

DCUSA DCP 100 Consultation Responses – Collated Comments

	Question One	<p>If DCP 100 were implemented, please provide the materiality of the impacts on cash flows for the following scenarios:</p> <ul style="list-style-type: none"> • Daily, monthly, and yearly basis – quantified for the following interest rates: 0.5, 2.5, 5, 7.5 and 10%; and • The overall impacts on cash flows over the holiday season including Christmas and New Year.
1	ENWL	Private
2	Eon	<p>We think this question is aimed more at the DNOs as they have claimed that if this change is accepted it will have a negative effect on their cash flow. The point here however is that the impact is just the same on suppliers. For example this week invoices issued on 13th Dec under payment terms now are due on 27th but paid on 23rd due to the Christmas Bank Hols so in effect we pay these invoices early with a negative effect on our cash flow. If the payment terms change to 10 working days we would pay these invoices at the latest on 29th.</p>
3	Green Energy	<p>We have recently undergone CME so are new to this aspect of the industry and can't respond from a position of much experience.</p> <p>However we support the proposed changes on the grounds that it would help new entrants in particular by simplifying the system and helping them to avoid additional staff and banking costs required to prevent defaults.</p>
4	GTC	Private
5	Northern Powergrid	<p>We have estimated that for each of the below billing runs whereby the payment due date differs between 14 calendar days and 10 working days, the overall aggregated estimated shortfall of yearly interest accrued due to receiving payment later is as</p>

		<p>follows:</p> <p>0.5% interest is approximately £8k</p> <p>2.5% interest is approximately £40k</p> <p>5.0% interest is approximately £80k</p> <p>7.5% interest is approximately £120k</p> <p>10% interest is approximately £160k</p> <p>Following assessment of our half-hourly billing during 2011 there was no difference to the payment due date from 14 calendar days to 10 working days. However, there could be an impact if billing timescales changed or when bank holidays fall in subsequent years.</p> <p>However, for our non-half hourly billing we do see an average 4 day delay in payment when bank holidays occur when moving to 10 working days.</p> <p>Therefore, the following shows the estimated cash flow impact on our non-half hourly billing when moving to 10 working days.</p> <p><u>April 2011</u></p> <p>Under the current 14 calendar payment terms non-half hourly DUoS is estimated around £38m billed on April 21, 2011 with a payment due date of May 5, 2011. Moving to 10 working days moves the payment due date to May 11, 2011 resulting in a payment delay of 6 days.</p> <p><u>May 2011</u></p> <p>Under the current 14 calendar payment terms non-half hourly DUoS is estimated around £35m billed on May 23, 2011 with a payment due date of June 6, 2011. Moving to 10 working days moves the payment due date to June 7, 2011 resulting in a payment delay of 1 day.</p> <p><u>August 2011</u></p>
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6	Npower	<p>Clearly there are cash flow implications for DNOs/IDNOs and Suppliers in changing the payment timescales for DCUSA invoices. From a supplier perspective, implementation would bring a beneficial cashflow effect. This is because we are currently required to bring forward the payment dates for invoices in order to remain compliant with DCUSA obligations and ensure that credit cover implications do not arise.</p>														
7	UK Power Networks	<p>It is unclear what is being asked for here.</p> <p>I have analysed our proposed billing timetable for 2012 and looked at which invoice runs will have their payment delayed by DCP100 and by how long. I have then taken the values invoiced for those services for the same month in 2011. For each of our DNOs this gives the following interest impact over the year;</p> <table><tr><th>rate</th><th>cash impact p.a.</th></tr><tr><td>0.5%</td><td>2,307.00</td></tr><tr><td>1.0%</td><td>4,614.00</td></tr><tr><td>2.5%</td><td>11,535.00</td></tr><tr><td>5.0%</td><td>23,070.00</td></tr><tr><td>7.5%</td><td>34,605.00</td></tr><tr><td>10.0%</td><td>46,140.00</td></tr></table>	rate	cash impact p.a.	0.5%	2,307.00	1.0%	4,614.00	2.5%	11,535.00	5.0%	23,070.00	7.5%	34,605.00	10.0%	46,140.00
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7	Western Power	<p>If, taking December billing as an example, billing due on 21st Dec – therefore funds due in on 4th January with current 14 day payment arrangement.</p> <p>If this was changed to say 10 working days this would mean the funds due from a Dec 21st billing wouldn't be received until 9th January.</p> <p>We do not believe the interest rate questions add anything to this discussion. The impact on cash flows moving to "working days" would be negative to the DNO in six months of the year, and therefore do not agree with this Change Proposal.</p>
	Question Two	How many invoices, on a monthly basis, are raised and of those how many are disputed?
8	ENWL	Private
9	Eon	<p>We receive several hundred invoices a month, a combination of paper and electronic invoices.</p> <p>We very rarely dispute invoices – if there are any issues we discover with them we pay the invoice and dispute that element of it which will normally be re-billed.</p> <p>Over bank holiday periods we don't have the time to validate the invoices effectively before paying them so operate the policy of pay first and validate later to ensure we don't suffer any late payment penalties – so paying them in a timely way doesn't mean we have had the time to validate them, in many cases we haven't.</p>
10	GTC	We currently raise 34 invoices on a monthly basis; the majority of the invoices raised in a month are not disputed.
11	Northern Powergrid	<p>For Northern Powergrid (Northeast) approximately 5,300 invoices are raised on a monthly basis.</p> <p>For Northern Powergrid (Yorkshire) approximately 8,300 are raised on a monthly basis.</p> <p>Currently we do not see any genuine disputed invoices on a monthly basis, rather general enquiries which are resolved under reconciliation billing.</p>
	Npower	We receive about 27,000 invoices a month, and last month we disputed 942

