

<b>DCUSA CHANGE REPORT</b>	
<b>CHANGE PROPOSAL</b>	Establishment of a regular billing cycle for site specific billing
<b>DATE OF ISSUE</b>	21 August 2008
<b>ISSUED TO</b>	DCUSA Contract Managers Ofgem
<b>PARTIES ENTITLED TO VOTE</b>	All Supplier and Distributor parties
<b>RETURN DEADLINE (Voting End Date)</b>	11 September 2008 – <a href="mailto:DCUSA@electralink.co.uk">DCUSA@electralink.co.uk</a>

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA. The Change Report details DCP 017 – Establishment of a regular billing cycle for site specific billing. 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 B and submit votes using the form attached as Appendix D to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by 11 September 2008.

## 2 BACKGROUND

- 2.1 DCP 017 was raised by E.ON UK on 28 February 2008 and is attached as Appendix A. The CP was considered by the DCUSA Panel at its meeting on 19 March 2008. The Panel assessed as a standard (non urgent) CP impacting Part 2 provisions in accordance with Clause 9.5 of the Agreement. The Panel directed that the CP should be progressed through the Definition Procedure and established the DCP 017 Working Group to assess and develop the proposal.

## 3 SUMMARY OF DCP 017

- 3.1 DCP 017 seeks to establish a limitation on the frequency of billing for those sites which are billed on a site specific basis. The CP seeks to document an agreed standard for all Parties, and in particular any new Parties, to follow.
- 3.2 The Proposer considers that the CP does not seek to change the status quo, or create new obligations or barriers, but that the clarification provides a reflection of the current situation of a competitive electricity Supply and Distribution market. The Proposer considers that the CP will better facilitate Objective 4<sup>1</sup> of the DCUSA and will introduce a number of benefits to Parties including:
  - Decrease in resource and costs associated with administering and processing site specific invoices
  - Decrease in resource and costs associated with administering and processing cash control items and remittances relating to these invoices
  - Improved cash flow forecasts' accuracy
  - Improved Credit Cover position forecasts' accuracy
  - More valuable time will be spent on investigating and addressing invoice validation issues

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<sup>1</sup> "The promotion of efficiency in the implementation and administration of this Agreement"

## 4 DCP 017 WORKING GROUP

4.1 The DCUSA Panel established a Working Group to consider the Change Proposal. The DCP 017 Working Group comprised the following members:

- Francesca Dixon – Independent Power Networks Limited
- Glenda Simons – The Electricity Network Company
- Glenn Sheern – E.ON UK
- Haz Elmamoun – E.ON UK
- Janice Thompson – ScottishPower Energy Retail
- John Lawton – Electricity North West Limited
- Patrick Bibby – RWE Npower
- Steve Musiol – EDF Energy Networks
- Tony Savka – Electricity North West Limited

4.2 The Working Group met 5 times to consider the CP and assess it against the DCUSA Objectives. The minutes of the Working Group meetings are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).

## 5 WORKING GROUP CONSIDERATIONS

- 5.1 The Working Group noted that the intention of the CP is to achieve greater efficiencies for Parties. The Working Group considered that a reduction in the frequency of invoices issued by Distributors would reduce the administrative burden on Suppliers involved in processing the invoices and payments. The Working Group also considered that reducing the frequency of site specific billing should lead to efficiencies for Distributors by reducing the number of payments that require tracking. The Working Group agreed that different types of invoices (e.g. Half Hourly, Unmetered and Non Half Hourly Maximum Demand (MD) sites) could be sent in different files but that the preferred option was for HH and NHHMD to be batched together. Members agreed that the principle of the CP was to reduce the overall frequency of account submissions.
- 5.2 The Supplier representatives at the Working Group agreed that the administration required to process frequent submissions and the amount of time dealing with administrative queries in relation to frequent billing was inefficient and results in a cost increase for processing payments. Working Group members noted that Suppliers are forced to batch payments as it is not economically viable to pay each bill separately and that bringing forward payment results in a reduction in the time available to Suppliers to validate the invoices.
- 5.3 The Working Group considered that all Distributors are potentially impacted by the CP, but noted the view of one member who will be significantly impacted by the proposal. The Distributor Party considered that the process

it currently follows is more efficient than the proposed change as it reduces the number of disputes and queries. Supplier representatives suggested that there is no evidence to suggest that disputes are reduced by more frequent billing and that any issues would be resolved in the next billing run. The Working Group agreed that it would ask all Distributor Parties to consider whether they would be impacted by the proposal as part of the consultation exercise.

