

DCUSA CHANGE REPORT	
CHANGE PROPOSAL	DCP 050 'Provision of Cost Information - Regular Meeting'
DATE OF ISSUE	23 November 2009
ISSUED TO	DCUSA Contract Managers
PARTIES ENTITLED TO VOTE	All Parties
RETURN DEADLINE (Voting End Date)	07 December 2009 – DCUSA@electralink.co.uk

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA. The Change Report details DCP 050 'Provision of Cost Information - Regular Meeting'. 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.
- 1.2 Parties are invited to consider the proposed amendment attached as Appendix A submit votes using the form attached as Appendix B to dcusa@electralink.co.uk by 07 December 2009.

2 INTENT OF DCP 050 – 'PROVISION OF COST INFORMATION - REGULAR MEETING'

- 2.1 DCP 050 has been raised by British Gas following the implementation of DCP 030 - Provision of Cost Information. DCP 030 requires DNOs to provide such information to enable Suppliers to forecast more accurately the likely direction and magnitude of changes in distribution revenue over a rolling five year basis. Since the implementation of DCP 030, two sets of data have been provided by the DNOs.
- 2.2 DCP 050 considers that it is beneficial to Suppliers to be able to ask the DNOs supplementary questions relating to the data submitted to better use the data in their forecasting models. The CP therefore proposes amending the DCUSA such that Distributors are required to hold a meeting or teleconference with all Suppliers following the publication of the cost information. Meetings will provide an opportunity for DNO to provide commentary to assist Suppliers and for Suppliers to ask questions relating to the table, for example underlying assumptions used by the DNO in preparing the data presented.
- 2.3 DCP 050 was considered by the DCUSA Panel at its meeting on 16 September 2009. The Panel determined that the CP is a Part One change and recommended its progression through the Definition Procedure to allow a Working Group to assess and develop the drafting.
- 2.4 The DCP 050 Working Group comprised representatives from supplier and distributor parties. The DCP 050 Working Group has met on 2 occasions and the minutes and papers of the DCP 050 Working Group meetings are available on the [DCUSA Website](#).

3 DCP 050 CONSULTATION

- 3.1 The DCP 050 consultation was issued to all DCUSA Parties on 28 October for a period of 10 Working Days. 7 responses were received.
- 3.2 Responses to the consultation are summarised below. The Working Groups' consideration of the responses is set out in Section 5 below.

Do you understand the intent of DCP 050 and are you supportive of its principles?

- 3.3 All respondents confirmed that they understood the intent of the Change Proposal. The majority of respondents indicated that they are broadly supportive of the principles. Two parties questioned whether the CP is required to affect the stated intent noting that such meetings could be convened on a voluntary basis outside the DCUSA.

Does the proposed CP better facilitate the DCUSA Objectives?

- 3.4 6 respondents indicated that Objective 2¹ could be better facilitated by the Change Proposal. However 1 respondent, whilst recognising the potential benefits, noted this would only be achieved if all suppliers had equal access to the information. The respondent questioned whether the CP would benefit smaller suppliers would benefit equally if they lacked the resource to participate in the teleconferences.
- 3.5 1 respondent noted that Objective 3² could be better facilitated as DNOs have a Licence obligation not to discriminate between suppliers. DCP 050 will ensure that DNOs treat all suppliers equally they will be obliged to invite all suppliers to attend a meeting/teleconference to discuss the cost information.
- 3.6 1 respondent stated that they do not consider that the implementation of the CP would better facilitate any of the DCUSA Objectives.

What do you consider the benefits / risks of implementing the CP?

- 3.7 Only 1 party identified any risks in implementing the CP. The party stated that there is increased risk of excluding small and new-entrant suppliers if they do not have the resource required to participate in the meetings.
- 3.8 Respondents identified the benefits of the proposal as follows:
- The CP will ensure that Distributors treat all Suppliers equally.
 - The ability to question DNOs on the assumptions made in preparing the cost information will help Suppliers when using the cost information for forecasting purposes.
 - Understanding the reasons for changes in the data between submissions will also assist Suppliers in preparing more accurate forecasts of costs and reducing uncertainty.
- 3.9 1 party questioned whether the benefits could be equally achieved under a voluntary arrangement facilitated by the ENA.

Do you expect to incur any costs to implement the CP?

- 3.10 The majority of respondents, both Supplier and Distributor, indicated that they would incur some costs in hosting and participating in the meetings but confirmed that such costs are minor and immaterial.

Do you support the proposed implementation date of 25 February 2010?

- 3.11 6 respondents confirmed that they are supportive of the implementation date. 1 respondent indicated that they did not support the date but did not provide any further information or suggest an alternative date.

¹ 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.

² The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences

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

- 3.12 1 respondent recommended that the Working Group consider whether the requirement to hold a meeting / teleconference within 10 WD of sending the data to the Secretariat is too onerous. The respondent recommended that a more practicable solution would be for Companies to issue a notice of a meeting/teleconference within 10WD of sending the completed table to the Secretariat, with that meeting/teleconference to be held within [20WD].

Please state any other comments or views on the Change Proposal

- 3.13 1 respondent commented that arranging meetings / teleconferences on a voluntary basis has had limited success to date and that a formal obligation is required within the DCUSA.
- 3.14 1 respondent recommended that the Working Group should consider whether the requirement to hold a meeting / teleconference within 10 WD of submission of the data is too restrictive and recommended it be extended to 15 WD.

