



DCUSA Change Report

DCP 146 - HH Invoice Runs

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 146 – HH Invoice Runs.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed legal drafting amendments (Appendix B) and submit their votes using the form attached as Appendix E to dcusa@electralink.co.uk no later than 7 December 2012.

2 BACKGROUND

- 2.1 DCP 146 has been raised by E.On Energy as a result of the work undertaken by the DCMF MIG Annual Review Billing Supergroup. The Supergroup was established to determine best practices in DUoS billing and to facilitate moving the Industry towards such practices in order that Distributors adopt a common approach to billing.
- 2.2 The intent of DCP 146 is to ensure that all Distributors that raise Half Hourly (HH) invoices use reasonable endeavours to ensure that they only do 2 HH billing runs each month, one in the first 7 days and one in the second 7 days of the month.
- 2.3 The DCMF MIG Annual Review Billing Supergroup has assessed different approaches used by Distributors under current practice and has determined its view of the optimal common approach that should be adopted in relation to the matter stated in the intent.
- 2.4 Different Distributors adopt different approaches to HH billing from daily billing, weekly billing to two runs at varying times of the month. The Billing Group felt consistency was preferable and that two runs, a week apart, was preferable.
- 2.5 The group felt that by having a common approach to billing will make it easier for Suppliers to build validation routines and provides transparency for new entrants.

- 2.6 This CP has been deemed a Part 1 matter as it is likely to discriminate in its effect upon Parties as some Distributors may have changes to make to their billing systems while others may not.

3 DCP 146 – WORKING GROUP

- 3.1 The DCUSA Panel established a Working Group to assess and refine DCP 146. The Working Group met on three occasions and was comprised of Suppliers, DNO Parties and Ofgem representations.
- 3.2 Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4 DCP 146 – CONSULTATION

- 4.1 The Working Group carried out a Consultation to give Parties an opportunity to review and comment on DCP 146. There were 13 responses received from Parties and these are documented in Appendix C.
- 4.2 The majority of the responses to the consultation were supportive of the intent and the principles of DCP 146. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Appendix C.
- 4.3 A summary of the responses received, and the Working Group's conclusions are set out below:

Question 1 - Do you agree with the intent of DCP 146?

- 4.4 The Working Group noted that the majority of respondents, except for two DNO Parties, agree with the intent of DCP 147.

Respondent Party Type	Yes	No
DNOs	4	2
Suppliers	6	0
IDNO	1	0

- 4.5 One DNO Respondent noted that they do not agree with the intent of DCP 146 and that in their opinion this change proposal is DCP017 'Establishment of a Regular Billing Cycle for Site Specific Billing' revisited in a modified form, which was rejected by the Industry in 2008.
- 4.6 The Respondent went on to explain that in their opinion when you

compare the two, DCP 146 is more onerous than DCP017 in that the proposal in the Change Report indicated “no more than four days in any calendar month”. This change proposal only allows for two but in different parts of the month.

- 4.7 It was noted that whilst they accept that time has moved on and the impact may be less due to our NHH bills now forming part of Supercustomer DUoS, the rationale for rejection then is still valid now.
- 4.8 The Working Group noted that the Industry cannot always refer to things in the past that have been rejected in order to not make changes. The Industry should learn from its mistakes, but also take into account the current developments and always examine ways to move forward.

Question 2 - Do you agree with the principles of DCP 146?

- 4.9 The Working Group noted that the majority of respondents, except for three DNO Parties, agree with the principles of DCP 146.

Respondent Party Type	Yes	No
DNOs	3	3
Suppliers	6	0
IDNO	1	0

- 4.10 One DNO respondent noted the justification for DCP 146 is about consistency and a common approach not about the benefits to the industry or the consequential impacts that this may have.
- 4.11 The respondent explained that in their opinion DCP 146 would result in the following issues:
- *Lack of time to undertake validation due to increased volumes associated with only two instances every month*
- 4.12 The Working Group noted that the volume of validation would be the same, albeit it may possibly be done within a different time frame.
- *Potential increase in credit cover arrangements being required from Suppliers which may impact the smaller Supplier (smoothing over the month may avoid this), that said larger Suppliers are now having to consider their position due to bank and company credit ratings*
- 4.13 The Working Group discussed this point, and noted that it is calculated by the billed but not yet paid plus 15 day value. It was also explained that Schedule 1, 2.2 of the DCUSA explains credit cover. It was noted that this

could possibly increase credit cover, but the Working Group did not think that this would make a material difference in practice.

