL	
<b>09/04</b>	Secretariat to email reminder to the industry post-Christmas regarding voting for DCP314 Change report	HN	
<b>09/05</b>	Working Group member to amend the Why Change Section of the Change Report and provide an updated section to the Secretariat and Chair for redrafting of the Final Report.	AE	
<b>09/06</b>	Check the change report for the references to revocation of a Supplier license being the start of this process, and update to Supplier failure to match the correct process	HN	

<b>09/07</b>	Take on board comments from the meeting and the tracked comments added to the Change Report and redraft a more concise General objectives section for the next Working Group meeting	JL	
<b>09/08</b>	Circulate the Legal texts one final time before sending to Gowlings for final amendments	JL	<b>Completed</b>

#### Closed Actions DCP 314

Action Ref.	Action	Owner	Update
<b>08/01</b>	Lee Wells took the action to clarify the Guidance note '4.5 - 4.7' and work out how to link the bad debt explicitly to the DNO Upstream	Lee Wells	Completed
<b>08/02</b>	Update the TRAMs report: <ul style="list-style-type: none"> <li>Remove Option B Completely</li> <li>Include "Estimate" in front of any mention of "Total" in the TRAMs Report</li> </ul>	ElectraLink	Completed
<b>08/03</b>	ElectraLink to look at the potential for storing the "TRAMs Report" as a Model on the DCUSA website and provide an estimate for the Model to be added if required	ElectraLink	Completed
<b>08/04</b>	from Schedule 4 of DCUSA, insert to the legal text paragraph 2.2 excluding 2.2a) and create a new paragraph in the legal text.	ElectraLink	Completed
<b>08/05</b>	Add to the definitions section <ul style="list-style-type: none"> <li>Unrecovered Bad Debt</li> </ul>	ElectraLink	Completed
<b>08/06</b>	Update references to "Unrecovered bad debt" where appropriate	ElectraLink	Completed
<b>08/07</b>	Update all references in the legal text from "Appendix [X]" to most up to date Model on the DCUSA website.	ElectraLink	Completed
<b>08/08</b>	Remove reference to "The best practice guidance" in the Legal text due to the current status of the Guidance not yet approved.	ElectraLink	Completed

08/9	Create two legal texts for the solution one for Option A and one for Option C with Option B now removed completely.	ElectraLink	Completed
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