

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

Date Received	Company	Comments
22/04/2020	Bristol Energy	<p>We are supportive of the aims of this derogation request, but feel this should have been raised as an urgent temporary modification as the problems faced by Yu Energy faces all suppliers.</p> <p>If the DCUSA panel agrees to approve this derogation it should do so for all suppliers and not just Yu Energy, or at the very least delegate authority to the code administrator to approve subsequent, identical derogation requests from other suppliers.</p>
04/05/2020	WPD	<p>Further to this application by Yü Energy this is to represent the views of Western Power Distribution. We are sensitive to the position of Yü Energy Retail Limited, and with all suppliers, at what is exceptional time for all of us. However, considering the request in the round we do not consider this as the optimal approach to help all end customers.</p> <p>We understand that should this application be granted it is within the scope for the DCUSA Panel to grant this derogation to all other supplier parties either unilaterally or individually on request. Because of this there would be consequences within this code and potentially within other industry codes which would also have to be dealt with prior to implementation. In addition the applicant has said, during the Standing Issues Group, that they have put in various applications under other codes and although we think this is probably with the best intentions it is not really the role of a single supplier to decide the energy industry's response to the COVID-19 crisis, although we would support their involvement in any groups that decide on a coordinated energy industry response.</p> <p>We want to be actively involved in developing initiatives that will help customers and suppliers that are suffering financially due to COVID-19 but think that it should be considered as a whole industry approach coordinated by Ofgem, who will also be able to factor in any wider Government planned initiatives and actions, and fed down to the various Codes including DCUSA which, given the extraordinary circumstances, will have to be actioned in an expedient manner.</p> <p>We would like to thank Yü Energy for raising this issue both here and in the Standing Issues Group as this has raised the profile of the plight of smaller suppliers and by doing so helped to expedite a whole industry solution.</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>So, in summary, we would ask the Panel to reject this application for a derogation but we would ask them to ensure that DCUSA is in a position to swiftly make any changes that may come from a whole industry solution overseen and approved by Ofgem.</p>
04/05/2020	Leep Electricity Networks Limited	<p>DCUSA Application for Derogation - Yü Energy Retail Limited</p> <p>I am writing in response to the email circulated to DCUSA contract managers on 21 April 2020 notifying parties of Yü Energy Retail Limited's ("Yü Energy") application for a derogation from clauses 20.5 and 21.3 of section 2A of the DCUSA (the "derogation request").</p> <p>Whilst we understand the challenges that Yü Energy are facing and seeking to mitigate through this derogation request, we also recognise that the energy industry is, along with the rest of the country, facing extremely challenging social and economic times which may cause difficulty and uncertainty for many businesses. We do, however, believe that the most appropriate way to deal with these challenges is through a co-ordinated approach led by the government or Ofgem and therefore do not believe that granting this derogation is in the best interest of the industry or consumers.</p> <p>In order to accommodate this derogation, we believe that it would be appropriate for impacted iDNO's to submit their own derogations on an equal and equivalent basis from clause 44.4 of section 2B of the DCUSA, however conscious that this would then move the risk to DNO's.</p> <p>Detailed below is the rationale considered when reviewing this request highlighting some of our current concerns:</p> <ul style="list-style-type: none"> • We believe that granting this derogation in isolation may have unintended impacts on the competition of the supply of electricity. By granting a derogation for a single supplier party, the supplier in question will be subject to unduly favourable payment terms which may impact on the ability of other suppliers to compete for new business.