- *Withholding bills may not serve the Distributor in recovering debt from potentially defaulting Suppliers who have financial difficulties*

4.14 The credit cover should take this point into account, and that is sufficient for any bad debts to be covered in the next price control. However, it was noted that there is a cash flow risk.

- *Impacts on Distributor cash flow by having to wait for a valid invoice to be despatched*

4.15 The Working Group noted this comment.

- *Impact on resources due to two pinch points (inefficiency)*

4.16 The Working Group thought that doing invoicing on a daily basis would require much more resource, however it is a valid point. As such it is up to each respective company to manage how they utilise their resources. It was also highlighted that there is a cost implication on Suppliers in regard to validating these invoices at different points throughout the month. The Working Group agreed that it would be less costly to have only 2 billing runs per month, as well as, more efficient.

- *Lack of flexibility available to the Distributor*

4.17 The Working Group noted this comment.

- *Impact on systems (major impact to this Distributor respondent)*

4.18 The Working Group noted that this is from their individual point of view and not from an Industry wide basis.

- *Potential increase in estimated readings resulting in more interaction/disputes with the Supplier*

4.19 The Working Group did not agree with this point as some Distributors do this now, and there are no issues with the process.

Question 3 - Does the CP better facilitate the DCUSA General Objective 2? Please provide supporting comments.

4.20 The Working Group agreed that DCUSA General Objectives 2¹ was better facilitated by DCP 146.

4.21 The following table outlined the respondents' views on which Objectives

¹ 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

are facilitated by the CP:

DCUSA General Objectives	General Objective
Objective 1	0
Objective 2	10
Objective 3	0
Objective 4	0
Objective 5	0

- 4.22 The Working Group noted that 10 of the 13 respondents agreed that DCP 146 better facilitates DCUSA General Objective 2.
- 4.23 One Supplier Party Respondent noted that they agree that DCUSA General Objective 2 is better facilitated as DCP 146 promotes competition in the market. Having specific time periods for billing DUoS will be useful for Suppliers managing their cashflow forecasts and will be attractive to new entrants trying to enter the market.
- 4.24 Another Supplier Party explained that under the current arrangements they have to manage several billing runs which require a number of manual processing workarounds to balance payment deadlines often with decreasing economies of scale.
- 4.25 They noted that this, in their opinion, is not an efficient way to operate and requires a lot manual resource to manage it on a monthly basis. By streamlining the number of billing runs to 2 per month, Suppliers would benefit from less manual work being required and a consistent approach regardless of DNO, and that this would better facilitate General Objective 2.
- 4.26 One DNO respondent noted that they felt that this was a limited review of the objectives which is being suggested when all of the objectives should be measured against the CP.
- 4.27 The Working Group agreed that it is a valid point concerning the CP being reviewed against all the Objectives. However, it was highlighted that the question does not preclude any Party from raising points about any of the Objectives, and Parties have done so in the past.

Question 4 - Do you have any comments on the proposed legal drafting of DCP 146?

- 4.28 The Working Group noted that the majority of respondents did not have

any comments on the legal drafting.

- 4.29 One respondent noted that this change has been raised as a Part 1 matter so clause 9.5.2 will need to be updated to reflect such a situation.
- 4.30 The Working Group did not agree with this point, it was explained that this a Part 1 change that does not introduce or affect a Part 1 clause. The change could potentially have different impacts on different Parties, which could be viewed as discriminatory and that this was the criteria used in determining it was a Part 1 matter.
- 4.31 As a Part 1 matter, this will ensure that the CP will go to Ofgem for final determination; which the Proposer and Working Group felt was the correct process.
- 4.32 Another DNO Party Respondent noted that in their opinion the legal drafting does not represent the views of the group at the consultation stage, and in particular has changed from the solution minuted following Meeting 3.
- 4.33 Specifically, the Group agreed that DNO's should use "reasonable endeavours to limit billing to 2 weekly periods in month, the first covering a main billing run and the second covering any cancellations, amendments and re-billing....". They explained that now the legal text specifies the weeks in which billing runs take place, which they do not support as this notionally restricts actions available to each DNO, even though not mandated in the text.
- 4.34 They highlighted that they would support a re-draft along the lines of the original agreement – one main billing run, one cancel/re-bill but without a time period being specified.
- 4.35 The Working Group noted that this was not an agreement, and that it was a draft that was circulated within the DCMF MIG Billing Group. Following the circulation, the legal text moved on to the current version of the drafting.
- 4.36 The Working Group feel that the current legal text provides more flexibility as you can put any type of invoice through during those time periods, and otherwise without the wording, it could lead to delays in some revision bills.

