



## **DCUSA Consultation**

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### DCP 102 - CREDIT COVER CALCULATION OF 15 DAY VALUE

## **1 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, seeking views on the implementation of DCP 102 - Credit Cover Calculation of 15 Day Value.
- 1.3 Parties are invited to submit comments using the consultation response form attached as Appendix C and submit it to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than 13 April 2012.

## **2 SUMMARY**

- 2.1 DCP 102 has been raised by Npower and intends to ensure that a standard approach is adopted regarding the method of calculating the Fifteen Day Value used for credit cover. This monitoring process currently varies from Distributor to Distributor and this CP would align the process across the industry.
- 2.2 DCP 102 is intended to better enable Suppliers to forecast their indebtedness ratio and to better manage their credit cover position; this will help to ensure that the indebtedness ratio limits of Suppliers are not inadvertently breached.
- 2.3 The DCUSA Panel established a Working Group to assess DCP 102. The group identified that DNOs use "supercustomer billing" on different bases and the billing period associated with this fluctuates from calendar month to calendar month. The Working Group concluded that this could be improved if the calculation is derived from the invoices that were raised during the previous calendar month. The CP does not seek to make any changes to billing cycles.
- 2.4 The CP therefore seeks to ensure that DNOs calculate the Fifteen Day Value used for credit cover monitoring based on the previous calendar month's billing.

### **3 PROPOSED AMENDMENT AND LEGAL DRAFTING**

3.1 The legal drafting has been drafted by the Working Group and is available for review as Appendix B.

### **4 EVALUATION AGAINST THE DCUSA GENERAL OBJECTIVES**

4.1 The Working Group considers that DCP 102 will better facilitate DCUSA Objectives 2 and 4:

- Objective 1 – ‘The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks’. No Impact.
- Objective 2 – ‘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’. The CP will better define the method of calculating the Fifteen Day Value used for credit cover. The CP will therefore assist new entrants by giving them transparency and provide effective competition.
- Objective 3 – ‘The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences’. No Impact.
- Objective 4 – ‘The promotion of efficiency in the implementation and administration of this Agreement’. The majority of the Working Group considered that the CP will lead to greater efficiency because it will enable Suppliers to better manage their credit cover position and will reduce the risks they currently face in forecasting their indebtedness ratios. This will lead to fewer breaches under the credit cover schedule of the DCUSA, which should in turn lead to reduced costs on suppliers and reduced risk exposure for Distributors.
- Objective 5 – ‘Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.’ No impact.

## 5 CONSULTATION

5.1 This consultation seeks views from DCUSA Distributor and Supplier Parties, and all other interested parties, on the following questions.

- Do you understand the intent of DCP 102?
- Are you supportive of the principles set out in the CP?
- Do you agree with the proposal for calculating the Fifteen Day Value used for credit cover monitoring based on the previous calendar month's billing?
- Do you have any comments on the proposed legal text drafting?
- Do you have any additional comments?

5.2 Responses should be submitted using Appendix C to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than 13 April 2012.

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 NEXT STEPS

6.1 Following the end of the Consultation period the responses will be considered by the Working Group in preparation of its final report and recommendation to the DCUSA Panel. The Change Proposal will then be issued to the DCUSA Panel for its review.

6.2 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](mailto:DCUSA@electralink.co.uk) or telephone 020 7432 3011.

## **7 APPENDICES**

Appendix A – DCP 102 Change Proposal

Appendix B - Legal Drafting

Appendix C – DCP 102 Response Form