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<ul style="list-style-type: none">• Conversely if the derogation request is applied to all supplier parties then it is likely that it may create favourable conditions for some supplier parties. Not all supplier parties' customers will be equally impacted by COVID-19; some business customers may have increased activity in response to Covid-19, while others have reduced or ceased trading. If applied to all suppliers, this derogation will disproportionately favour suppliers who do not alter their customer's payment terms. We believe this highlights the need for a co-ordinated approach with the customer at the heart of the process, rather than the supplier.• We note that this derogation application has been requested to support business customers. However, it is not clear how this could be applied to business customers in practise. While we agree with the principle that the solution should be targeted to those customers in need, tariffs are not differentiated by site activity in DCUSA.• The derogation request does not resolve the short-term cash flow issues which are faced by Yü Energy but seeks to move them to distributor parties. It is unclear, from the derogation request, what the justification for this change is and why Yü Energy believe that is proportionate for distributor parties to bear this risk and how that may impact on distributor parties' ability to meet their licence obligations.• Any solution should be proportionate to the problem experienced by the party. As we have not seen information to support the request, we are unable to form a view as to whether Yü Energy's request is proportionate to cash-flow issues experienced, and whether other actions have or should be taken prior to this derogation request. We acknowledge that Yü Energy may not wish to disclose this information, therefore the DCUSA derogation route may be inappropriate to resolve their individual situation. We do note that Yü Energy, on their website, are offering small business customers 2 months' free energy. We do not believe it can be appropriate or proportionate for payment of DUoS to be deferred to 90-day terms in order to suit Yü Energy's marketing campaign.
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>This may also have a disproportionate impact on competition in supply if the derogation is granted exclusively to Yü Energy.</p> <ul style="list-style-type: none">• The derogation request does not properly take account of the arrangements for distributor to distributor portfolio billing. Under this derogation the supplier party would have payment terms extended to 90 days but embedded distribution network operators (usually iDNOs) would still be fully liable for upstream DUoS charges under normal payment terms. This places a disproportionate risk onto iDNO parties and places a burden on iDNO parties in respect of meeting their obligations to operate their distribution system and discharge their licence obligations.• The DCUSA clearly states, in paragraph 56.1, that “Derogations, save for derogations requested under Sandbox Applications, will normally only be granted in respect of newly introduced or amended obligations (or obligations due to be implemented in the future).” Although we do not question the vires of the DCUSA Panel to grant this derogation, we do believe that careful consideration should be given about the intent of derogations within the DCUSA governance process and whether this request truly falls within the scope of that intent.• We are aware that similar processes are underway from the requesting party in respect of their Connection and Use of System Code (“CUSC”) and Uniform Network Code (“UNC”) obligations. We believe that this highlights the need for the application of any deviation from existing code arrangements to be considered holistically, and that an industry led approach is required to identify and address cross-code implications.• By granting a derogation under DCUSA no consideration is being given to the additional financing costs which may be faced by distributor parties in meeting the short-term cash flows issues (if such facilities are even available to those parties). It is unclear, in the absence of an Ofgem direction, whether these costs would be able to be passed through to suppliers in subsequent years. The treatment of these costs would also have an impact on the way that they are applied in the PCDM
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>which would directly impact the ability of iDNO parties to recover their efficiently incurred (albeit possibly higher than those of the DNO) financing costs. We believe that this further supports a central approach being led by Ofgem to determine the most appropriate way forward.</p> <p>Overall, we believe that it is more appropriate for an industry wide solution to be developed to the concerns and challenges faced by the industry, and that BEIS or Ofgem are better placed to be able to lead on the development of this solution.</p>
04/05/2020	SP Energy Networks	<p>DCUSA Panel Review: Yü Energy Retail Limited derogation from 14 days payment terms</p> <p>SP Energy Networks on behalf of SP Distribution plc and SP Manweb plc wish to object and provide the following points for consideration to the panel in consideration of the above proposal submitted by Yü Energy Retail Limited for a derogation to the industry wide and established 14-day payment terms. SPEN objection is based on the following:</p> <ul style="list-style-type: none"> • Firstly; there is current industry dialogue with Ofgem on amendments to DCUSA payment terms to ease the financial impact, on Suppliers, as a direct consequence of the UK governments pandemic restrictions; • If action by the Distribution Network Operators is considered appropriate? - intervention should not be limited to DNOs and should be extended to energy generators. Pressure to extend payment terms should equally be applied to generators and gas shippers to assist energy supplier liquidity. This will require a co-ordinate industry response involving Ofgem; • DNO concessions should only be after all existing Government support options are exhausted by Suppliers. Yü Energy Retail Limited should first access the range of fiscal and monetary support packages available across Scotland and the UK, which small energy suppliers will be eligible, before DNO concessions are sought. Appendix 1 lists current fiscal and monetary support schemes. • Supplier's operate in a competitive market; therefore, proposals need to be reviewed for fairness. What restrictions can be applied to demonstrate anti-competitive marketing opportunities are prevented?; and

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

- Any amendment to DCUSA payment terms needs to consider the financial impact on Distribution Network Operators financial health and their banking facilities.

