

DCUSA Change Report		At what stage is this document in the process?
<h1 data-bbox="167 347 598 436">DCP 366</h1> <h2 data-bbox="167 481 877 616">Theft Incentive Scheme - Company Mergers</h2> <p data-bbox="167 638 622 672">Date raised: 18 February 2020</p> <p data-bbox="167 694 574 728">Status of Change: <b>Standard</b></p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p><b>Purpose of Change Proposal:</b></p> <p>This change proposal seeks to update and align the theft schedules to help provide clarity to incentive scheme reporting (including the calculation of the debit and credits) when handling company mergers.</p>		
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 366 'Theft Incentive Scheme - Company Merges'.</p> <p>Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>11 May 2020</b>.</p> <p>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.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3008.</p>	
	<p>Parties Impacted: <b>Suppliers</b></p>	
	<p>Impacted Clauses: <b>Schedule 30 of DCUSA – Electricity Theft Detection Incentive Scheme</b></p>	

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Timetable			
The timetable for the progression of the CP is as follows:			
<b>Change Proposal timetable</b>			
Activity	Date		
Initial Assessment Report Approved by Panel	18 March 2020		
Change Report Approved by Panel	15 April 2020		
Change Report issued for Voting	17 April 2020		
Party Voting Closes	11 May 2020		
Change Declaration Issued to Parties	13 May 2020		
Implementation	25 June 2020		

## 1 Executive Summary

### What?

- 1.1 Since the Scheme was originally designed many Suppliers have exited the market unexpectedly and other organisations have merged. As part of the Theft Incentive Scheme, each year, in accordance with DCUSA Schedule 30 Clause 6.10, the TRAS Service Provider must provide the Scheme Administrator a report detailing the number of Confirmed Thefts reported by each participating Supplier.
- 1.2 Based on the information provided, the Scheme Administrator then issues an anonymous overall annual report ("Scheme Year Summary Report"), to each Qualifying Supplier Party, the Panel and the Authority. The report details the total number of valid Confirmed Thefts recorded within the Scheme Year for each Qualifying Supplier Party against its relevant Theft Target – separating them between the Commercial Sector and the Residential Sector - and the cumulative number of Confirmed Thefts recorded by all Qualifying Supplier Parties for each sector, for the whole Scheme Year.
- 1.3 The Theft Issues Group (TIG) identified that the overall Scheme Year Summary Report issued to participating Suppliers as per DCUSA Schedule 30 Clause 6.10 does not capture instances where companies have merged. This then impacts the calculation of the debits and credits performed by the secretariat 144 days after the scheme year.
- 1.4 If a Supplier Party merges with another during the scheme year, there is an issue regarding the confirmed thefts found by the participating merging Supplier, the individual target established and communicated prior to the scheme year commencing and their involvement within the TRAS.

### TRAS Reporting

- 1.5 When onboarding to the TRAS, Supplier Parties are allocated a 3\* digit contribution source code (CSC) which is required to transfer files through to the TRAS. A Supplier Party is only allowed one CSC regardless of the number of companies. When a Supplier Party is no longer a member of DCUSA or cease to exist due to a merger with another company they will need to be removed from prospective TRAS reporting. The TRAS provider will inform the non-participating Supplier party that they no longer need to submit TRAS files. In the circumstance where the joining Supplier Party merges with another Supplier Party, but the acquired Supplier Party identity and MPID remains no changes would be required in regard to TRAS Reporting.

### Secretariat Reporting

- 1.6 As part of the Theft Detection Incentive Scheme, the Scheme Administrator shall advise each Qualifying Supplier Party of their individual identifier at the beginning of the scheme. The TRAS Service Provider provides the Scheme Administrator with details of the number of Confirmed Theft detections reported in accordance with the Theft Risk Assessment Service Arrangements each month by way of an anonymised indicative scheme report. Where a Supplier Party merges with another company, the Supplier Party individual identifier will need to be discontinued at the point of the acquisition. The merging Supplier Party's individual target will be transferred over to the acquiring Supplier Party, along with any confirmed thefts reported up to the acquisition date (not

including Supplier of Last Resort). In the circumstance where the joining Supplier Party merges with another Supplier Party, but the acquired Supplier Party identity and MPID remains no changes would be required in regard to the Code Administrator reporting.

## Why?

- 1.7 This change proposal seeks to update and align the theft schedules to help provide clarity to incentive scheme reporting (including the calculation of the debit and credits) when handling company mergers.

## How?

### **Amend the following definition in paragraph 2 in Schedule 30 of the DCUSA as follows:**

Theft Target In respect of SY1 is set out in paragraph 3.6, and for subsequent Scheme Years is to be set as described in paragraphs 3.7 to 3.14 (inclusive); and each Supplier Party's individual Theft Targets are as described in paragraphs 5.4 to 5.7 (inclusive).