- 5.4 The Working Group noted that as soon as this particular Distributor receives data it validates the data and, where the data passes the validation, generates a bill on a daily basis. The Working Group considered that the operation of this process means that the Distributor carries out a thorough validation process on the data it receives and does not issue a bill until it is confident it is fit for purpose which it believes minimises data and billing disputes.
- 5.5 The Working Group considered whether a Distributor could reduce the number of billing runs and frequency of submissions by reducing the level of data validation it performs. However it concluded that although this may be the case, the amount of validation required by Suppliers would increase as would the number of disputes. The Working Group agreed that it did not wish to reduce the level of validation carried out by Distributors.
- 5.6 The Working Group considered whether it would be possible to allow all Distributors to operate their systems as they chose, i.e. data validation and generation of invoices, but to either limit the frequency with which the invoices are issued to Suppliers, or amend the payment terms for Suppliers. The Working Group considered that the latter proposal would require a fundamental change to the DCUSA but that the former may be viable.
- 5.7 One Distributor member indicated that the former option would require a significant system change for their organisation. The Party also considered that in its opinion it was likely that the proposal would significantly impact Credit Cover arrangements for Suppliers with which it operates, although this view was not shared by all Supplier representatives. The Distributor member noted that for the NHH MD sites it currently sends out invoices over a number of weeks based on the read cycle of the Supplier's Data Collector. Members considered that should the invoices be sent out on the same day this may affect the credit cover arrangements.
- 5.8 The Working Group agreed that it was satisfied that it understood the intent of the CP - to reduce the frequency with which site specific submissions that are sent to Suppliers in a month - but that the drafting needed to be developed to find a position to meet the needs of all industry participants as far as possible. At its meeting on 30 May the Working Group revised the drafting of the legal text to minimise the impact on Distributor Parties but to reach a consensus position to address the issues facing Suppliers. The Proposer confirmed that it was supportive of the Working Group drafting and agreed that it should be issued for Consultation but reserved the right to progress the original CP depending on the outcome of the Consultation responses.
- 5.9 The Working Group further considered the status of the CP noting that it had been raised as a Part 2 matter. The Proposer indicated that it believed that the proposal should be classified as a Part 1 matter in accordance with Clause 9.4.3 of the DCUSA and members considered that Clause 9.4.2 may

also apply. The Working Group agreed to seek opinions from Parties as part of the consultation.

- 5.10 In accordance with Clause 11.17 of the DCUSA the Working Group agreed that DCP 017 should be put forward for consultation.

## **6 DCP 017 CONSULTATION**

- 6.1 The DCP 017 Consultation was issued to all DCUSA Contract Managers for a period of 10 Working Days and 11 responses were received. The consultation responses are attached as Appendix C.
- 6.2 5 Parties considered that DCP 017 better facilitated the DCUSA Objectives, 4 Parties considered that the DCP 017 does not better facilitate the DCUSA Objectives while 1 Party considered the CP to be neutral when assessed against the DCUSA Objectives. Of the responses which indicated which objective was better facilitated all but one response identified Objective 4. 1 respondent identified and considered that Objective 2 is better facilitated by the CP.
- 6.3 8 responses positively confirmed that no alternative drafting was required. 1 respondent suggested a compromise solution to increase the maximum number of billing runs to allow DNOs to invoice suppliers on a weekly basis and 1 respondent proposed an alternative drafting to remove the restriction on Distributors as to when they can bill if actual metering data is not received by them. 1 Party maintained that there is no need for any amendment to the DCUSA.
- 6.4 2 Parties considered they would incur costs as a result of the implementation of this CP. 1 Party considered they would suffer cash flow issues and another party considered they would incur significant systems costs.
- 6.5 Of the 11 responses received from Parties, 9 had confirmed they could achieve the proposed implementation date. 2 Parties noted that they would not be able to achieve the proposed implementation date although neither provided an alternative date.
- 6.6 The majority of respondents considered that the CP may be considered a Part 1 matter in accordance with Clause 9.4 of the Agreement. One respondent indicated that they considered that the CP is likely to discriminate between DNO parties and therefore should be considered as a Part 1 matter in accordance with Clause 9.4.3. However another Party considered that the effect of the CP will apply to all DNO parties equally as it will limit the frequency of site specific billing that can take place within each month and that therefore it did not discriminate against any one Party. 1 Respondent recognised that as currently drafted the provisions of the DCUSA are Part 2 but that the proposed amendment could be considered to impact Clause 9.4.2 as it proposes a restriction on how a Distributor can undertake such an activity.
- 6.7 A number of Parties recognised that whilst there may be some impact on credit cover for Suppliers the change overall would benefit them. The