Government support to business

In addition to the macro-economic support there are a range of fiscal and monetary support packages available across Scotland and the UK which small energy suppliers will be eligible for:

- Coronavirus Business Interruption Loan Scheme;
- loans of up to £5m for SMEs with turnover above £45m, interest free for 12 months;
- Deferrals of VAT payments;
- Coronavirus Job Retention Scheme: 80% of employee's wages plus any employer National Insurance and pension contributions;
- Coronavirus Statutory Sick Pay Rebate Scheme: reclaim employees' coronavirus-related Statutory Sick Pay; and
- SG's £100m fund to protect viable micro and SME businesses (Scotland only).

Fiscal and Monetary Support Packages		
SG's Fiscal Response	UKG's Fiscal Response	Monetary & Macro-prudential
<p>Business support package of more than £2.2 billion:</p> <ul style="list-style-type: none"> - a full year's 100% non-domestic rates relief for retail, hospitality, leisure and airport sectors; - £10,000 Small Business Grants to all Small Business Bonus Scheme relief recipients, all Rural Relief recipients & all properties eligible for SBBS but in receipt of Nursery/ Disabled Relief; - £25,000 grants for hospitality, leisure and retail properties with a rateable value between £18,000 and £51,000; - 1.5% relief for all properties effectively freezing the poundage rate from 1 April; - £100 million fund to protect self-employed people and viable micro and SME businesses. <p>Targeted support packages to individual business sectors:</p> <p>Seafood sector, Creative Industries, Bus Industry.</p> <p>350m fund to support welfare and wellbeing for communities</p>	<p>Direct fiscal interventions of more than £100 billion (5% of GDP):</p> <ul style="list-style-type: none"> - £14.5 billion for the NHS and Public Services; - £29 billion in grants and tax cuts for businesses in sectors most affected by social distancing; - £8.5 billion of welfare measures to support households; - At least £52 billion of support to eligible employees and self-employed workers who will receive 80% of their wages/profits, capped at £2,500. <p>£330 billion (15% of GDP) in state backed loan guarantees, supporting:</p> <ul style="list-style-type: none"> - loans of up to £5m for SMEs with turnover of up to £45m; interest free for 12 months; - All viable firms with turnover above £45m can borrow up to £25m, and up to £50 million for firms with a turnover above £250m; - BoE Lending Facility for large investment grade companies. <p>Deferrals of VAT and SA income tax payments aiding cash flow.</p>	<p>Bank of England:</p> <ul style="list-style-type: none"> - Bank Rate cut by 0.65 a percentage point to 0.10%; - introduced a new Term Funding scheme with additional incentives for SMEs to provide banks with four years of cheap funding so that they can continue to lend through the coronavirus crisis period; - Reduce the UK countercyclical capital buffer rate (requirement of Banks to hold capital) to 0% (from 1%) to allow them to take temporary losses without curtailing lending. <p>The Financial Conduct Authority introduced rules asking lenders to:</p> <ul style="list-style-type: none"> - freeze loan and credit card payments for up to three months; - Charge 0% on arranged overdrafts up to £500 over the same period.

