

<b>DCUSA CHANGE REPORT</b>	
<b>CHANGE PROPOSAL</b>	DCP 009 - Distribution Standard Licence Condition 4a review
<b>DATE OF ISSUE</b>	20 December 2007
<b>ISSUED TO</b>	DCUSA Contract Managers Ofgem
<b>PARTIES ENTITLED TO VOTE</b>	All Supplier, DNO and IDNO Parties
<b>RETURN DEADLINE (Voting End Date)</b>	16 January 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 009 - Distribution Standard Licence Condition 4a review. 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 and submit votes using the form attached as Appendix I to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by 16 January 2008.

## 2 BACKGROUND

- 2.1 DCP 009 was raised by United Utilities Electricity Limited on 04 October 2007. The CP was considered by the DCUSA Panel at its meeting on 17 October 2007. The Panel determined that the CP was a non-urgent Part One change that should be progressed through the Definition Procedure.
- 2.2 The DCUSA Panel established a Working Group DCP 009 to consider the Change Proposal. The Working Group initially met by teleconference on 06 November 2007 to consider DCP 009 and evaluate it against the applicable DCUSA Objectives.<sup>1</sup>
- 2.3 The content of this Change Report was approved by the Panel on 19 December 2007.

## 3 SUMMARY OF DCP 009

Raising Party	United Utilities Electricity Limited
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<sup>1</sup> The papers and minutes of all Working group meetings are available on the DCUSA Website – [www.dcusa.co.uk](http://www.dcusa.co.uk)

CP Status	Standard (non urgent)
Change Synopsis	This change proposal provides for: <ul style="list-style-type: none"> <li>• an amendment to the definition of the Relevant Charging Statement;</li> <li>• consequential changes to ensure that Cover is provided for all services within the agreement; and</li> <li>• an amendment to differentiate between Use of System Charges and other Charges</li> </ul>
Parties Impacted	DNOs, IDNOs and Suppliers
Part 1 / Part 2	Part 1
Authority Consent	Required
Proposed Implementation	February 2008

#### 4 DCP 009 WORKING GROUP

4.1 The DCP 009 Working Group comprised the following members:

- Frank Welsh – United Utilities Electricity Ltd
- Glenn Sheern – E.ON UK
- John Lawton – United Utilities Electricity Ltd
- Jonathan Purdy – EDF Energy Networks
- Lorna Gibb – Scottish Power Energy Retail
- Mark Askew – Ofgem (Observer)
- Mark Field – RWE Npower
- Mike Smith – Western Power Distribution
- Nicholas Rubin – Ofgem (Observer)

4.2 The Working Group met 4 times to assess and develop the CP. The minutes of the meetings are attached as Appendices A, B, C and D.

4.3 At the first meeting on 06 November 2007 the Working Group approved its Terms of Reference (Appendix F) and assessed the CP. The group noted that the Licence Condition 4a Statement is expected to be modified and produced in readiness for April 2008 and that DCP 009 has been raised to introduce the necessary amendments to the DCUSA to facilitate the SLC 4a changes.

4.4 The Working Group noted that the CP had been drafted to facilitate the introduction of the revised SLC 4a documents and did not seek to amend any existing processes under the DCUSA but rather seeks to maintain the

status quo by ensuring that all services provided under the DCUSA are subject to cover arrangements.

- 4.5 One member of the Working Group suggested that the group should use the opportunity to discuss whether the current cover provisions and related processes are appropriate. The member noted that as miscellaneous charges can be more volatile than UoS charges suppliers need more time to validate the invoices before payment. The member recommended that the scope of the CP be broadened to consider these processes.
- 4.6 The group considered that the intent of the CP was to facilitate the introduction of the revisions to SLC 4a and that it did not seek to make any changes to existing processes. It agreed that the CP should add clarity and transparency to existing processes as all types of charges will be captured in the charging statements.
- 4.7 Members agreed they were willing to explore ways to improve the process outside the Working Group but felt that the issue was not directly relevant to the development of DCP 009. The group concluded that the drafting of the CP was specifically focussed and it was not appropriate to extend the scope into other areas that were not essential to the development of the CP. The group noted that the suggestion put forward by the group member looked at a much wider scope and that whilst recognising the validity of the issue recommended it should be progressed through a separate CP if necessary.
- 4.8 The Working Group determined that DCP 009 should be issued to all Parties for Consultation on 13 November 2007 for a period of 10 Working Days.
- 4.9 At its second meeting on 30 November 2007, the Working Group reviewed the Consultation Responses and directed the Secretariat to draft the Change Report. The group considered the drafting of the original CP and one member put forward an alternative drafting. The group agreed that the original drafting as well as the alternative drafting would be submitted for legal review. Members agreed that based on the legal review the group would put forward one variation which is attached as Appendix H.
- 4.10 At its third meeting on 12 December the Working Group reviewed the legal drafting provided by Wragge and Co. The group agreed that the definition of Use of System Charges should align to charging statement produced under Licence Condition 4a of the Distribution Licence. The group therefore agreed that the DCUSA drafting would need to differentiate between Use of System Charges and other charges because (subject to the Authority approval) from 01 April 2008 the SLC 4a statement will relate only to Use of System charges.
- 4.11 A revised version of the legal text was circulated on 13 December 2007 and an updated version was subsequently issued on 17 December 2007. The Working Group met by teleconference on 17 December to agree the final drafting subject to approval by Wragge and Co. The group agreed that the drafting should reflect the current status where charges under the MRA, BSC and CUSC are covered by UoS but also to future proof the document to cover off any future changes where ancillary services may be charged directly to suppliers. The Working Group agreed that the definition of UoS charges would be directly aligned with that in the 4a statement.

