

DCUSA CHANGE DECLARATION**DCP 146 - HH Invoice Runs****VOTING DATE: 7 December 2012**

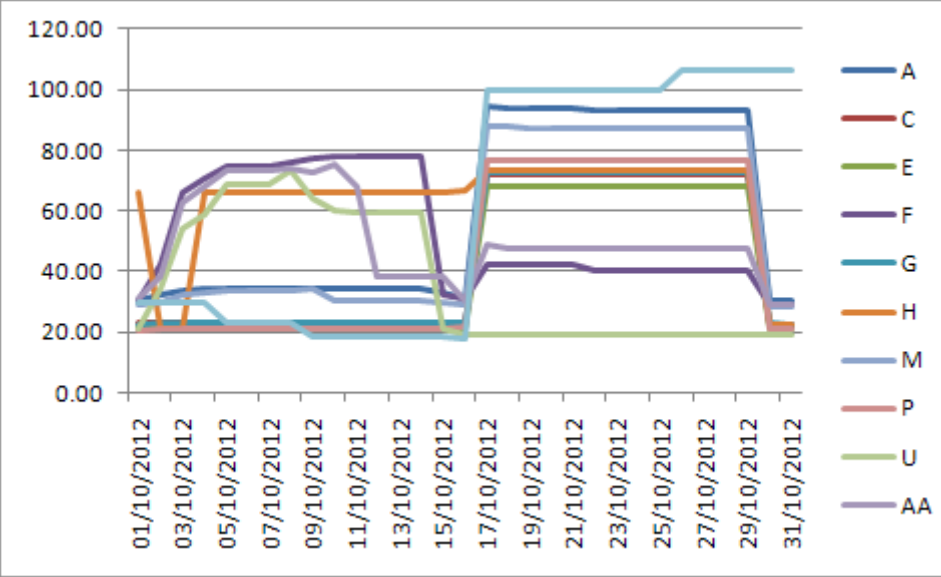
DCP 146	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Reject	Accept	Accept
IMPLEMENTATION DATE	Reject	Accept	Accept
RECOMMENDATION	<p>Change Solution – REJECT. In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was less than 50% in all Categories.</p> <p>Implementation Date – REJECT. In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was less than 50% in all Categories.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
DNO PARTIES			
Electricity North West Ltd	Reject	Reject	<p>Any change proposal raised is measured against the DCUSA objectives be they general, connection or charging objectives.</p> <p>We have requested throughout for evidence to justify the changes being suggested in the suite of billing change proposals, with limited success (it is our understanding that the second consultation we requested was undertaken at Ofgem's behest).</p> <p>We can therefore only judge the change on the evidence provided. Such evidence is more perception rather than any actual cost savings. We have challenged such perceptions.</p> <p>We have provided strong arguments within the consultation responses, and within DCP017, which was an earlier change proposal covering the same area. It would be helpful if Ofgem review the previous change proposal as part of this determination. We therefore are not making the same representation here as they are contained within the pack provided to Ofgem, apart from some challenges to the working group conclusions and the Change Report document since this is the first opportunity made available to us.</p> <p>We provided a cost that this change proposal will have on our business and identified areas were we believe that suppliers may encounter issues with the revised process. These seemed to have been dismissed.</p> <p>When considering the Change Report section covering the objectives it is interesting to note that the table only reflects those supporting the objective and you need to look at the document and the responses to the consultations to see that this is not the full picture.</p>