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

04/05/2020	Scottish and Southern Electricity Networks (<p><u>Yü Energy Retail Limited – Derogation Application for DUoS Invoice Payment Deferral</u></p> <p>Scottish and Southern Electricity Networks (SSEN) recognise the financial pressures on consumers and industry participants arising from the impacts of COVID-19.</p> <p>Yü Energy Retail Limited’s (YERL) Derogation Application highlights the challenges facing energy suppliers at present and proposes a route to alleviate this. However, SSEN is not supportive of this specific approach.</p> <p>We do not believe the broader issue of the electricity market support to customers is one which should be addressed on a company by company basis. It requires a coordinated lead from the regulator and government to give direction on appropriate interventions that will provide relief which is fair, proportionate and targeted to those impacted.</p> <p>In its derogation application, YERL focusses on the supplier payment terms, however this matter requires wider consideration of the terms in DCUSA Schedule 1 (Cover) as the level of cover required is likely to be impacted by any relaxation of Supplier payment terms. The ongoing DCP 349 modification process may be a useful reference as it starts to address related credit concerns.</p> <p>SSEN remains ready to support the development of proportionate, fair and sustainable mechanisms and is in contact with the regulator, government and the wider industry on options to protect consumers during the COVID-19 crisis.</p>
04/05/2020	ESP Electricity Ltd	<p>ESP Electricity Ltd appreciates the opportunity to comment on Yü Energy Retail Limited’s (Yü Energy) request for a derogation from Clauses 2A, 20.5 and 21.3 of the DCUSA – payment of Use of System (UoS) charges within 14 days.</p> <p>Due to the extreme impact of COVID19 on us all socially and economically, we support Yü Energy’s intent to find solutions for the problems faced by UK businesses. However, we believe any measures, especially derogations from regulatory obligations, should be proportionate to the issue being experienced by Yü Energy and its end customers. Yü Energy have not confirmed whether they are experiencing payment</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

	<p>issues currently or whether the issue is anticipated. We believe it to be highly unlikely that all business customers will request ‘payment holidays’, and therefore their request is unlikely to be appropriate.</p> <p>We are also concerned that granting this derogation in isolation could have a negative impact on competition in the supply market and wider industry. If granted to Yü Energy alone, they will have more favourable payment terms than other Suppliers and will have an advantage to compete in the market. Customers contracted with Yü Energy will have more favourable terms than those customers contracted with other Suppliers. If approved generally to all Suppliers, the decision could have a much greater impact on the sector at whole, as the cash flow issue and risk would simply shift to other parties. We believe each customer’s situation will be unique; some businesses have increased activity, whilst others have reduced or ceased to trade. Solutions should be targeted at customer level rather than DCUSA party level.</p> <p>Granting payment term derogations requests to Suppliers only moves the issue upstream to Distribution Businesses. Should the derogation request be granted, IDNOs will be forced to submit a derogation from Clauses 44 and 46 of Section 2B of the DCUSA. Without a ‘mirrored’ derogation for IDNOs, IDNOs would still be mandated to 14 days settlement to DNOs. As a result, IDNOs would be disproportionately impacted, with no vehicle to recover those costs.</p> <p>Yü Energy have noted that they intend to approach other Codes with similar derogation requests e.g. UNC & CUSC. However, the timing and cross-code implications are not clear at this stage. We strongly encourage the Codes to take a consistent and coordinated approach. If not, there is a risk that not all Codes’ derogation requests would be granted causing conflict for all parties concerned, including customers.</p> <p>While the DCUSA Panel’s assessment criteria for derogation applications is not clear, we believe any decision taken must be in the best interests of the end consumer. There must be a clear evidence-based case and appropriate assessment criteria to ensure a derogation granted during Covid-19 does not simply exacerbate a pre-existing issue, as ultimately the cost of Supplier UoS payment deferment and bad debt will be borne by customers.</p>
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

