




DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 378:</h1> <h2>DCP333 housekeeping change</h2> <p><b>Date raised:</b> 05 November 2020</p> <p><b>Proposer Name:</b> Lee Wells</p> <p><b>Company Name:</b> Northern Powergrid</p> <p><b>Company Category:</b> DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></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>This document is issued in accordance with Clause 11.20 of the DCUSA, and details <i>DCP 378 'DCP333 housekeeping change'</i>.</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>12 February 2021</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><b>Impacted Parties:</b> DNOs, IDNOs and Suppliers,</p>	
	 <p><b>Impacted Clauses:</b> Schedule 16, 17 and 18 - defined terms.</p>	

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Any questions?

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report	18 November 2020
Change Report Approved by Panel	20 January 2021
Change Report issued for Voting	22 January 2021
Party Voting Closes	12 February 2021
Change Declaration Issued to Parties	16 February 2021
Implementation	01 April 2021

# 1 Executive 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 2019<sup>1</sup>. DCP333 was approved by the Authority on 1 October 2019<sup>2</sup>.
- 1.2 DCP333 will introduce a new term into Schedules 16-18 named Eligible Bad Debt, which was defined as:

*“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, this definition 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'.

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

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

## 2 Governance

### Justification for treating as a 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 The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 378.
- 2.4 The DCUSA Panel recommends that this CP be issued to Parties for voting.

## 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

- 4.1 The proposed solution for DCP 378 is to amend the definition of 'Eligible Bad Debt' in Schedules 16-18 so that it captures 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 DCP 334.

## 5 Code Specific Matters







### Reference Documents

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

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.
- 6.2 The Proposer considers that the following DCUSA Charging Objective is better facilitated by DCP 378.

	DCUSA Charging Objectives	Identified impact
	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
	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
	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
	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
	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
	6. that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

6.3 DCP 378 will better facilitate DCUSA Charging Objective 6 as it will ensure that the intent of DCP 333 can be properly implemented.

## 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, DCP 333.

### Impacts on any Significant Code Review (SCR) or other significant industry change projects

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

### Consideration of Wider Industry Impacts

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

## Impacts Other Codes

7.4 The Proposer does not consider that there are any impacts to any other 'Industry Codes' resulting from the implementation of this CP.

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

## Consumer Impacts

7.5 This change does not impact consumers.

## Environmental Impacts

7.6 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 378 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

# 8 Implementation

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 Legal Text

## Text Commentary

9.1 The legal text for DCP 378 has been recommended by the Proposer and reviewed by the DCUSA legal advisor and is provided as Attachment 1.

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

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

9.3 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.

## 10 Recommendations

### Panel's Recommendation

- 10.1 The Panel approved this Change Report on 20 January 2020. The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 378.
- 10.2 The Panel have recommended this report be issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this CP. The voting form acts as Attachment 2 to this Change Report.

## 11 Attachments

- Attachment 1 – DCP 378 Legal Text
- Attachment 2 – DCP 378 Voting Form
- Attachment 3 – DCP 378 Change Proposal Form