- 4.37 Another DNO Party noted that they feel that this could be a large impact on DNO and IDNO parties.
- 4.38 The Working Group thought that this could be more efficient for IDNOs with limited resources to have a specified time to review the invoices.
- 4.39 One DNO Party also explained that billing frequently takes more than one working day, depending on when the process is kicked off it can run overnight which is technically two working days. They noted that they believe the wording should be "once in the week" rather than "on one day only".
- 4.40 The Working Group agreed to change the legal drafting as suggested by this DNO Party to ensure the text has greater clarity.

Questions 5 - In what circumstances would you have to bill more than two times in one month?

- 4.41 One IDNO Party noted that they would only be required to bill more than two times in one month if they are crediting and re-invoicing any charges.
- 4.42 The Working Group reiterated that if a company applies reasonable endeavours then a circumstance where a large bill may be queried and then a credit/re-bill is issued would be fine.
- 4.43 A DNO Party noted that HH Billing is based on completeness and accuracy of data submitted by Suppliers via their Data Collectors and is out of direct control of DNO's. They noted that they experience considerable volumes of re-submitted readings from many HHDC's.
- 4.44 For these reasons they wish to reserve their right as a business entity to carry out any billing practice that relates to our Income and Cash Management whenever they feel outcome is material to this. They further noted that it is their belief that if data is complete and accurate in the first instance, there should not normally be a requirement for any more than the 2 runs referred to in this consultation.
- 4.45 The Working Group noted these comments.
- 4.46 Another DNO Party explained that they believe the frequency of billing is a commercial business decision and they would not support it being mandated by a DCUSA change proposal.

4.47 Other DNO Respondents noted that they rarely do, and some examples would be when a new system change implemented, a delay in receipt of data or a system error; whilst another scenario would be at customer's request.

4.48 The Working Group noted that these items would be completed under reasonable endeavours.

Question 6 - Do you agree with the timing of the billing runs, if not, what alternates would you find more reasonable? Please provide supporting comments.

4.49 The Working Group noted that the majority of respondents agree with the timing of the billing runs as proposed in DCP 146.

4.50 One Supplier Party noted that they agree with the timing of the billing runs and in addition they think it would be useful for DNO's to publish a month in advance the exact days they will be sending the invoices. This will help Suppliers plan their cash flow and improve the efficiency of the market overall.

4.51 The Working Group discussed this point and noted that this could be prohibitive to the DNOs to provide this information, as it may be impossible to predict the exact days.

4.52 A DNO Party noted that in their opinion the billing timetable should be left to the Distributor to manage taking into consideration, flexibility, resources, accuracy, cash flow and credit cover provisions.

4.53 The Working Group noted that this position only takes the Distributor's viewpoint into account, and there is also the Suppliers' need s to consider in regard to the implementation of this CP.

4.54 Another DNO Party responded by noting that the billing frequency should be decided to meet the commercial needs of the business.

Question 7 - 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.

- 4.55 The Working Group noted that the majority of respondents to this CP were not aware of any other developments which would impact upon the implementation of this CP.
- 4.56 One DNO Party noted The potential impact that smart metering may hold for us if the Balancing & Settlement Code P280 is not accepted (more HH site specific bills) is one area of unknown and as indicated within responses to the withdrawn DCP103 'DUoS charges for sub 100kW HH settled sites', there may be a need for Distributors to purchase new billing engines².
- 4.57 They further explained that in their opinion if P280 is rejected they would argue that no changes to the billing functionality should be undertaken until a full understanding of the impact smart metering will have, and Suppliers intentions to use HH settlements and the volumes associated with such is understood, so that Distributors can undertake an impact assessment on their billing systems. It would therefore not be appropriate to undertake change in this area at a time of considerable uncertainty within the Industry.
- 4.58 They surmised that they only see increased costs and no benefits to the Distributor if DCP 146 is approved.
- 4.59 The Working Group discussed this point and noted that these are issues related to P280, not this CP in particular; and noted that all CPs should be determined and assessed on their own merit.

Question 8 - Do you agree with the implementation date of DCP 146?

- 4.60 The Working Group noted that the majority of respondents, 10 of 13, agreed with the implementation date of DCP 146.