05/05/2020	Centrica	<p>Thank you for giving us the opportunity to make representations on the derogation request from Yu Energy Retail Limited.</p> <p>The derogation request seeks to extend the payment terms from 14 days to 90 days for the April, May and June Use of System invoices and for 30 days for the quarter 3 invoices for all business customers. Whilst we agree that the operating conditions under the COVID-19 pandemic have significantly impacted business customers and thereby business electricity Suppliers, we are not convinced that this derogation request is the most efficient option for resolving these issues for the industry.</p> <p>It appears to us that there needs to be a much fuller exploration of the problem that the derogation request is attempting to resolve and consideration of a fuller range of options for solving the problem.</p> <p>The derogation request as submitted and if approved by the Panel would potentially lead to the Panel being inundated with similar derogation requests. As if the request was only applied to a single Supplier this would create an uneven playing field and provide it with an unfair competitive advantage over the rest of the market. Due to the financial magnitude of approving these derogation requests we believe it would be inappropriate to approve these without consideration of other potential options.</p>
05/05/2020	ENWL	<p>Further to the request by Yü Energy Retail Limited for a derogation against paying invoices within 14 working days under paragraphs 20.5 and 21.3 within Section 2A of DCUSA.</p> <p>We should like to draw attention to clause 56.1 covering the ‘Panels Ability to Grant Derogations’ which highlights this as being unusual as far as derogation requests are concerned as it states: <i>‘Derogations, save for derogations requested under Sandbox Applications, will normally only be granted in respect of newly introduced or amended obligations (or obligations due to be implemented in the future).’</i></p> <p>We should also like to make the point that this is not strictly a derogation request for suppliers to be temporarily relieved of their obligations, it is more of a temporary change proposal to a Part 1 matter on which the Authority should make the final determination. There is the potential here for challenge should the DCUSA Panel decide to grant such a request.</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>While we appreciate the difficulties the COVID-19 pandemic is causing not just for businesses within our industry but also for businesses across the country, we do not believe that a piece meal approach through single derogation against a particular code will resolve the problem, especially if taken forward outside of the consideration Ofgem and BEIS are giving to the wider issues.</p> <p>We do understand why Yü Energy Retail Limited has taken this step and it has certainly helped to raise the profile of the problems being encountered, but we feel that should such a derogation be granted it will just be transferring the risk to another party rather than providing a solution. In addition, there would be costs associated with the testing and implementation of a temporary change to our systems and processes, which could impact our work on other programmes, for example, Faster Switching. It is also not appropriate in our view to make this change for a single supplier and not sustainable to make it for all.</p> <p>Additionally, by transferring the risk resulting in cash-flow problems for other parties such a derogation could potentially have a negative impact on DCUSA General Objectives 1 and 3:</p> <ul style="list-style-type: none">- Objective 1: The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.- Objective 3: The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences. <p>Our view is that this derogation should not be granted as this is a much wider issue that needs a co-ordinated, holistic dual fuel approach with input from Ofgem/BEIS and distribution companies to achieve a resolution. In addition our understanding is that Yü Energy Retail Limited has recently been in a position to launch two new energy plans for new business customers – one offering free energy for two months under a two-year contract and the other offering a fixed-rate plan for three months.</p> <p>We support industry efforts working with Ofgem on the broader supplier related issues caused by Covid-19 though do not support this specific derogation request.</p>
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

05/05/2020	UK Power Distribution	<p>I am writing on behalf of UK Power Distribution in response to the email circulated to DCUSA contract managers on 21 April 2020 notifying parties of Yü Energy Retail Limited's ("Yü Energy") application for a derogation from clauses 20.5 and 21.3 of section 2A of the DCUSA (the "derogation request").</p> <p>UK Power Distribution wishes to make it clear that we understand the challenges that Yü Energy are facing and seeking to mitigate through this derogation request. We recognise that the energy industry is, along with the rest of the country, facing extremely challenging social and economic times which may cause difficulty and uncertainty for business. We do, however, believe that the most appropriate way to deal with these challenges is through a co-ordinated approach led by government or Ofgem. We do not believe that granting this derogation is in the best interest of the industry or consumers.</p> <p>Should the derogation request be granted we believe that it may be appropriate for UK Power Distribution to consider submitting our own derogation on an equal and equivalent basis from clause 44.4 of section 2B of the DCUSA.</p> <p>Although the DCUSA document is not clear on what grounds the DCUSA Panel may consider it appropriate to grant a derogation, we have made specific representations considering both the DCUSA general objectives and the impact to consumers of this derogation request below.</p> <ul style="list-style-type: none">• We believe that granting this derogation in isolation may have unintended impacts on the competition of the supply of electricity. By granting a derogation for a single supplier party, the supplier in question will be subject to unduly favourable payment terms which may impact on the ability of other suppliers to compete for new business.• Conversely if the derogation request is applied to all supplier parties then it is likely that it may create favourable conditions for some supplier parties. Not all supplier parties' customers will be equally impacted by COVID-19; some business customers may have increased activity in response to Covid-19, while others have reduced or ceased trading. If applied to all suppliers, this derogation will disproportionately favour suppliers who do not alter their customer's payment terms. We believe this highlights the need for a co-ordinated approach with the customer at the heart of the process, rather than the supplier.
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