		of these. In many cases, we pay the invoice and then validate and dispute afterwards, because there is insufficient time to do this before the date on which payment must be made.
12	UK Power Networks	Our largest DNO raises 13,000 documents per month (whether e-billed or not). In most months disputes are few (less than 5 across all our DNOs, if any).
13	Western Power	<p>The following are the number of invoices raised on a licensed area basis, non of which were disputes: -</p> <p>SWEB HH 5442 SCD 42</p> <p>SWAE HH 3820 SCD 42</p> <p>EMEB HH 11037 SCD 39</p> <p>MIDE HH10092 SCD 39</p>
	Question Three	For DNOs: If DCP 100 is approved and implemented, please detail any manual follow-up processes that would need to be performed, as well as any costs associated with these processes.
14	ENWL	Private

15	Northern Powergrid	We expect that DCP100 would follow our current follow-up manual collection processes with no additional costs.
16	Western Power	<p>The current billing system for South West and South Wales would require manual intervention and is therefore reliant upon altering system setting to take account of bank holidays.</p> <p>The current billing system for the East Midlands and West Midlands would require a software update in order to comply with this proposal at a total cost of approx £15k across all users of this system.</p>
17	UK Power Networks	Our follow up processes involve a manual element. We do not see the nature of these changing as a result of DCP 100, only when they are triggered will change.
	Question Four	For Suppliers: Provide details and examples of when your validation processing period has been impacted by bank holidays, and any corresponding costs associated resulting from this.
18	ENWL	Private
	Npower	<p>For npower, the reduced payment timescales over Christmas/New year mainly affect certain Supercustomer invoices which tend to fall due for payment towards the latter part of the month. We can lose 3 or 4 Working Days for processing the invoices depending how the Bank Holidays fall. In relation to payment of Half Hourly invoices, which often fall due earlier in the month, other Bank Holidays (especially Easter and May Day) will have more of an impact for us.</p> <p>It is helpful for us to have as much time as possible to validate invoices, as problems with doing this can arise for a host of reasons, for example:</p> <ul style="list-style-type: none"> Paper invoices are still used in quite large volumes, and some participants only use paper invoicing. These can be delayed in the post, thus reducing payment timescales further. When this occurs in combination with a Bank Holiday period, then the impact is even greater. For example, we have received some invoices today (23rd December) which are due to be paid on 5th January. We therefore have only 7 Working Days to validate and pay these invoices.

		<ul style="list-style-type: none"> • Whilst some parties will send email copies of invoices sent by post, not all will do this, and some will only send the covering invoice without the backing data. In any case, the actual copies are required in order to make payment. • One IDNO recently sent us some credits which did not contain all the information needed for us to process these, these therefore were disputed and fresh copies had to be requested. It is difficult to resolve such queries within the current timescales. • Re-bills can differ from the original bills, thus creating additional queries and further impacting validation timescales. • When VAT rates changed last year, some DNOs experienced invoicing problems and this impacted us as some credits were then sent as manual bills rather than electronic bills. There were a lot of mistakes in the invoices (even in the basic addition), and in some cases several attempts had to be made to get the invoices right. With reduced validation periods, this became harder to manage.
19	Eon	<p>Every Bank Holiday our processing is affected, the worst being Christmas. See explanation above in first point which explains why. We reiterate the point that although we pay things on time it doesn't mean we aren't struggling to validate charges effectively first – in many cases we pay first and validate later, which should not be acceptable.</p> <p>This Christmas due to Bank Hols and to the fact that BACs payments have to be released a few working days before the payment due date for some HH D2021s we will only have 4 days to process and validate the invoices (eg invoices issued on 19th and due for payment on 2nd, due to Bank hols payment date changes to 30th. Many Supercustomer invoices are going to be issued on 21st December meaning payment is due 4th January. This therefore means that due to earlier bank hols we only have 3 days to process and validate.</p> <p>These issues are compounded when they are paper invoices as this delays the processing and validation, as well as affecting our billing to our HH customers. The majority of the HH paper invoices we receive come from IDNOs but there are some DNOs that issue paper invoices – this means not only do we receive the invoices at least 1 day after they have been issued but more manual work is required to ensure these are validated and processed. If all invoices were issues electronically this would help us immensely.</p>

	Question Five	If DCP 100 were approved and implemented, please provide details of what system changes would be required in order to deliver the intent of the CP, as well as any costs associated with these changes.
20	ENWL	Private
21	Eon	No system changes will be required.
22	GTC	Yes we would have a change to our current system to implement the DCP100, this would be a minor change.
23	Northern Powergrid	We would be required to carry out IT changes to our billing systems in order to correctly calculate the payment due date. Indicative costs would be around £15k to £20k and estimated to take 4 to 6 months to develop from internal approval.
	Npower	We would have to make some changes to our settlement system; estimated costs to us are in the order of £2,500.
24	UK Power Networks	Our system would need to be changed to introduce working day payment terms. We estimate the costs to be in the order of £50,000.
25	Western Power	See response to 3 rd question above