- 4.12 The proposed drafting, as drafted by Wragge and Co and approved by the Working Group on 18 December 2007 is set out in Appendix H. The group also approved the content of the Change Report for submission to the DCUSA Panel on 19 December.

## 5 DCP 009 CONSULTATION

- 5.1 The DCP 009 Consultation was issued to all DCUSA Contract Managers on 13 November for a period of 10 Working Days. Five responses were received by the closing date of 27 November and one late response was received. The group agreed to consider all responses at its meeting on 30 November. The consultation responses are attached as Appendix G.

## 6 WORKING GROUP CONCLUSIONS

- 6.1 The Working Group reviewed the consultation responses at its meeting on 30 November 2007. The group noted that all but one of the responding Parties was supportive of the proposed change solution and implementation date. Two Parties stated that they expected to incur minor costs in implementing the CP but were supportive of the change going forward.
- 6.2 The group noted that the majority of respondents considered that DCUSA objective 3.1.3 *"The efficient discharge by distributors of the obligations imposed upon them by their licence"* is better facilitated by DCP 009. The group agreed with the consultation responses noting that objective 3.1.3 was better facilitated by:
- providing further clarity, consistency and transparency of the services covered by the Relevant Charging Statements; and
  - implementing an enduring solution to facilitate the enhanced regime being put into place by the revision to the SLC 4a statement.
- 6.3 Members discussed the comments raised by the Party who was not supportive of DCP 009. The group noted that the Party suggested that the definition of Miscellaneous Services was too wide and would leave Suppliers exposed to any new charges being imposed without agreement. The group agreed that this was not the intention of the CP and noted that the proposal should be read in conjunction with the existing DCUSA framework and text. The group noted that Clause 19.1 of the DCUSA states that only services detailed in the DCUSA will be subject to charges. Any services not listed in the DCUSA would have to be agreed in a separate bi-lateral agreement which could either refer to the payment mechanism in the DCUSA or have different terms agreed, or would need to be introduced into the DCUSA via the Change Process,.
- 6.4 The group noted that the same Party stated that it would incur costs as "any new charges falling within the scope of Miscellaneous Charges will now require credit cover". The group again considered that this would not be the case as the CP seeks to maintain the current position where any charges in the statement and the DCUSA already require credit cover. Any new services would only require credit cover if they were introduced to the

DCUSA via a CP or agreed through a separate bi-lateral agreement. The group agreed that it was satisfied that industry systems and processes will ensure that no new services can be added without the agreement of Parties and that the process was sufficiently transparent.

- 6.5 The Working Group provided a formal response to the Party via its Technical Secretary. The Party confirmed that it was satisfied with the response and that its concerns had been addressed.

## **7 PROPOSED AMENDMENT AND LEGAL DRAFTING**

- 7.1 The proposed amendment to the DCUSA in support of DCP 009 has been drafted by Wragge and Co. The proposed amendment is attached as Appendix H.

## **8 TIMETABLE**

- 8.1 In accordance with Clause 12.4 of the DCUSA the Panel has determined a 10 Working Day voting period.

- 8.2 The timetable for the progression of the Change Proposal is set out below:

<b>Date</b>	<b>Activity</b>	<b>Purpose</b>	<b>Responsibility</b>
20 December	Change Report Issued	Change Report issued to all Parties for 10 WD	Secretariat
16 January	Voting End Date	Last date for submission of votes	Parties
17 January	Change Declaration	Outcome of voting published to Parties and Authority	Secretariat
20 February	Authority Determination	Authority to accept / reject CP following recommendation from Parties	Ofgem
28 February	DCUSA Release	DCUSA updated to reflect CP drafting (if approved by Authority)	Secretariat

**Appendices:**

- A. DCP 009
- B. DCP 009 Working Group Meeting Minutes
- C. DCP 009 Working Group Meeting Minutes
- D. DCP 009 Working Group Meeting Minutes
- E. DCP 009 Working Group Minutes
- F. DCP 009 Working Group Terms of Reference
- G. DCP 009 Consultation Responses
- H. DCP 009 Legal Drafting
- I. DCP 009 - Voting Form