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DCUSA Consultation

DCP104 - Shared Impact of Manifest Errors in
DUoS Charging

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 DCUSA Distributor and Supplier Parties, and to all other interested parties, in accordance with Clause 11.14 of the DCUSA. The consultation seeks views on the implementation of DCUSA CP 104 'Shared Impact of Manifest Errors in DUoS Charging'.
- 1.3 This CP will codify within the DCUSA that in the case of a manifest error, the implementation of the resulting over or under recovery correction of revenue will be spread over a 3 year period.
- 1.4 Parties are invited to consider the following:
 - 1.4.1 The legal drafting attached as Appendix B;
 - 1.4.2 The Working Groups' evaluation of DCP 104 against the DCUSA General Objectives as set out in Section 4; and
 - 1.4.3 The consultation questions set out in Section 5.
- 1.5 Parties should submit comments using the consultation response form attached as Appendix C – DCP 104 Response Form. Responses should be sent to dcusa@electralink.co.uk no later than **9 December 2011**.

2 SUMMARY

- 2.1 DCP 104 was raised by Npower and seeks to codify within the DCUSA that in the case of a manifest error, that the implementation of the resulting over or under recovery correction of revenue will be spread over a 3 year period.
- 2.2 Manifest data errors in DNO charging methodology models may result in a misstatement of published tariffs. Currently, Suppliers and Customers carry the risk resulting from these errors since the DNOs must seek to recover these

charges within a short timeframe, this can potentially result in volatility and price changes for both Suppliers and Customers.

- 2.3 The Working Group has developed a definition of manifest errors, and this is included with the Legal Text which is attached as Appendix B.
- 2.4 The Working Group felt that it is important to note that the DNOs will recover the full amount of the correct allowed revenue by the end of the 3 year period which is proposed by DCP 104. The proposed delay will spread the risks associated with manifest data errors with the Model across all Parties: DNOs, Suppliers and Customers. The mitigation of this risk will reduce the amount of volatility with prices for both Customers and Suppliers.
- 2.5 DCP 104 proposes that, if implemented, a more equitable arrangement with the resulting recovery (over or under) of revenue which results from a manifest error within the DNO Charging Model will result to the benefit of all Parties.

3 LEGAL TEXT

- 3.1 The proposed legal drafting has been developed by the DCP 104 Working Group as it was not provided by the Proposer in the original Change Proposal document. The legal text will introduce a new clause into Schedule 19 of the DCUSA, and also a definition for manifest error.
- 3.2 The legal text will outline the processes for the application of the thresholds for the mechanism DCP 104 will introduce. The proposed legal text is attached as Appendix B.

4 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 4.1 The Proposer considers that DCP 104 has an impact on the following DCUSA objectives:
 - 4.1.1 DCUSA General Objective 2: The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.

- 4.2 It is considered that DCP 104 will facilitate competition by spreading the risk resulting from manifest errors between all Parties: Suppliers, Customers and DNO. The mitigation of the recovery of revenue (over or under) will result in a reduction of price movements for both Customers and Suppliers.
- 4.3 This will result in a fairer spread of risk as it will allow Suppliers to set prices in market movements more transparently, and as a result, prices are more predictable.

5 CONSULTATION

- 5.1 This consultation seeks views from DCUSA Distributor and Supplier Parties, and all other interested parties, on the following questions:
- 5.1.1 Do you understand the intent of DCP 104 - Shared impact of manifest errors in DUoS charging?
- 5.1.2 Are you supportive of the principles of DCP 104 including the implementation date? If not, do you believe there are alternative ways of meeting intent DCP 104? Provide Supporting comments.
- 5.1.3 Do you agree that the Legal Text meets the intent of DCP 104? Provide supporting comments.
- 5.1.4 Within the legal text, there are limits (X and Y) where, if the error is outside these caps, the matter will be referred to Ofgem for determination on the split over the 3 year period. What do you feel are the appropriate levels of X and Y in percentage terms for these caps?
- 5.1.5 Do you agree that DCP104 better meets the DCUSA General Objectives? Please provide supporting comments along with your assessment against the objectives.
- 5.1.6 Provide comments on the following points about what should or should not be included within the definition of manifest error:
- Any mistake that is made by entering or deleting information in the "inputs" tab on within the CDCM Model

- Any inadvertent error (formulae, additions or deletion) that is made within any area of the CDCM model with results in an error in any portion of the model
- Provide comments on any of these areas, as well as anything additional that you feel should be included or deleted from this definition.

5.1.7 In terms of the spreading of these manifest errors over a 3 year time period, evaluate the following options as to when you feel it is appropriate for Year 1 begin:

- The following price change (October or April),
- The beginning of the next regulatory year (April)
- Please provide any other alternative method you feel would be appropriate

5.1.8 What are the current impacts of manifest errors on DNOs, Suppliers and Consumers? Within your supporting comments, please include how the implementation of DCP 104 would affect the impacts that are present for the Party groups.

5.1.9 If DCP 104 is accepted and implemented, would there be any System and/or Regulatory Changes that will need to be made? What are the costs and timelines associated with these changes?

5.1.10 Please provide any other comments or general views on DCP 104.

5.2 Responses should be submitted using Appendix C to dcusa@electralink.co.uk no later than **9 December 2011**.

5.3 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.

6 IMPLEMENTATION

- 6.1 The proposed implementation date for DCP 104 – ‘Shared Impact of Manifest Errors in DUoS Charging’ is 1 April 2012.

7 NEXT STEPS

- 7.1 Following the Consultation period, the responses will be considered by the Working Group in preparation for the drafting of the Change Report and their recommendation to the DCUSA Panel for progression.
- 7.2 If you have any questions about this Consultation or the DCUSA Change Process, please contact the DCUSA Help Desk by email: dcusa@electralink.co.uk or telephone: 020 7432 3011.

8 APPENDICES

Appendix A – DCP 104 Change Proposal

Appendix B – Legal Drafting

Appendix C – DCP 104 Response Form