



DCUSA CONSULTATION

DCP 173 – Retrospective Changes of Tariff (LLFC / Unique Identifier)

1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators.
- 1.2 Parties to the DCUSA can raise a DCUSA Change Proposal (“DCP”) to amend the Agreement. DCPs should better facilitate the DCUSA General Objectives and/or Charging Objectives of the DCUSA document.
- 1.3 Amendments to DCUSA may only be made with the consent of a majority proportion of Parties to the DCUSA, through a voting process, or (where applicable) the Gas and Electricity Markets Authority.¹
- 1.4 When a DCP is raised, a Working Group is established to assess and develop the proposal in consultation with industry parties and other interested parties.
- 1.5 This document is a consultation issued in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 173 – Retrospective Changes of Tariff (LLFC / Unique Identifier).
- 1.6 The Consultation has been issued to DCUSA Parties, the Distribution Charging Methodologies Forum (DCMF) distribution list and Ofgem.
- 1.7 Parties are invited to consider the Change Proposal detailed in this consultation and submit comments using the form attached as Appendix C to dcusa@electralink.co.uk by **30 August 2013**.

2 INTENT OF DCP 173 – RETROSPECTIVE CHANGES OF TARIFF (LLFC / UNIQUE IDENTIFIER)

- 2.1 DCP 173 has been raised by UK Power Networks as a result of an issue being raised within the Distribution Charging Methodologies Forum (DCMF) Methodologies Issues Group (MIG). The intent of this proposal is to define within Clause 19 of DCUSA an absolute time period within which a change of Tariff (LLFC / Unique Identifier) is allowed to be retrospectively applied by a DNO party. This time period would overrule any previous retrospective periods whether laid out within previous Charging

¹ For more information about GEMA visit the Ofgem website: <http://www.ofgem.gov.uk/TheAuthority>

Statements, the DCUSA, Use of System Agreements, any other such documents or not previously specified.

3 DCP 173 – WORKING GROUP CONSIDERATIONS

3.1 The Working Group is comprised of Distributor and Supplier Parties, Interested Parties and Ofgem representation; it is noted that all DCUSA Parties were invited to attend the Working Group.

3.2 The CP form listed eight different options for consideration in order to progress the DCP 173. The Working Group has reviewed and discussed all of the options and has refined these down to four viable options to take forward.

3.3 All of the options have differing advantages and disadvantages, and the working group recognise that customers are potentially looking for stability and do not like price shocks. It should therefore be noted that this change would also apply to changes of LLFC which may create a charge as well as a credit to customers.

3.4 List of the options:

- Option 1 - A maximum of 14 months (the settlement period) back from the date of a valid enquiry
- Option 2 - The date that the current supplier took on the contract
- Option 3 - The introduction of the CDCM and EDCM Methodologies with a defined limit
- Option 4 - A maximum of 6 years in line with the Statute of Limitation Act 1980

3.5 The Working Group has prepared a table listing the potential advantages and disadvantages to the chosen four options and is attached as Appendix B.

3.6 All Working Group members are supportive of the general principles of DCP 173.

3.7 The Working Group reviewed the CP against the following DCUSA Objectives:

- General Objective 1² - Better facilitated
- General Objective 2³ - Better facilitated
- Charging Objective 1⁴ - Better facilitated
- Charging Objective 2⁵ - Better facilitated

² The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

³ 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

⁴ that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence

- Charging Objective³⁶ - Better facilitated

3.8 The Working Group agree that the changes brought about by DCP 173 will result in better compliance with the Act and the Licence by ensuring timely back dating of changes in tariffs, which will help to ensure that the correct charge is applied, while also ensuring that competition amongst Parties is not impacted.

4 PROPOSED LEGAL TEXT

4.1 The Working Group have not finalised the legal text for DCP 173 as they are requesting views on the different options before progressing it further. Following a review of the responses to this consultation, the Working Group will develop the legal text and will issue this for consultation at a later date.

5 PROPOSED IMPLEMENTATION DATE

5.1 This change does not impact on either the methodology or the currently published tariffs, therefore the proposed implementation date for DCP 173 is the first release following Authority consent.

6 CONSULTATION

6.1 Parties are asked to consider the intent and impact of DCP 173 and answer the following consultation questions:

1. Do you agree with the intent of DCP 173?
2. Do you agree with the principles of DCP 173?
3. Does the CP better facilitate the DCUSA General Objectives 1 and 2, and DCUSA Charging Objectives 1, 2 and 3? Please provide supporting comments about these and any other DCUSA Objective(s) you feel that this CP will impact.
4. Do you agree with the approach as set out for Option 1? Provide supporting comments.
5. Do you agree with the approach as set out for Option 2? Provide supporting comments.

⁵ that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)

⁶ that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business

6. Do you agree with the approach as set out for Option 3? Provide supporting comments.
7. Do you agree with the approach as set out for Option 4? Provide supporting comments.
8. Depending on the option chosen there is a potential impact on the DNOs ability to recover their allowed revenue within the charging year as a result of changes creating large refunds/charges. This will be reflected in the under/over recovery in future years and may increase volatility. Do you think this is significant issue?
9. Are you aware of any restrictions on either DNO or Supplier billing systems?
10. Should suppliers be raising energy settlement disputes in the case of revised LLFC changes beyond 14 months?
11. Do you agree with the implementation date of DCP 173?
12. Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.
13. Are there any alternative solutions or matters that should be considered by the Working Group?

6.2 The Consultation response form (Appendix C) should be submitted to dcusa@electralink.co.uk no later than **30 August 2013**. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.

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 Following the end of the consultation period the Working Group will meet to review and consider the responses. The Working Group will develop the legal text and further assess which option to progress and issue a subsequent consultation to Parties. Following this, the Working Group will submit its final report setting out the proposed variations to DCUSA Panel before the CP is issued to all DCUSA Parties for voting.

7.2 If you have any questions about this paper or the DCUSA Change Process or would like

to participate in the Working Group please contact the DCUSA Help Desk by email to dcusa@electralink.co.uk or telephone 020 7432 3014.

8 APPENDICES

- Appendix A – DCP 173 Retrospective Changes of Tariff (LLFC / Unique Identifier)
- Appendix B – DCP 173 Options – Advantages and Disadvantages
- Appendix C – Response Form