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05/05/2020	Independent Networks Association	<p>DCUSA Application for Derogation - Yü Energy Retail Limited</p> <p>I am writing on behalf of the Independent Networks Association (INA) in response to the email circulated to DCUSA contract managers on 21 April 2020 notifying parties of Yü Energy Retail Limited’s (“Yü Energy”) application for a derogation from clauses 20.5 and 21.3 of section 2A of the DCUSA (the “derogation request”). The INA is the trade body which represents the interest of Independent</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>Distribution Network Operators (“IDNOs”) and as such this letter is written on behalf of our members who are party to the DCUSA.</p> <p>The INA wishes to make it clear that we understand the challenges that Yü Energy are facing and seeking to mitigate through this derogation request. We recognise that the energy industry is, along with the rest of the country, facing extremely challenging social and economic times which may cause difficulty and uncertainty for business. We do, however, believe that the most appropriate way to deal with these challenges is through a co-ordinated approach led by government or Ofgem. Our members do not believe that granting this derogation is in the best interest of the industry or consumers.</p> <p>Should the derogation request be granted we believe that it may be appropriate for our members to consider submitting their own derogations on an equal and equivalent basis from clause 44.4 of section 2B of the DCUSA. Although the DCUSA document is not clear on what grounds the DCUSA Panel may consider it appropriate to grant a derogation, we have made specific representations considering both the DCUSA general objectives and the impact to consumers of this derogation request below.</p> <ul style="list-style-type: none">• We believe that granting this derogation in isolation may have unintended impacts on the competition of the supply of electricity. By granting a derogation for a single supplier party, the supplier in question will be subject to unduly favourable payment terms which may impact on the ability of other suppliers to compete for new business.• Conversely if the derogation request is applied to all supplier parties then it is likely that it may create favourable conditions for some supplier parties. Not all supplier parties’ customers will be equally impacted by COVID-19; some business customers may have increased activity in response to Covid-19, while others have reduced or ceased trading. If applied to all suppliers, this derogation will disproportionately favour suppliers who do not alter their customer’s payment terms. We believe this highlights the need for a co-ordinated approach with the customer at the heart of the process, rather than the supplier.• We note that this derogation application has been requested to support business customers. However, it is not clear how this could be applied to business customers in practise. While we
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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

