



DCUSA Consultation

DCP 238– Notice period for Non DUoS charges

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 238 'Notice Period for Non DUoS Charges'.
- 1.3 Parties are invited to consider the proposed legal drafting set out in Attachment 2 to this document and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by **19 June 2015**.

2 DCP 238 'NOTICE PERIOD FOR NON DUOS CHARGES'

- 2.1 DCP 238 has been raised by Northern Powergrid and seeks to amend the legal text in Section 2A so that the notice period obligations in Clause 19.1 for variation of charges only apply to Use of System (UoS) Charges. The notice period applicable to charges which are not Use of System Charges ('Non DUoS Charges') would be 40 days, retaining the notice period which has applied throughout the existence of the DCUSA and in prior bilateral agreements.
- 2.2 The Proposer explains that DCP 178 'Notification Period for Change to Use of System Charges' was intended to create an obligation on DNOs to provide 15 months' notice when amending Use of System Charges. The legal text that has been accepted inadvertently extended this obligation to include other charges published within other relevant charging statements such as Meter Asset Provision (MAP), Meter Point Administration Services (MPAS) and Miscellaneous Charges. This was not the intent of the original Change Proposal and potentially causes problems for DNOs in meeting their licence obligations as follows:
 - It creates a conflict between DCUSA and the Distribution Licence for MAP where prices are capped within the Charge Restriction Conditions (CRCs) by reference to

the average change in RPI between Jul and Dec. This value is only known in February for the following year and if DNOs are obligated to provide 15 months' notice then this value will not be known, meaning that a DNO could inadvertently set prices that do not comply with the CRCs as there is no provision for over/under recovery from the charge restriction in MAP charges.

- A further issue is the prices published in the Miscellaneous Charging Statement. The Miscellaneous Charging Statement sets out transactional charges for competitively provided services. DNOs are permitted to make a reasonable margin on the costs of providing some of these services. If prices are set 15 months' ahead, it will remove the ability of the DNOs to amend prices ensuring that they remain competitive when their underlying costs change. If the prices charged result in an excessive or negative margin this would be seen as anti-competitive.

2.3 An extract of text from the Licence restrictions can be found in Attachment 4.

2.4 It is noted that this CP will ensure that the 15 month notice period will remain applicable to Use of System Charges which was the original intent of DCP178. The applicability of 15 months' notice to Use of System Charges is appropriate as there is provision in the Distribution Licence for the revenue entitlement and consequential adjustment for the over/under recovery of charges. This CP will ensure that only the Use of System Charges will be affected by the 15 month notice period.

3 WORKING GROUP ASSESSMENT

3.1 The DCUSA Panel has established a DCP 238 Working Group which consists of DNO and Ofgem representatives, although all DCUSA Parties including IDNOs and Suppliers were invited to attend.

ASSESSMENT AGAINST THE DCUSA OBJECTIVES

3.2 The Working Group reviewed the CP against the DCUSA Objectives and agree that DCP 238 better facilitates DCUSA General Objective 3 'The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences'.

- 3.3 The Working Group feel that General Objective 3 is better facilitated as it removes a potential non-compliance for DNOs between the obligations contained in DCUSA and the Distribution Licence by enabling DNOs to set MAP prices that do not breach the cap set down in the CRCs and to set prices for the provision of miscellaneous services that will not result in excessive or negative margins.

4 LEGAL DRAFTING

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

5 IMPLEMENTATION

- 5.1 The proposed implementation date for DCP 238, subject to Authority consent, is 5 November 2015 to align with the implementation of DCP 178.

6 CONSULTATION

- 6.1 The Working Group is seeking views on these questions:
1. Do you understand the intent of DCP 238?
 2. Are you supportive of the principles of DCP 238?
 3. Do you have any comments on the proposed legal text?
 4. The Working Group feel that DCUSA General Objective 3¹ would be better facilitated by the implementation of DCP 238; please provide your comments on this and any other DCUSA General Objective you feel will be impacted by DCP 238.
 5. This CP proposes to ensure that only Use of System Charges are subject to 15 month notice. Are there any charges which you feel should be subject to the 15 month notice and that should be excluded from this CP? Provide supporting comments.
 6. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

¹ The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

7. Do you have any alternative solutions that would avoid the licence compliance issues raised?
 8. Are there any unintended consequences that should be considered by the Working Group?
- 6.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than **19 June 2015**.
- 6.3 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.

7 NEXT STEPS

- 7.1 Responses to the Consultation will be reviewed by the DCP 238 Working Group. The Working Group will then determine the progression route for the CP.
- 7.2 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 3014.

8 ATTACHMENTS

Attachment 1 – DCP 238 Consultation Response Form

Attachment 2 – DCP 238 Proposed Legal Drafting

Attachment 3 – DCP 238 Change Proposal

Attachment 4 – DCP 238 Extract of Text from the Licence Restrictions