

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1 style="margin: 0;">DCP 378:</h1> <h2 style="margin: 0;">DCP333 housekeeping change</h2> <p><i>Date raised:</i> 05 November 2020</p> <p><i>Proposer Name:</i> Lee Wells</p> <p><i>Company Name:</i> Northern Powergrid</p> <p><i>Company Category:</i> DNO</p>		<div style="background-color: #008000; color: white; padding: 5px; margin-bottom: 5px;">01 – Change Proposal</div> <div style="background-color: #e0f0ff; padding: 5px; margin-bottom: 5px; color: #0070c0;">02 – Consultation</div> <div style="background-color: #fff2cc; padding: 5px; margin-bottom: 5px; color: #800080;">03 – Change Report</div> <div style="background-color: #fff2cc; padding: 5px; margin-bottom: 5px; color: #ff8c00;">04 – Change Declaration</div>
<p>Purpose of Change Proposal:</p> <p>The intent of this Change Proposal is to amend the definition of Eligible Bad Debt, which will be introduced by DCP333. The definition currently references a defined term in the distribution licence which does not exist, therefore this is a housekeeping change only; it does not seek to alter the intent nor solution as per DCP333, it merely seeks to facilitate it.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> Treated as a Part 2 Matter; Treated as a Standard Change; and Proceed to the Change Report phase. <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties:</p> <p>DNOs, IDNOs and Suppliers.</p>	
	<p>Impacted Clauses:</p> <p>Schedule 16-18 defined terms</p>	

Contents		 Any questions?										
1	Summary	2										
2	Governance	3										
3	Why Change?	4										
4	Solution and Legal Text	4										
5	Code Specific Matters	4										
6	Relevant Objectives	5										
7	Impacts & Other Considerations	5										
8	Implementation	6										
9	Recommendations	6										
Indicative Timeline		 020 7432 3011										
The Secretariat recommends the following timetable:		Proposer: Lee Wells										
<table border="1"> <tbody> <tr> <td>Initial Assessment Report</td> <td>18 November 2020</td> </tr> <tr> <td>Change Report Approved by Panel</td> <td>16 December 2020</td> </tr> <tr> <td>Change Report issued for Voting</td> <td>18 December 2020</td> </tr> <tr> <td>Party Voting Closes</td> <td>13 January 2021</td> </tr> <tr> <td>Change Declaration Issued to Parties</td> <td>15 January 2021</td> </tr> </tbody> </table>		Initial Assessment Report	18 November 2020	Change Report Approved by Panel	16 December 2020	Change Report issued for Voting	18 December 2020	Party Voting Closes	13 January 2021	Change Declaration Issued to Parties	15 January 2021	 DCUSA@electralink.co.uk
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		 07885 712226										

1 Summary

What?

- 1.1 DCP333 'Appropriate treatment and allocation of eligible use of system bad debt costs' was raised to ensure that pass-through costs relating to use of system bad debt were recovered appropriately. DCP333 was raised because of changes to the electricity distribution licence which came into effect from 28 June 2019¹. DCP333 was approved by the Authority on 1 October 2019².
- 1.2 DCP333 will introduce a new term into Schedules 16-18 named Eligible Bad Debt, which was defined as:

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-modifications-electricity-distribution-licence-recover-costs-associated-appointing-supplier-last-resort>

² <https://www.ofgem.gov.uk/publications-and-updates/dcps-332-and-333-appropriate-treatment-and-allocation-solr-related-costs>

“has the meaning given to 'Valid Bad Debt' in the DNO Party's Distribution Licence. For the avoidance of doubt, Eligible Bad Debt pass-through costs include the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs”.

- 1.3 However, the distribution licence does not include the term Valid Bad Debt which is referenced in the definition of Eligible Bad Debt.

Why?

- 1.4 Unless the definition of Eligible Bad Debt is amended, it will continue to reference a term that does not exist within the distribution licence. As such, a DNO will never have any Eligible Bad Debt.
- 1.5 This is not accurate nor in line with the intent of DCP333. DNOs have incurred use of system bad debt since 1 April 2015 and which the distribution licence facilitates recovery of, and this debt should be captured within the definition of Eligible Bad Debt.