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Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>consideration should be given about the intent of derogations within the DCUSA governance process and whether this request truly falls within the scope of that intent. ¶ We are aware that similar processes are underway from the requesting party in respect of their Connection and Use of System Code (“CUSC”) and Uniform Network Code (“UNC”) obligations. We believe that this highlights the need for the application of any deviation from existing code arrangements to be considered holistically, and that an industry led approach is required to identify and address cross-code implications.</p> <ul style="list-style-type: none"> • By granting a derogation under DCUSA no consideration is being given to the additional financing costs which may be faced by distributor parties in meeting the short-term cash flows issues (if such facilities are even available to those parties). It is unclear, in the absence of an Ofgem direction, whether these costs would be able to be passed through to suppliers in subsequent years. The treatment of these costs would also have an impact on the way that they are applied in the PCDM which would directly impact the ability of IDNO parties to recover their efficiently incurred (albeit possibly higher than those of the DNO) financing costs. We believe that this further supports a central approach being led by Ofgem to determine the most appropriate way forward. <p>Overall, we believe that it is more appropriate for an industry wide solution to be developed to the concerns and challenges faced by the industry, and that BEIS or Ofgem are better placed to be able to lead on the development of this solution.</p>
05/05/2020	Fulcrum Electricity Assets Limited	<p>I am writing in response to the email circulated to DCUSA contract managers on 21 April 2020 notifying parties of Yü Energy Retail Limited’s (“Yü Energy”) application for a derogation from clauses 20.5 and 21.3 of section 2A of the DCUSA (the “derogation request”).</p> <p>Whilst we understand the challenges that Yü Energy are facing and seeking to mitigate through this derogation request. We recognise that the energy industry is, along with the rest of the country, facing extremely challenging social and economic times, which may cause difficulty and uncertainty for business. We do, however, believe that the most appropriate way to deal with these challenges is through a co-ordinated approach led by government or Ofgem. We do not believe that granting this derogation is in the best interest of the industry or consumers.</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>This letter is in addition to the letter provided from the Independent Networks Association (INA), the trade body which represents the interest of Independent Distribution Network Operators (“IDNOs”). As a member of the INA we have actively discussed the derogation request and fully support the representative points which have been detailed within the INA response.</p> <p>Please accept all the points made in the attached INA letter to fully reflect the Fulcrum Electricity Asset Limited position on this derogation request.</p>
05/05/2020	UK Power Networks	<p>Thank you for the opportunity to comment on the above derogation. Our response should be treated as consolidated on behalf of UK Power Networks’ three distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.</p> <p>UK Power Networks recognises that COVID-19 is unprecedented and its effects are being felt throughout the energy sector and wider society.</p> <p>UK Power Networks are supportive of exploring initiatives and options such as the one proposed by Yu Energy and we wholeheartedly believe that all sectors of the energy industry have a part to play in this time of national need. Fundamentally, we believe the most productive and practical approach to take is through an industry-wide, co-ordinated solution, led and ultimately implemented by Ofgem, with a clear assessment and communication of the benefits to end customers, particularly vulnerable customers. Such an approach should avoid a piecemeal and patchwork set of arrangements being developed, and ensure the benefits from any action yield the greatest benefits to customers.</p> <p>UK Power Networks played a pivotal role in the recent cross-sector work, co-ordinated by the Energy Networks Association, on Ofgem’s enabling framework. We believe this provides a good example of the joint working approach that could be undertaken to achieve the best outcomes for customers.</p> <p><u>With respect to this specific derogation request</u></p> <p>Achieving best outcome for customers - we have significant concerns with using the DCUSA derogation route as a solution to this issue. Whilst this derogation request has been made individually and indeed no other suppliers have requested such a derogation at this time we understand from DCUSA that, if the</p>

Yü Energy Retail Limited Derogation Request – DCUSA Party Comments

		<p>derogation is granted to one supplier, the derogation could be extended by DCUSA to other/all suppliers within the electricity sector. As noted above, we do not favour a piecemeal approach. In addition, the request does not of itself commit the supplier to ensure that end customers see a benefit from such cash flow relief.</p> <p>Process - if, as has been suggested during the DCUSA Standing Issues Group meeting of 24 April, this derogation request could be extended to all suppliers, then the materiality of the sums involved raise public policy questions which we contend are far beyond the remit of DCUSA to be adjudicating on. A wide-scale application of this derogation request, given the extent of the deferral of payment terms requested by Yu Energy, at 90 days for a three month period, would have significant financial cash flow and financing issues for network companies.</p> <p>Distorting the market - as a network monopoly we are wary of distorting the operation of the competitive supply market, particularly where it is unclear what, if any, assessment will be made of the steps individual suppliers have taken to mitigate their need for any relief mechanism. There may need to steps put in place such that, there is a clear and immediate need for any relief as well as appropriate safeguards put in place such that any relief granted to one supplier, does not enable that supplier to make customer propositions which distort the competitive dynamics of the market.</p> <p>Summary</p> <p>For the reasons set out above, UK Power Networks does not support this derogation request.</p>
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