		<p>Also the table does not reflect those who believed that this change proposal didn't facilitate other objectives. An area of concern highlighted later in this response.</p> <p>It would have been helpful to understand what the majority percentage was against each of the objectives. This was omitted.</p> <p>The rationale for better facilitating the DCUSA objectives, after all the consultation responses were reviewed and responded to, resulted in the same wording being used to that of the change proposal. There seems to be a trend here when you consider the suite of billing change proposals now at the voting stage.</p> <p>Regarding our response to general objective 1, we made an argument to state that there was a negative impact on this objective. The working group response was that our argument does not stand because it impacts the distribution business and not the network. In our opinion we have a licence to operate the network; such a network needs to be paid for. This is catered for by DCUSA and such must include the billing, payment and credit cover processes covered by it. It will be an inefficient network if you don't recover such monies and as such then not be able to finance future developments. If our understanding is incorrect then it must impact general objective 3 in that we are not efficiently discharging our obligations imposed upon us by our licence (and onward through the DCUSA and the billing, payment and credit control processes that sit within it).</p> <p>Secondly the issue of whether this change proposal is a Part 1 matter - we queried with the expert group whether these changes were indeed a Part 1 matter, and then queried with the working group whether if they were so deemed to be Part 1 why clause 9.5.2 did not make reference to such. We cannot understand the logic behind what is currently a Part 2 clause being amended, judged as a Part 1 matter due to it "having different impacts on different parties which could be</p>
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			<p>viewed as discriminatory”, yet still retaining a Part 2 status.</p> <p>Ofgem in their recent consultation on “Code Governance Review Phase 2” have stated that in DCUSA 33% of Part 1 changes could have been dealt with as part of self governance yet the Panel in supporting this suite of change proposals have agreed with the sponsor that they are treated as a Part 1 matter yet the sponsor and the working group still wish to retain the Part 2 status. Irrespective of the outcome of this change proposal it would be helpful if this was clarified in more detail.</p> <p>What is interesting is the comment made in the working group response to our issue on this (contained in the response to our legal text response):</p> <p>“As a part 1 matter, this will go to Ofgem for final determination, which will lead to a more balanced decision, rather than simply the party vote.”</p> <p>Such a statement doesn’t augur well for self governance.</p> <p>Also the working group narrowed the consultation question to a specific DCUSA objective. Their response to such a lack of governance was that this didn’t prevent any party raising any other point against any objective. True, but what did the industry parties do? They responded as requested apart from ourselves who felt there were negative impacts on general objectives 1 and 2 and another Distributor who believed that none of the objectives were better facilitated. This was not reflected in full within the Change Report.</p> <p>In summation of the objectives there is a distinct lack of evidence being obtained by the working group on the suite of billing change proposals that have come to the vote to date, including this one. We are being repeatedly told that this is about consistency and a common approach, and (Change Report 5.11) that this is the majority view</p>
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			<p>and as such we do not need to do any analysis to confirm it.</p> <p>We have no objection:</p> <ul style="list-style-type: none"> • to consistency; • a common approach; and • over any party member raising a change proposal. <p>Our objection is two-fold:</p> <ul style="list-style-type: none"> • the lack of analysis being undertaken (against which this change proposal can only be measured); and • the change proposal being so narrow in its intent. <p>It may well be the billing expert group’s view that this is the most common. It is therefore sensible to start from that position, but the intent should have been broader in order to allow for the process to determine what the best, most efficient common approach is thereby better facilitating the DCUSA general objectives. This in our view is a missed opportunity.</p> <p>We are however disappointed when the working group make references to ‘learn from past mistakes’ (Change Report 4.8). The industry made a decision based on the information at the time. There was no mistake made.</p> <p>Credit cover has been mentioned by us as being one of the processes that will result in a negative impact to general objective 2. We were surprised to see a reference within the working group minutes (meeting 3, clause 15) over a request for information directed at our company. We have not received any such request. The only requests</p>
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			<p>received to date for additional information are related to DCP141 and DCP147. Our assumption is that either this has been misplaced or retracted and replaced by the comment in the Change Report (4.13) regarding the impact being non material. How such a comment can be made without any analysis is surprising.</p> <p>Our assessment of the current credit cover shows the current top ten credit cover indebtedness ratios (table below). Notwithstanding the current situation regarding those over 80% which is being managed and alternative cover arrangement already being discussed, this gives a flavour of the potential impact:</p>  <p>The impacted parties will be those that are active in both the site specific and SCDUoS market. When you consider that site specific bills will be produced in the first two weeks, with 14 days to pay,</p>
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			<p>because we do not receive all data collector readings on the first day of the month we may have to consider billing at or around the 4/5th of each month for the first round, the impact will be that where at present the site specific bills will be paid for before the SCDoS bills are produced (as can be seen in the above chart), this will not be the case if this change proposal is accepted.</p> <p>This would result in the indebtedness ratio breaching the 100% level for a number of the companies highlighted above (by summing the indebtedness ratio of both site specific and SCDoS e.g. Supplier 'A' could result in a ratio of 120%). It may well be the belief of the working group that this is not material (no doubt based on their current situation) but we believe in our distribution area that this is not the case. The alternative approach is for the supplier to pay earlier but this negates the rationale suggested by suppliers over reducing payment runs which they believe this change proposal will deliver.</p> <p>It may well be the case that when we look at those suppliers that are above the 50% level, and operate in both parts of the market they may also be impacted. Lack of consultation or analysis is evident here.</p> <p>There are a number of references to what is classed as "reasonable endeavours" as a consequence of it being contained within the legal text. The working group response came very much as a surprise and in our opinion will cause confusion and difficulty in interpretation.</p> <p>Change Report 4.41, and 4.47, 4.48 states that the following reasons as to why additional billing runs will be justified:</p> <ul style="list-style-type: none"> • large bill – credit and rebill would be fine;
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			<ul style="list-style-type: none"> • new system changes • a delay in the receipt of data; • system error; and • customer request. • There were others relating to managing suppliers at risk of default and credit and rebill in the round were responses were provided and no guidance given. <p>We agree with the second, fourth and fifth scenarios and have comments on the remainder.</p> <p>On the first, what about a small bill that should be a big bill? Should it be based on a material value, and if such what? This will result in disputes between parties.</p> <p>On the third, this is effectively what we do now. We start billing on day 1 for completed data, and continue to bill daily based on data received up to day 5 and then estimate the rest. Based on the comment above we assume that this is still justified because we cannot bill due to lack of data.</p> <p>On the sixth bullet point we will continue to bill suppliers at risk in order to manage our debt rather than withhold the bill. We believe that this is unreasonable not to do so, and is good practice in managing debt.</p> <p>Also on the sixth, we would argue that any cancel/rebill that is based on additional data being received from the supplier's data collector should not be subject to the two billing runs since this is effectively a customer request where the Data Collector is acting on behalf of the</p>
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			<p>supplier (the customer).</p> <p>We would also argue that bills failing validation should be allowed as a reasonable endeavour since if the data was accurate it would have been billed at the correct time, but due to issues being identified we have held back the bill. If this is not the case then unpicking of validation may have to be considered and as such may well result in further discussions and credit/rebills resulting and impacting both parties.</p> <p>So in summary on reasonable endeavours the only bills we believe will need to comply with the two billing runs rule is:</p> <ul style="list-style-type: none"> • a change of profile class to a SCDUoS approach; • disconnections; • change of supplier; and • de-energisations; <p>which we bill as and when they occur. No doubt just like the supplier does with their customer, however this change proposal means that the distributor must wait until the next allowed billing run.</p> <p>That said we do not believe that this was the intention of this change proposal but this is our interpretation based on the legal text and the Change Report of what has been delivered.</p> <p>What is of concern is the response received to the consultation question relating to 'are there any wider industry developments that may impact upon or be impacted by this CP'.</p> <p>The dismissive nature of the working group response to this question</p>
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			<p>associated with our response was not helpful. The P280 decision and the roll out of smart metering will have a significant impact on billing systems and the ability to comply with this change proposal. It seemed a legitimate response to the question asked but was deemed not appropriate and not impacting this change proposal.</p> <p>Regarding the implementation date, we reject the proposed date of October 2013. There is:</p> <ul style="list-style-type: none"> • a number of proposed billing changes; • the roll out of smart metering; • the impact of P272; and • the outcome of the charging methodology NHH/HH working group; <p>still to consider that may impact further the same billing functionality. It seems more appropriate to delay such an implementation until we have a better understanding of these issues and the impact they may have on the billing systems.</p>
Northern PowerGrid - Northern Electric Distribution Ltd	Reject	Accept	Northern Powergrid don't agree with the intent of this change and as a result would expect to reserve the right to carry out more than the proposed two half hourly invoice runs within a month. This would be done in the case whereby a supplier was displaying a poor payment performance and in order to obtain revenue we would expect to be in a position where we could bill outside of the proposed structure.
Northern PowerGrid - Yorkshire Electricity	Reject	Accept	Northern Powergrid don't agree with the intent of this change and as a result would expect to reserve the right to carry out more than the proposed two half hourly invoice runs within a month. This would be done in the case whereby a supplier was displaying a poor payment performance and in order to obtain revenue we would expect to be in a