Respondent Party Type	Yes	No
DNOs	4	2
Suppliers	5	0
IDNO	1	0

- 4.61 One Supplier Party did not provide an answer to this question.

² It was noted by the DCUSA Panel at their meeting on 21 November 2012 that BSC Modification P280 has been rejected by Ofgem; and that DCUSA DCP 151 was withdrawn after the Consultation for DCP 141 had finished and the DCP 141 Working Group met to discuss the responses.

- 4.62 One DNO Party noted that in their opinion DCP 146 should be delayed until the Industry is aware of the impact that smart metering will have on both the Supplier and Distributor systems. The introduction of the Green Deal, potential changes to charging methodologies, BSC changes such as P280 and P272, DCUSA DCP151 (linked to P280), and the smart meter roll out are impacting the industry resources both IT and business. They further explained that they are of the belief that to further exacerbate this is not welcome at this time of significant industry change and uncertainty.
- 4.63 The Working Group noted the comments, but also reiterated that the changes referred to in this response are in the pipeline currently; but highlighted that the acceptance of this, or any change, is not guaranteed.
- 4.64 The Working Group also noted that there could be other potential changes raised, and the question would be how long should one wait to progress this, or any other change modification.
- 4.65 It was also reiterated that each change should be considered on its own merit. It was also highlighted that any Party can apply for a derogation to any approved CP depending on their own circumstances.
- 4.66 Another DNO Party noted that they do agree with the implementation date and that they carry out only 2 HH Billing runs per month and do not foresee this changing, subject to business decisions as detailed within their response.

Question 9 - Are there any alternative solutions or matters that should be considered by the Working Group?

- 4.67 The Working Group noted that the majority of respondents were not aware of any other solutions or matters that the Working Group should consider.
- 4.68 One DNO Party noted they feel consideration should be given to potentially tightening the obligation on Suppliers in ensuring that their data collectors send data in a timely manner which would reduce the number of billing runs DNOs undertake and ensure accurate data is provided.
- 4.69 It was explained that the argument will be that this is already catered for in the BSC, but it begs the question as to why DNOs still end up estimating data and with this change proposal a potential to increase such estimation.

- 4.70 They further highlighted that their back end process will also be impacted due to the increase in size of files (number of invoices contained within). Additional resource impact will result due to the need to matching remittances to invoices, especially if Suppliers were still having an issue in sending them remittances in a timely manner.
- 4.71 The Working Group feels that this process is already completed in a timely manner, and if this DNO feels that any Party is noncompliant with the BSC obligation that should be raised with them directly.
- 4.72 The Working Group noted that whilst this is the view of this DNO, the Working Group did not agree with these points within the context of DCP 146.
- 4.73 Another DNO Party noted that it may be of benefit to address the root cause of re-billing actions. For example, to review the issues creating the need for transmission of corrected readings from Suppliers via their HHDCs.
- 4.74 The Working Group noted the comments, and noted that this is a wider issue for the Industry.

5 SUPPLEMENTARY QUESTIONS

- 5.1 The Working Group agreed to ask Parties for additional information in the form of Supplementary Questions in order to allow Parties to provide the impacts and materiality of implementing DCP 146. There were 10 responses received from Parties and are documented in Appendix D.
- 5.2 The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses.
- 5.3 A summary of the responses received, and the Working Group's conclusions are set out below:

Question 1 - How will DCP 146 affect your organisation? Please provide supporting comments.

- 5.4 One Supplier Party noted that by undertaking 2HH billing runs, it will provide better controls and reduce manual work. This is also free with resources across the company, which can be utilised for other data quality improvement activities.
- 5.5 Another Supplier Party noted that, if implemented, DCP 146 will reduce the number of validation cycles that need to be performed each month and their accounts payable function will benefit from the reduced invoicing runs.
- 5.6 One DNO Party noted that whilst the request is for their business impact assessment it must be remembered that all of their business justifications for raising DCP017 were challenged by them and it is expected that these are likely to be raised again as part of their submission to this question.
- 5.7 They explained that in their opinion it must also be remembered that this change proposal is more onerous than DCP017 i.e. only two bill runs instead of four which was a compromise by the working group from the original submission which was for one account but no more than two.
- 5.8 It was explained that they feel that this CP does not provide any wiggle room within the intent, it is a matter of accept or reject. The expert group did no analysis; they selected the most common and went with it.
- 5.9 They further noted that the system change to minimise the business impact is key and as such this has yet to be developed, but the DCP017 solution at the time had significant cause for concern.
- 5.10 They feel that overall they would just see increased costs, reduced customer service, more inefficiency and frustration to all concerned.
- 5.11 The Working Group questioned why you would need to do analysis to confirm that the majority view of the practice is correct, when it is currently being employed by the majority of DNOs within the Industry.
- 5.12 The Working Group also noted that the Industry cannot refer to things in the past that have been rejected in order to not make changes. The Industry should learn from the mistakes of the past, but also take into account the developments within the industry and ways to move forward.
- 5.13 Another DNO Party noted that DCP 146 would have a large impact on

