

| <b>DCUSA CHANGE REPORT</b>               |  |
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| <b>CHANGE PROPOSAL</b>                   | DCP 003  |
| <b>DATE OF ISSUE</b>                     | 08 May 2007  |
| <b>ISSUED TO</b>                         | DCUSA Contract Managers  |
| <b>PARTIES ENTITLED TO VOTE</b>          | All Supplier, DNO and IDNO Parties   |
| <b>RETURN DEADLINE (Voting End Date)</b> | 30 May 2007 – <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 003 - Communication re Damage or Interference. The voting process for the proposed variation and the timetable of the progression of the 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 E to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by 30 May 2007.

## 2 BACKGROUND

- 2.1 DCP 003 was raised on 11 April 2007 and submitted to the Panel on 18 April 2007. DCP003 was assessed as an urgent change as it is linked to an imminent date-related event – the planned withdrawal an obligation as part of the Supply Licence Review. The Panel determined that the CP should be entered into the Assessment Phase and requested that the CP be progressed through the Definition Process. The CP impacts Part 1 Matters and is subject to Authority Consent.
- 2.2 The content of the Change Report was approved by the Panel on 04 May 2007.

## 3 SUMMARY OF DCP 003

|                 |  |
|-----------------|--|
| Raising Party   | EDF Energy Networks  |
| CP Status       | Urgent   |
| Change Synopsis | This change proposal introduces a new sub-clause to Clause 30 to oblige the supplier to inform the distributor of any damage to his equipment or any interference with metering to cause it to be inaccurate. This contractual obligation replaces parts of an existing supply licence condition which |

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|-------------------------|--|
|                         | are to be removed as part of the wider programme of supply licence modifications due to be made by Ofgem with effect from June 2007. They are being removed from the supply licence because they are concerned with the mechanics of the relationship between suppliers and distributors and are therefore better dealt with in DCUSA. |
| Parties Impacted        | Distributors, Suppliers and IDNOs.   |
| Part 1 / Part 2         | Part 1   |
| Authority Consent       | Required   |
| Proposed Implementation | 28 June 2007   |

#### 4 DCP 003 WORKING GROUP

4.1 The DCP 003 Working Group comprised the following members:

- Chris Allanson (Chair)
- Peter Waymont
- Bill Gunshon
- Craig Neill
- Glenn Sheern
- Kevin Woollard
- Rosie McGlynn
- Nigel Nash (Ofgem Representative)
- Steve Mackay (Ofgem Representative)

4.2 The Working Group met two times by teleconference. The minutes of each meeting are attached as Appendices B and C.

4.3 At its first meeting on 25 April 2007 the Working Group approved its Terms of Reference (Appendix D) and assessed DCP 003.

4.4 The group noted SLC 16 places obligation on Suppliers to take reasonable steps to detect and prevent the theft of electricity and damage to electrical plants and interference with meters, and that it requires Suppliers to inform the relevant DNOs if they believe that there has been any such damage or interference. The group noted that the Supply Licence Review Group has recommended that Clauses 16.2, 16.3, and 16.4, which relate to the communication between Suppliers and DNOs where damage is discovered, are removed from the licence and added to the DCUSA.

4.5 Members agreed they were supportive of the principle of the CP but needed to establish how the remedies under the DCUSA would differ from that

under the Licence and to update the proposed drafting to reflect the current market structure.

- 4.6 The second meeting of the DCP 003 Working Group was held on 01 May 2007. Members agreed that the proposal should be based on maintaining the current status quo by moving the obligation to report incidences of damage or interference to metering equipment from the Supply Licence to the DCUSA. It was agreed that the proposal does not seek to make a fundamental change to the existing obligation but has been updated to reflect market conditions and current DCUSA drafting.
- 4.7 Members agreed that the disputes and arbitration processes set out in the DCUSA provide suitable remedies for any breach of the requirement. It further agreed that the obligation relates solely to the reporting of damage or interference to metering and DNO connection equipment and does not relate to Revenue Protection activities. It was agreed that the title of the CP should be amended to reflect the limited scope of the CP.

## **5 WORKING GROUP CONCLUSIONS**

- 5.1 The Working Group approved the drafting put forward in version 0.2 of DCP 003 (subject to legal review).
- 5.2 The Working Group unanimously agreed that Suppliers, DNOs and IDNOs should be entitled to vote on the CP.
- 5.3 The Working Group agreed the proposed implementation date of 28 June 2007. Members noted that if the change is approved and implemented on 28 June there may be a short period of time when the obligation is contained in both the DCUSA and the Supply Licence. Ofgem representatives confirmed that if statutory objections prevented the removal of the obligation from the licence, approval of DCP 003 would not be granted.
- 5.4 The Working Group considered whether it believed that overall the CP better facilitated the relevant DCUSA Objectives. It agreed that Objective 3.1.1 - the development, maintenance and operation of efficient co-ordinated and economical networks – would be improved by damage theft being detected and corrected. Members agreed that the efficient discharge by Distributors of the obligations imposed upon them by their licence is assisted by good and efficient Supplier reporting of incidents of damage and good and efficient Distributor compliance with Suppliers' remedial policies.
- 5.5 It was further agreed that the obligation to report the occurrence of interference or damage to equipment reduces electrical safety risks to customers of damaged equipment. The group noted that, for example, exposed electrical connections due to physical interference, interference and damage can result in under recording of electricity consumption, leading to inefficiencies due to rectification costs and increased network losses and that such interference may be due to deliberate attempted theft of energy driving the need for revenue protection activity and remedial action.
- 5.6 The Working Group concluded that the obligation to report incidences of damage and interference to metering equipment is a sensible and necessary

requirement that should be maintained and that it is better placed in the DCUSA than in the Supply Licence.

## 6 PROPOSED AMENDMENT AND LEGAL DRAFTING

- 6.1 Following approval by the Working Group the proposed legal drafting of DCP 003 was issued to Wragge and Co. for legal review. The proposed amendment to Clause 30 and Schedule 7 of the DCUSA in support of DCP 003 is set out in Appendix A.
- 6.2 Wragge and Co. has confirmed that no consequential changes elsewhere in the document are necessary.
- 6.3 The Working Group has confirmed that it is satisfied with the drafting provided by Wragge & Co.

## 7 TIMETABLE

7.1 In accordance with Clause 12.4 of the DCUSA the Panel has determined a 15 Working Day voting period.

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

| Date    | Activity                | Purpose   | Responsibility |
|---------|-------------------------|---|----------------|
| 08 May  | Change Report Issued    | Change Report issued to all Parties for 15 WD                         | Secretariat    |
| 30 May  | Voting End Date         | Last date for submission of votes                                     | Parties        |
| 31 May  | Change Declaration      | Outcome of voting published to Parties and Authority                  | Secretariat    |
| 20 June | Authority Determination | Authority to accept / reject CP following recommendation from Parties | Ofgem          |
| 28 June | DCUSA Release           | DCUSA updated to reflect CP drafting (if approved by Authority)       | Secretariat    |

### Appendices:

- A. DCP 003 v1.0
- B. DCP 003 Working Group Minutes (25/04/07)
- C. DCP 003 Working Group Minutes (01/05/07)
- D. DCP 003 WG Terms of Reference
- E. DCP 003 - Voting Form