Distribution plc			position where we could bill outside of the proposed structure.
SP Distribution	Reject	Reject	<p>SP Energy Networks (SPEN) agree with the principle that Site-Specific Billing Runs should be kept to a minimum if possible and therefore already use "reasonable endeavours" to support and sustain this position.</p> <p>SPEN believe 21.2A (b) places an unnecessary time restraint on the DNO in that best endeavours are focussed on "the second 7 days of any calendar month". We would propose an alternative wording around "once in the remaining days of any calendar month". This would support the main aim of DCP 146 of encouraging only one main billing run and a catch-up and/or Cancellation & Rebilling Run, without inferring that both should be completed in the first 14 days.</p> <p>Notwithstanding the above, as a DNO we fully reserve our right to issue accounts using whatever numbers of Billing Runs are necessary to protect our Income Streams and Cash flow, particularly as many changes arise from replacement reads from Suppliers via their appointed Agents, correcting original inaccurate reads submitted from this same source.</p>
SP Manweb	Reject	Reject	<p>SP Energy Networks (SPEN) agree with the principle that Site-Specific Billing Runs should be kept to a minimum if possible and therefore already use "reasonable endeavours" to support and sustain this position.</p> <p>SPEN believe 21.2A (b) places an unnecessary time restraint on the DNO in that best endeavours are focussed on "the second 7 days of any calendar month". We would propose an alternative wording around "once in the remaining days of any calendar month". This would support the main aim of DCP 146 of encouraging only one main billing run and a catch-up and/or Cancellation & Rebilling Run, without inferring that both should be completed in the first 14 days.</p> <p>Notwithstanding the above, as a DNO we fully reserve our right to issue accounts using whatever numbers of Billing Runs are necessary to protect our Income Streams and Cash flow, particularly as many changes arise from replacement reads from Suppliers via their appointed</p>