them as it involves considerable change to our core billing system and billing schedule.

- 5.14 The Working Group discussed this response, but noted that no further detail was provided within this question as to the specific nature of the impacts.

Question 2 - Will there be any associated costs with implementing DCP 146? Please provide supporting comments.

- 5.15 The Working Group noted that two of the respondents noted they would incur costs as a result of DCP 146 being implemented. The rest of the respondents explained that they would not incur any costs.
- 5.16 One Supplier Party noted that there will be no direct costs relating to this change; however there will be a cost benefit in terms of time better utilised.
- 5.17 One DNO Party noted that this will involve a considerable effort IT project at the current market rate.
- 5.18 The Working Group noted that the DNO did not provide an estimate of how much this IT project would cost.
- 5.19 Another DNO Party broke their costs down between One-Off costs and Business Costs.
- 5.20 The respondent noted that the impact on their IT system to limit billing production to twice per month is classed as a major change (200-300 Man Days) plus considerable business testing and project management costs. This was submitted as part of their DCP017 response and is expected to be in the region of £200 -250k.
- 5.21 The Respondent then noted that the impact on Credit Cover is likely to be a one off activity. They explained that once the bill runs have been sent out an assessment can be made. They would hope to subsume this into business as usual as it will still take 5-10 days effort/per review at the expense of delivering something else. There may be costs of legal and bank fees to pay for the Supplier, or alternative means of cover arrangements to be put in place such as cash deposits.

5.22 The Working Group has already discussed Credit Cover in depth and does not feel that this will change significantly in practice.

5.23 The Respondent also noted that Remittances, in their view, are the bigger issue. They explained that Suppliers may believe that they save money on cash processing but this will be countered by increased dialogue where remittances cannot be validated. An additional 2 FTEs or they consider a change proposal to obligate Suppliers to send a remittance and that match the invoice sent in every instance or they will be rejected by the Distributor.

5.24 The Working Group noted that they think there would be fewer remittances so it may be a more efficient process.

6 PROPOSED LEGAL TEXT

6.1 The proposed legal drafting of DCP 146 has been considered by the Working Group, and reviewed by Wragge & Co, and is attached as Appendix B.

7 DCP 146 – WORKING GROUP CONCLUSIONS

7.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses and Supplementary Questions, is that proposed drafting meets the intent of DCP 146 and therefore should be issued for voting and Party determination.

8 EVALUATION AGAINST THE DCUSA OBJECTIVES

8.1 The majority of the Working Group considers that the following DCUSA General Objective is better facilitated by DCP 146:

General Objective 2³ – Better Facilitated. The Working Group agrees that DCP 146 will promote consistency and transparency in the methods faced by Suppliers.

9 IMPLEMENTATION

9.1 DCP 146 is classified as a Part 1 matter in accordance with Clause 9.4.2 (B) of the Agreement, and therefore will go to the Authority for

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

determination after the voting process has completed.

- 9.2 The implementation date, subject to Authority approval, is 1 October 2013.

10 ENGAGEMENT WITH THE AUTHORITY

- 10.1 Ofgem has been fully engaged throughout the development of DCP 146 as a member of the Working Group.

11 PANEL RECOMMENDATION

- 11.1 The Panel approved this Change Report on 21 November 2012. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 146.

- 11.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	23 November 2012
Voting closes	7 December 2012
Change Declaration	11 December 2012
Authority Decision	18 January 2013
CP Implemented	1 October 2013

12 APPENDICES:

- Appendix A – DCP 146 Change Proposal
- Appendix B – DCP 146 Proposed Legal Drafting
- Appendix C – DCP 146 Consultation Documents
- Appendix D – DCP 146 Supplementary Questions
- Appendix E – DCP 146 Voting Form