### **Insert a new paragraph 5.7 in Schedule 30 of the DCUSA as follows:**

- 5.7 If, following the date of the market share figures on which the Theft Targets for a Scheme Year were calculated but before the end of that Scheme Year, a Supplier Party purchases all (or substantially all) of a Qualifying Supplier Party's electricity supply contracts (or its electricity supply contracts related to either the Residential Sector or the Commercial Sector), then the Scheme Administrator shall:
- reduce to zero the selling Supplier Party's Theft Target(s) for that Scheme Year and the Residential Sector and/or the Commercial Sector;
  - increase the purchasing Supplier Party's Theft Target(s) by the amount of the selling Supplier Party's Theft Target(s) as they existed prior to such reduction (or, if the purchasing Supplier Party was not previously a Qualifying Supplier Party, recognise that Supplier Party as a Qualifying Supplier Party and allocate the selling Supplier Party's Theft Target(s) to the purchasing Supplier Party); and
  - re-allocate any and all Confirmed Thefts in that Scheme Year previously identified as having been detected by the selling Supplier Party to the purchasing Supplier Party (or, in the case of the purchase of only contracts relating to either the Residential Sector or the Commercial Sector, reallocate only Confirmed Thefts related to that sector).

### **Amend paragraph 6.1 in Schedule 30 of the DCUSA as follows:**

- 6.1 A "Qualifying Supplier Party" is a Supplier Party who has been active in the market throughout the whole Scheme Year and may include Supplier Parties whose target is less than 1, but who elect to be included in the Scheme. However, a Qualifying Supplier Party excludes any new market entrants that have entered the electricity market during that Scheme Year, or any Supplier Party that has withdrawn from the market such that it has zero Metering Points registered at the end of that Scheme Year. This will ensure that those entering or leaving the market during a Scheme Year are not unfairly disadvantaged. However, this definition is without prejudice to the operation of paragraph 5.7.

### **Amend paragraph 7.2 in Schedule 30 of the DCUSA as follows:**

- 7.2 All debits and credits associated with the Scheme Year will be calculated by the Secretariat based on the total number of Confirmed Thefts shown within the final Scheme Year Summary Report, covering the full twelve-month period of the Scheme Year and utilising Supplier Party market share

figures based on the figures utilised at the commencement of that Scheme Year, as per paragraph 5.4 (subject to Paragraphs 5.6 and 5.7).

This will be done using the following formula: [...]

## 2 Governance

### Justification Part 2 Matter

2.1 This Change Proposal should be classed as a Part 2 Matter as it does not have a material impact on DCUSA Parties and does not meet the criteria that would require the Authority to make a decision.

### Requested Next Steps

This Change Proposal should:

- Be treated as a Part 2 Matter
- Be treated as a Standard Change
- Proceed to the Change Report phase

2.2 The Change will need to be introduced on 25 June 2020.

## 3 Why Change?

### Background of DCP 366

3.1 This change proposal is required to update and align the theft schedules to help provide clarity to incentive scheme reporting (including the calculation of the debit and credits) when handling company mergers.

## 4 Solution

### DCP 366 Assessment

4.1 As was noted in section 1 above, the TIG agreed to add the proposed legal text in to Schedule 30 of DCUSA.

4.2 The proposed legal text amendments to Schedule 30 of the DCUSA is provided as Attachment 1.

## 5 Relevant Objectives

### Evaluation Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved, it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.
- 5.2 The Proposer and the TIG consider that DCP 366 better facilitates DCUSA General Objective 4 as this change will help to ensure effective administration of the Electricity Theft Detection Incentive Scheme.

DCUSA General Objectives	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input type="checkbox"/> 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	None
<input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input checked="" type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	Positive impact
<input type="checkbox"/> 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

## 6 Impacts & Other Considerations

- 6.1 The Retail Code Consolidation Significant Code Review does not apply to DCUSA, but as a theft matter constraint in SPAA may have to be considered.

### Environmental Impacts

- 6.2 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 366 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## 7 Implementation

- 7.1 Subject to Party approval, DCP 365 will be implemented on 25 June 2020. As DCP 365 is classified as a Part 2 Matter, Authority determination is not required.

## 8 Legal Text

- 8.1 The proposed amendments to the legal text in Schedule 30 are set out within Attachment 1. The legal text has been reviewed by the TIG and the Proposer, who all agree that the amendments meet the intent of the CP.

## 9 Recommendations

### Panel's Recommendation

## 10 Attachments

- Attachment 1 – DCP 366 Legal Text
- Attachment 2 – DCP 366 Voting Form
- Attachment 3 – DCP 366 Change Proposal Form