			Agents, correcting original inaccurate reads submitted from this same source.
SSE Power Distribution (Sout & Hyde)	Reject	Reject	N/A
Western Power Distribution - East Midlands plc; Western Power Distribution - West Midlands plc; Western Power Distribution - South West plc; Western Power Distribution - South Wales plc;	Accept	Accept	WPD is already compliant.
IDNO PARTIES			
ENC	Accept	Accept	n/a
ESP Electricity Ltd	Accept	Accept	n/a
SUPPLIER PARTIES			
British Gas	Accept	Accept	We recognise that some parties will incur implementation costs in order to be compliant with this change and potentially these could appear to

			<p>outweigh the benefits of the change. However, to achieve a common approach for DUoS billing practices we feel the best way forward is for this change to be approved. Parties can then apply for derogations, as necessary, to allow the changes to be implemented as efficiently as possible.</p>
EON	Accept	Accept	<p>We do not believe it is reasonable for different Distributors to adopt different approaches to HH billing from daily billing, weekly billing to two runs at varying times of the month. We agree with the Billing Group that consistency is preferable and that two runs, a week apart, was preferable.</p> <p>We believe that by having a common approach to billing it will make it easier for Suppliers to build validation routines that they can have certainty will not change from month to month and provides transparency for new entrants. We therefore believe that DCUSA objective 2 is better.</p>
Npower	Accept	Accept	n/a
Scottish Power Energy Retail Ltd	Accept	Accept	<p>We note that DCP017 has been mentioned within this DCP. This DCP had full supplier support and a minority of DNO support but was rejected as a Part 2 matter on the DNO vote. The issue has also been discussed at the DCUSA SIG. ScottishPower Energy Retail Ltd has tried to hold discussions with the one DNO who impacts us but the situation has not improved. Formalising the billing window is the only option left to suppliers</p> <p>As a supplier we are faced with a constant uncertainty regarding HH invoices issued by one DNO. We totally appreciate that if all DNOs issue the invoice at the same time that this will cause a peak in validation but believe this is far outweighed by the benefit of having a fixed billing window. Currently, we typically get 10 bill runs per month from one DNO instead of the normal one or two we receive from all other DNOs and IDNOs. This involves not only additional processing expense but added workload for both the validation and finance teams. Reducing the</p>

			number of bill runs in line with the norm will actually free up resources, as resources will get diverted from payment processing to validation if required.
SSE Energy Supply Ltd	Accept	Accept	Whilst we agree and accept this DCP, we are mindful of the comments provided by some DNO/IDNO about the impact on their billing processes.