



DCUSA Consultation

DCP 256 – Change To DCUSA to Mitigate Risks of Non-Payment of DCUSA Invoices

PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties, interested third parties, and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 256 '*Change to DCUSA to mitigate risks of non-payment of DCUSA invoices*'.
- 1.3 Parties are invited to consider the options for proposed legal drafting set out in Attachment 2 and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by Friday, 12 February 2016.

2 DCP 256 'CHANGE TO DCUSA TO MITIGATE RISKS OF NON-PAYMENT OF DCUSA INVOICES'

- 2.1 Following the introduction of the Theft Risk Assessment Service (TRAS) into the DCUSA, the value of invoices raised to meet DCUSA costs has increased significantly. If a Party does not pay an invoice then the money will need to be recovered from other Parties. As a result, DCP 256 was raised by British Gas to:
 - Improve the transparency of likely DCUSA costs to enable Parties to better plan and budget for DCUSA invoices.
 - Improve the effectiveness of the arrangements for following up a non-payment of DCUSA invoices.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel established a DCP 256 Working Group which consists of Supplier and DNO Parties. An open invitation was extended to all DCUSA Parties to attend this Working Group and this invitation remains open for any interested industry parties.
- 3.2 The Working Group considered a number of elements with regard to this Change, which

have been summarised below.

Naming Non-Paying Parties

- 3.3 It was discussed whether DCUSA Parties should have visibility of which Parties have not paid. The Working Group agreed that it would not be appropriate to share this information.

Suspension of Registration Rights

- 3.4 The Working Group noted that in terms of the actions that can be taken where a Party has not paid, suspend registration rights is an additional tool that can be used for Suppliers but is not available for Distributors.

Late Payment Fees

- 3.5 It was noted that in the DCUSA there is the ability to apply late payment fees. The group considered whether these fees should be applied in all circumstances or whether the Panel should have the ability to exercise discretion in applying them. The group concluded that it is for the Panel to review how it exercises its discretion and to ensure this is applied in a fair and consistent manner.

Invoice Delivery Method

- 3.6 It was observed that issuing invoices via email may be preferable, as they will be received the same day they are sent and the risk that they will be lost in the post is removed. The group agreed to ask a consultation question on whether Parties have a need to receive paper invoices.

Raising Purchase Orders

- 3.7 The group was advised that one reason why payments are sometime received late is that some Parties have not been able to raise a Purchase Order internally in time to make the payment date. The group agreed to ask a consultation question on whether DCUSA Ltd could provide additional information that would assist with Purchase Order facilitation.

4 STRAW MAN PROCESS

- 4.1 The Working Group proposes the following straw man principles for ensuring that Parties have sufficient information about their charges to aid them in paying promptly and the

process for addressing non-payment.

Budget

Principle 1: When the annual DCUSA budget is circulated for consultation it will:

- a) Separately identify how much is payable by Distributors and Suppliers;
- b) Set out how the charges will be phased over each quarter (for example, are they evenly split over each quarter?);
- c) Specify the expected rebate for the current year; and
- d) Specify the dates that invoices will be issued on over the coming year.

Invoices

Principle 2: Invoices will:

- a) be issued at the end of the third week after the start of the quarter;
- b) Parties will have the opportunity to request their invoices via paper, email or both (which can be amended at a later date);
- c) Payment will be due within 30 days
- d) If payment is not received within 30 days, the party contract manager will be telephoned to discuss the matter and requested to make the payment within 5 Working Days. Following this phone call, and on the same day as the call is made, a Late Payment Notice will be issued formally to the contract manager and informally to a specified alternate contact requesting payment within 5 Working Days.

Payment Default Actions: Suppliers

Principle 3: Where a Supplier party does not pay within 5 working days of the Late Payment Notice being sent, at the Panel's discretion, the following steps will be taken until payment is received:

- a) The DCUSA Panel will write to all Distributors instructing them to suspend registration rights for the Supplier. The Supplier, Ofgem and the MRA will be issued a copy of this notice; and
- b) If DCUSA Ltd does not have sufficient funds to make payments due with regards to TRAS liabilities, a re-invoicing exercise may be needed to recover the outstanding amount across other Suppliers using the same method of calculation. The payment timescales for this re-invoicing exercise may be shorter than standard timescales. The funds will subsequently be returned to Suppliers to the extent that they are recovered from the non-paying Supplier; and
- c) The Panel shall discuss the matter with Ofgem.

