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## **DCUSA Consultation**

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DCP 100 Payment timescales alignment and  
simplification

## 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 DCUSA CP 100 'Payment timescales alignment and simplification'.
- 1.3 This CP seeks to align the arrangements for payment of Use of System charges with other similar arrangements and to facilitate the management of credit cover, particularly over Bank Holiday periods. In addition, it seeks to amend the timescales for raising disputes as set out in Schedule 4 to align with the new payment timescales.
- 1.4 Parties are invited to consider the following:
  - 1.4.1 The two proposed variations of the legal drafting;
  - 1.4.2 The Working Groups' evaluation of DCP100 against the DCUSA General Objectives; and
  - 1.4.3 The consultation questions.
- 1.5 Parties should submit comments using the consultation response form attached as Appendix D - DCP100 Response Form. Responses should be sent to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by no later **than 5pm on 4 October 2011**.

## 2 SUMMARY

- 2.1 DCP100 was raised by Npower and submitted to the DCUSA Panel in July. The DCUSA Panel established a Working Group to assess and develop the Change Proposal.

- 2.2 Industry Codes and Agreements specify different timescales for payment of invoices. This inconsistency creates difficulties and additional costs for Parties. In cases where the payment timescales are in “calendar days” Parties have to make special arrangements for paying invoices that fall due on or around Bank Holidays. Usually, this leads to an increased workload on the days leading up to Bank Holidays, and on occasions Suppliers have to make special payment arrangements with banks to avoid default. Parties do not have to make such arrangements for paying invoices in which the payment timescales are defined as “Working Days”, as this excludes Bank Holidays.
- 2.3 The proposer considers that DCP 100 would allow all Parties to plan their workload more effectively and allow Parties more time to validate invoices falling due on or around Bank Holidays and should result in fewer erroneous disputes. It should reduce the need to make special bank payment arrangements, or make early payment of invoices in the run up to Bank Holidays.
- 2.4 As a consequence, Parties will be better able to manage their cash flow. It should also reduce the number of incidences where warning notices have to be issued, credit cover limits are breached and Distributors have to handle cash payments or other short notice credit arrangements, many of which have to be unpicked again a short while later.

### **3 ALTERNATIVE OPTIONS TO THE MEET THE INTENT OF DCP 100**

- 3.1 The intent of DCP 100 as set out by the Proposer in the Change Proposal form is as follows: To align the arrangements for payment of Use of System charges with other similar arrangements and to facilitate the management of credit cover particularly over Bank Holiday periods. In addition, to amend the timescales for raising disputes as set out in Schedule 4 to align with the new payment timescales.
- 3.2 The Working Group has considered two versions of draft legal text in order to meet the intent of DCP 100. Both versions of this are attached as Appendix B and Appendix C, and the Working Group is requesting comments from Parties responding to this Consultation as to which version they feel is more appropriate and best meets the intent of DCP 100.

### 3.3 Version 1 of the legal drafting will have the following effect:

- This drafting would give Users 10 Working Days to validate and pay an invoice (or 22 days for Transactional Charges).

### 3.3 Version 2 of the legal drafting will have the following effect:

- This drafting would mean that when the payment due date for an invoice falls on a Saturday, Sunday or Bank Holiday, then the payment period is extended so that payment is actually due on the next Working Day. At Easter, for example, a payment due on Good Friday would carry forward to Easter Tuesday.

### 3.4 The Working Group considered the following examples of how the two sets of legal drafting might work in practice:

- Example 1 - bill issued on 19th Dec 2011
  - Under the current version of DCUSA, this bill would be due for payment on 2nd Jan 2012 (Bank Holiday), so suppliers would have 8 working days to validate it and would have to pay it on 30th December in order to remain compliant.
  - Using version 1 of the legal text- Suppliers would have a full 10 Working days to validate and pay the bill (due date would be 4th Jan).
  - Using version 2 of the legal text - the bill would be due for payment on 3rd Jan instead of 2nd Jan, so suppliers would have 9 working days to validate and pay it.
- Example 2 - bill issued on 20th Dec 2011
  - Currently this bill would be due for payment on 3rd Jan, so suppliers would have 8 working days to validate it.
  - Using drafting version 1 - suppliers would have a full 10 Working days to validate and pay the bill (due date would be 5th Jan).
  - Using drafting version 2 - the bill would still be due for payment on 3rd Jan, so suppliers would only have 8 working days to validate and pay it.