4 WORKING GROUP CONCLUSIONS

- 4.1 The Working Group concluded that it is supportive of the intent of DCP 050.

DCP 050 better facilitates the relevant DCUSA Objectives

- 4.2 The Working Group concluded that both variations of DCP 050 better facilitates the following DCUSA Objectives:
- 4.3 Objective 2: The CP better facilitates competition by enabling suppliers to improve accuracy of their forecast and assessments through the provision of greater certainty of future charges, both within the immediate price control and subsequent price control. Suppliers will be able to compete more effectively due to the additional clarity this proposal will provide.
- 4.4 Objective 3: DCP 050 will ensure that DNOs act in accordance with their Licences by ensuring that they treat all suppliers equally by invite them all to attend a meeting/teleconference to discuss the cost information.

There is value in mandating the requirement in the DCUSA

- 4.5 The Working Group noted that 2 respondents to the consultation questioned whether DCP 050 is required noting that (a) there is nothing preventing those parties who wish to hold discussions with Distributors following receipt of the DCP30 information from doing so and (b) that DNOs (through the DCMF) are proposing to set-up voluntary teleconferences, which will be organised and co-ordinated by the ENA. The Working Group concluded that both processes are voluntary arrangements which may not be followed by all DNOs unless the requirements are mandated. The Working Group noted that to date very few DNOs have held such meetings on a voluntary basis³ and as such concluded that a mandatory obligation is required. It therefore

³ Data provided by British Gas indicates that following the publication of the latest Cost Information in early October only 2 DNOs have arranged a teleconference to discuss the reports.

concluded that there is value in mandating the requirements in the DCUSA in order to achieve the recognised benefits of the teleconferences.

The proposal for the meetings to be facilitated under the DCMF provides a mechanism by which DNOs can fulfil their DCUSA obligations

- 4.6 The Working Group noted that a proposal for the teleconferences to be facilitated under DCMF for a 12 month trial period is being considered by the DNOs. The Working Group confirmed its support for the proposal and agreed that these meetings could be used by DNOs could fulfil the DCUSA obligation that will be introduced by DCP 050.

The benefits of implementing the CP outweigh any perceived risks

- 4.7 The Working Group concluded that the one risk identified in the consultation responses. was unfounded. The Working Group noted that one party had argued that the implementation of the CP would increase the risk of excluding small and new-entrant suppliers who won't have the resources needed to access and use the information. The Working Group agreed that DCP 050 does not replace the DCP 030 requirement for Distributors to publish data and that this data will continue to be made available to all suppliers equally via the DCUSA website. The Working Group noted that all suppliers will have equal opportunity to participate in the teleconferences which will aid their understanding and that the Change Proposal benefits all Suppliers making it easier for them to obtain information from the DNOs.
- 4.8 The Working Group agreed that the benefits of the Change Proposal are that all suppliers will be treated equally regarding the provision of information and that DNOs will be able to explain, in a non-discriminatory manner, the rationale behind any information provided. This will help suppliers improve the accuracy of their forecasts and assessments and also provide greater certainty of future distribution charges. In addition understanding the reasons for changes in the data between submissions will also assist suppliers in preparing more accurate forecasts of costs and reducing uncertainty.

Parties will incur minimal costs as a result of implementing the CP

- 4.9 The Working Group concluded that the only costs associated with the CP will be those associated with hosting / participating in meetings and that such costs are immaterial.

The timescales in the CP should be extended

- 4.10 The Working Group agreed that the timescales for arranging meetings should be extended to 20 Working Days from the publication of the cost information. The Working Group noted that all Parties will be aware of the publication dates well in advance and that the extended timescales should allow DNOs schedule meetings on a pragmatic basis such that they do not clash with one another.

The implementation date of 25 February 2010 is appropriate

- 4.11 The Working Group concluded that the proposed implementation date of 25 February 2010 is appropriate but that DNOs could arrange the meetings on a voluntary basis for the January 2010 data if they chose to do so.

5 WORKING GROUP RECOMMENDATION

- 5.1 The Working Group recommended that the Change Report should be issued to all Parties for 10 Working Days. No alternative proposals have been submitted.

6 PROPOSED AMENDMENT AND LEGAL DRAFTING

- 6.1 The proposed legal drafting of DCP 050 has been reviewed by Wragge and Co and is attached as Appendix A.

7 PANEL RECOMMENDATION

- 7.1 The Panel approved the DCP 050 Change Report on 18 November 2009. The Panel supported the conclusions reached by the DCP 050 Working Group.
- 7.2 In accordance with Clause 12.4 of the DCUSA the Panel has determined that DCP 050 should be issued to all Parties for voting for a period of 10 Working Days.
- 7.3 The timetable for the progression of the Change Proposal is set out below:

ACTIVITY	DATE
Party Voting	23 November – 07 December
Change Declaration	08 December
Authority Consent	09 December – ~27 January ⁴
Implementation	25 February 2010

Appendices:

- A. DCP 050 – Legal Text
- B. Voting Form

⁴ This is an approximate timescale to allow for the holiday season.