Termination of Accession: All Parties

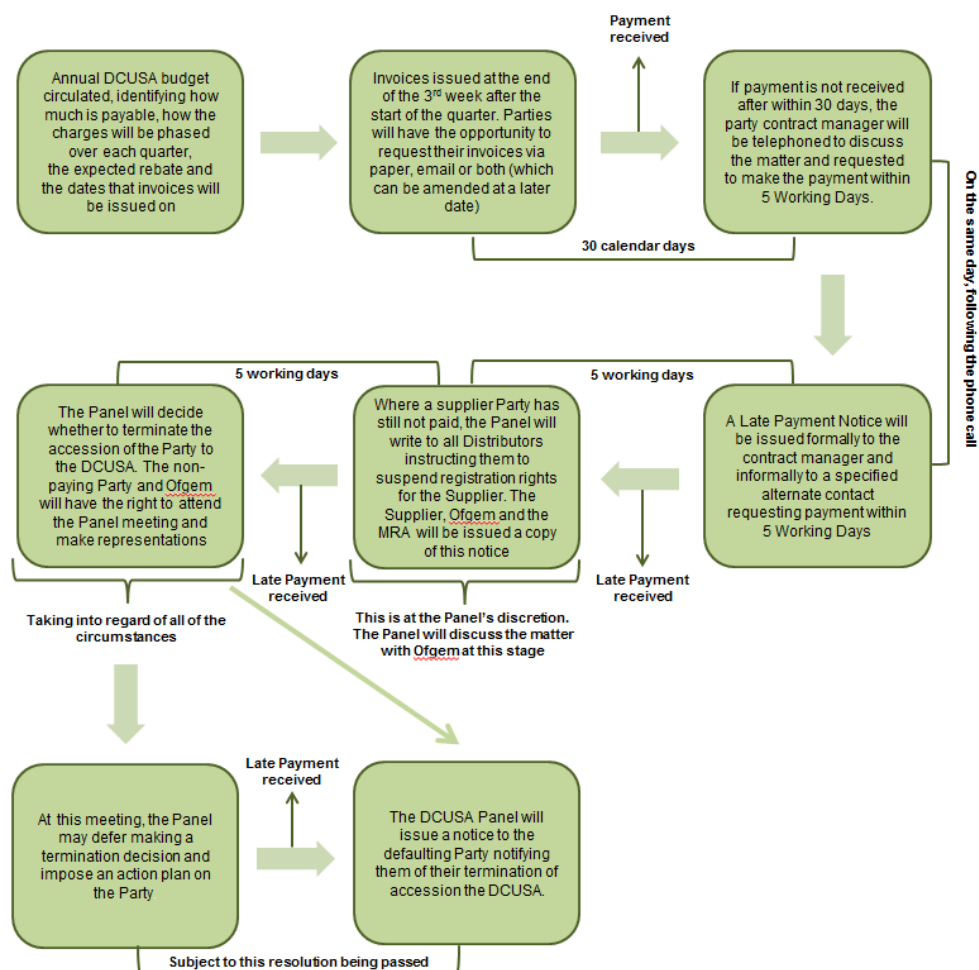
Principle 4: If 10 working days after the Late Payment Notice is issued the DCUSA Party (i.e. Distributors and Suppliers) has not paid the outstanding amount:

- a) The DCUSA Panel will be asked to decide whether to terminate the accession of the Party to the DCUSA, taking into regard of all of the circumstances. The non-paying Party and Ofgem will have the right to attend the Panel meeting and make representations. At this meeting, the Panel may defer making a termination decision and impose an action plan on the Party.
- b) Subject to this resolution being passed, the DCUSA Panel will issue a notice to the defaulting Party notifying them of their termination of accession the DCUSA.

Additional Principles

Principle 5: Where a payment is late, the Party will be required to use a same day payment method (e.g. CHAPS).

Principle 6: Once the Late Payment has been received, a notification will be issued to the contract manager to confirm the receipt. Following this, and where registrations have been suspended, an instruction shall be given to the DNOs and copied to the late payer to confirm that registration rights should be re-instigated.



5 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 5.1 The Working Group reviewed the CP against the DCUSA Objectives and agree that DCP 256 better facilitates DCUSA General Objective 4 as set out in the table below.

DCUSA Objectives	Working Group View
DCUSA General Objective Four - The promotion of efficiency in the implementation and administration of this Agreement.	The Panel will be able to improve the management of 'later payers' with respect to late payment of their share of the budgeted costs.

6 LEGAL DRAFTING

- 6.1 The proposed legal drafting is included as Attachment 2.

7 IMPLEMENTATION

- 7.1 The proposed implementation date for DCP 256 is the next DCUSA release following Authority consent.

8 CONSULTATION QUESTIONS

- 8.1 The Working Group is seeking views on the below questions:
1. Do you understand the intent of the DCP 256?
 2. Are you supportive of the principles of the DCP 256?
 3. Do you have a preference to receive paper or electronic (a PDF version that is eMailed) invoices or both a paper and an electronic invoice?
 4. Can DCUSA Ltd provide any additional information to assist your organisation with Purchase Order facilitation?
 5. Is there any additional information that you would like to receive in your invoice that would aid you in paying promptly?

6. Do you have a preference regarding when invoices are issued?
 7. Do you have any comments on the straw man principles (including the proposed timescales)?
 8. Do you have any comments on the proposed sanction to suspend registration rights (Principle 4)?
 9. Is there anything that would prevent DNOs from suspending registration rights as envisaged within the legal text?
 10. Do you have any comments on the proposed legal text?
 11. Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.
 12. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
 13. Do you have a preference on the date that DCP 256 is implemented into the DCUSA?
 14. Are there any alternative solutions or matters that should be considered by the Working Group?
- 8.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than Friday, 12 February 2016.
- 8.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

9 NEXT STEPS

- 9.1 Responses to the Consultation will be reviewed by the DCP 256 Working Group. The Working Group will then determine the progression route for the CP.
- 9.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3011.

10 ATTACHMENTS

Attachment 1 – Response form

Attachment 2 – Proposed Legal Text

Attachment 3 – DCP 256 Change Proposal