How?

- 1.6 The definition of Eligible Bad Debt should be amended to:

“means any bad debts with respect to Use of System Charges that the DNO Party can recover in accordance with the DNO Party's Distribution Licence. For the avoidance of doubt, it includes the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs.”

- 1.7 The proposed definition would therefore capture any use of system bad debt that DNOs are allowed to recover, and which are by default currently included in the Pass-through Eligible Bad Debt Adjustment which was introduced into Table 1 of Schedule 15 as a result of DCP334 'Update to Schedule 15 ('Cost Information Table') to maintain alignment with the distribution licence'.

2 Governance

Justification for Part 1 and Part 2 Matter

- 2.1 This change will not impact charges in any way that has not already been presented under the soon to be implemented DCP333.
- 2.2 It will simply correct an erroneous defined term that would otherwise be introduced upon implementation of DCP333.

Requested Next Steps

- 2.3 This Change Proposal should:
- Be treated as a Part 2 Matter;
 - Be treated as a Standard Change; and
 - Proceed to the Change Report phase.

3 Why Change?

- 3.1 Unless the definition of Eligible Bad Debt is amended, it will continue to reference a term that does not exist within the distribution licence. As such, a DNO will never have any Eligible Bad Debt.
- 3.2 This is not accurate nor in line with the intent of DCP333. DNOs have incurred use of system bad debt since 1 April 2015 and which the distribution licence facilitates recovery of, and this debt should be captured within the definition of Eligible Bad Debt.

Part B: Code Specific Details

4 Solution and Legal Text

Legal Text

- 4.1 The definition of 'Eligible Bad Debt' in Schedules 16-18 should be amended to be as follows:

~~“has the meaning given to 'Valid Bad Debt' in the DNO Party's Distribution Licence. means any bad debts with respect to Use of System Charges that the DNO Party can recover in accordance with the DNO Party's Distribution Licence. For the avoidance of doubt, Eligible Bad Debt pass-through costs it includes the DNO Party's bad debt and bad debt which the DNO Party is recovering on behalf of LDNOs.”~~

Text Commentary

- 4.2 The proposed definition would therefore capture any use of system bad debt that DNOs are allowed to recover, and which are by default included in the Pass-through Eligible Bad Debt Adjustment which was introduced into Table 1 of Schedule 15 as a result of DCP334.

5 Code Specific Matters

Reference Documents

- 5.1 Links to reference documents are included in footnotes throughout.

6 Relevant Objectives

6.1 Of the DCUSA Charging Objectives contained in the table below, we believe that this Change Proposal will better facilitate the following Charging Objective:

- **Charging objective six:** positive impact by ensuring that DCP333 can be properly implemented.

DCUSA Charging Objectives	Identified impact
<input type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None
<input type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	None
<input type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates 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
<input checked="" type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

7 Impacts & Other Considerations

7.1 This change will not have any impacts, in any way, beyond that which has not already been considered as part of the development of the approved and soon to be implemented, DCP333.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.2 This change will not impact an existing (or known probable) SCR or any other significant industry change project.

Does this Change Proposal Impact Other Codes?

7.3 No other codes are impacted by this Change Proposal.

BSC.....	<input type="checkbox"/>	MRA.....	<input type="checkbox"/>
CUSC.....	<input type="checkbox"/>	SEC.....	<input type="checkbox"/>
Grid Code.....	<input type="checkbox"/>	Other.....	<input type="checkbox"/>
Distribution Code..	<input type="checkbox"/>	None.....	<input checked="" type="checkbox"/>

Consideration of Wider Industry Impacts

7.4 This change has been discussed at the November 2020 Distribution Charging Methodologies Development Group (DCMDG) meeting.

Confidentiality

7.5 Non-confidential.

8 Implementation

Proposed Implementation Date

8.1 As the intent of this change is to correct an erroneous defined term that will be implemented on 01 April 2021, due to the approval of DCP333, it follows, that this Change Proposal should be implemented on the same date. Effectively, the definition of the term 'Eligible Bad Debt' as proposed by this change will override the definition of the same term which would otherwise be implemented on 01 April 2021.

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.