majority of Distributors indicated that there would be no impact on the credit cover for their organisations.

- 6.8 Of the 11 responses received 6 considered that the business justification as drafted in the CP are appropriate while 5 respondents did not consider them to be appropriate. The majority of parties recognised the benefit of the CP
- 6.9 Responses were received from Distributors of which 6 confirmed there would be no systems impacts. The other 2 respondents confirmed that they would have a systems impact with one providing a detailed view of the impact while the other did not provide any details of such impact.

## **7 WORKING GROUP CONCLUSIONS**

- 7.1 The Working Group considered whether DCP 017 better facilitated the DCUSA Objectives. The Working Group considered Objective 4 (as put forward in the Change Proposal) and Objective 2 (as suggested in the consultation responses) and their relevance to DCP 017. The group reached a split position on both objectives with 4 out of 6 members considering that objective 2 was better facilitated and 3 out of 6 members considering that objective 4 was also better facilitated. The Working Group concluded that Objective 2 was better facilitated by DCP 017.
- 7.2 The Working Group considered the alternative drafting put forward in the consultation and discussed whether further amendments were required to the drafting. The Working Group agreed to seek legal advice as to the most appropriate drafting but agreed that it was minded to put a single variation through to voting.
- 7.3 The Working Group noted that 1 Party objected to the progression of the CP and the proposed implementation date because of the significant level of systems and business process impacts the CP would have on its business and the timescales required to implement the required changes. The Working Group considered that as the majority of respondents had supported the proposed implementation date of November 2008 it should stand, noting the derogation process set out within the DCUSA.
- 7.4 The Working Group considered that as DCP 017 had been assessed by the Panel as relating only to Part 2 provisions its status could not be altered by the group. The Working Group noted that the DCUSA process did allow for Ofgem to change the status of a CP but only up to the Report Phase. The Working Group noted that OFGEM had been invited to attend the Working Groups and their attendance would have been beneficial in providing guidance on matters such as classification of CP's.
- 7.5 The Working Group concluded that in aggregate there would be no material impact on credit cover as a result of the implementation of this CP.

## **8 PROPOSED AMENDMENT AND LEGAL DRAFTING**

- 8.1 Following its review of the consultation comments the Working Group considered that the proposed legal drafting could be further refined and issued the proposed variation to Wragge and Co for legal review.
- 8.2 The proposed amendment to the DCUSA in support of DCP 017 was approved by the Working Group at its final meeting. The Legal Drafting is attached as Appendix B.

## 9 PANEL RECOMMENDATION

- 9.1 The content of this Change Report was approved by the Panel on 20 August 2008.
- 9.2 In accordance with Clause 12.4 of the DCUSA the Panel has determined that the CP should be issued to all parties for a period of 15 Working Days.
- 9.3 The timetable for the progression of the Change Proposal is set out below:

Date	Activity	Purpose	Responsibility
21 August	Change Report Issued	Change Report issued to all parties for 15 WD	Secretariat
11 September	Voting End Date	Last date for submission of votes	Parties
12 September	Change Declaration	Outcome of voting published to parties and Authority	Secretariat
17 October	Authority Determination	Authority to accept / reject CP following recommendation from parties	Ofgem
06 November	DCUSA Release	DCUSA updated to reflect CP drafting (if approved by Authority)	Secretariat

### Appendices:

- A. DCP 017 Change Proposal
- B. DCP 017 Legal Drafting
- C. Consultation Responses
- D. DCP 017 - Voting Form