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

4.1 The Proposer considers that DCP 100 has an impact on the following DCUSA objectives:

4.1.1 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.

4.1.2 Objective 4: The promotion of efficiency in the implementation and administration of this Agreement

4.2 The proposer considers that this change will better facilitate competition by removing inconsistencies and allowing Parties to use their resources more effectively, thereby reducing costs. It will simplify the management of credit cover and will reduce Parties' costs but should not have any impact on the business of the Distributors. It will allow easier access to the market for new participants as payment timescales will be clearer and easier to manage.

4.3 The proposer also considers that this change will promote efficiency in the administration of this Agreement by easing the process of paying Use of System charges, enabling better opportunity for validation of invoices, raising disputes, and management of credit cover requirements. Presently, parties have to make special arrangements for paying invoices that fall due on or around Bank Holidays. This increases costs and workload. This proposal will allow Parties to manage better their arrangements for payment of invoices and allow them to plan resource to be confident in the integrity of these invoices.

## **5 IMPLEMENTATION**

5.1 DCP 100 is deemed to be a Part 2 matter in accordance with Clause 9.4.2 (D). The CP does not therefore require Authority consent.

5.2 The proposed implementation date is 1 November 2011.

## 6 CONSULTATION

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

6.1.1 Do you understand the intent of DCP100 and are you supportive of its principles?

6.1.2 Which version of legal text drafting do you think is more appropriate to meet the intent of DCP 100? Please provide supporting comments.

6.1.3 If DCP 100 is approved, do you think that the disputes timescale needs to align with the payment timescales as is the current practice? Please provide supporting comments.

6.1.4 Would there be any changes to current systems necessary to implement DCP 100? If so, please provide an overview of the changes along with an estimation of the costs and a timescale.

6.1.5 Do you agree that DCP100 better meets the DCUSA General Objectives? Please provide supporting comments along with your assessment against the objectives.

6.1.6 Do you believe that the intent of DCP100 is adequately met or that there are alternative ways of meeting the intent of DCP100 that have not been considered by the Working Group?

6.1.7 Do you agree with the implementation date of DCP 100? If not, please provide supporting comments and suggest an alternative.

6.1.8 The Working Group discussed the financial effect on Parties of implementing or not implementing this CP. Please provide comments as appropriate on the following issues which were raised:

- If DCP 100 is implemented, Distributors would be receiving payments at a later date during most months of the year as weekends would be affected with the use of the term “working days”.

- If DCP 100 is not implemented, there are financial impacts on Suppliers from continuing to have to make payments early during periods with bank holidays in order to remain compliant with the DCUSA.
- If DCP 100 is implemented, there was concern that as the interest rates currently stand the financial implications are on current rate thresholds, however, when interest rates are higher then the resulting delayed payments could have implications which need to be considered. Please provide any potential impact that you feel may have relevance to this point, along with supporting comments.

\* Please provide any additional scenarios or comments which you feel are relevant to the financial impacts of DCP 100.

6.1.9 Please state any other general comments or views on DCP 100.

6.2 Responses should be submitted using Appendix D to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **5pm on 4 October 2011**.

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 responses will be considered by the Working Group in preparation of their final report and recommendation to the DCUSA Panel. The Change Proposal will then be issued to the DCUSA Panel for voting.

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

## **8 APPENDICES**

Appendix A - DCP100 Change Proposal

Appendix B – Legal Drafting Version 1

Appendix C – Legal Drafting Version 2

Appendix D - DCP100 Response Form