





DCUSA Change Declaration		At what stage is this document in the process?
<h1>DCP 378</h1> <h2>DCP333 housekeeping change</h2> <p>Date raised: 05 November 2020</p> <p>Proposer Name: Lee Wells</p> <p>Company Name: Northern Powergrid</p> <p>Company Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal</p> <p>This Change Proposal seeks to require submission and updating of relationships of Parties in the same group.</p> <p>This document provides the DCUSA Change Declaration for DCP 378.</p>		
	<p>DCUSA Parties have voted on DCUSA Change Proposal (DCP) 378 with the outcome being a decision on whether or not the Change Proposal (CP) is to be accepted and the proposed variation to the DCUSA made accordingly.</p> <p>The DCUSA Parties consolidated votes are provided as Attachment 3.</p>	
	<p>For DCP 378, DCUSA Parties have voted to:</p> <ul style="list-style-type: none"> • Accept the proposed variation (solution); and • Accept the implementation date. 	
	<p>Impacted Parties: All Parties</p>	
	<p>Impacted Clauses: Schedule 11</p>	

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Any questions?

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Timeline

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 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:

“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'.

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>

2 Governance

Justification Part 2 Matter

- 2.1 DCP 378 does not meet the criteria for it to be considered as a Part 1 Matter, therefore it is being treated as a Part 2 Matter. It should be noted that 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.

Next Steps

- 2.3 DCUSA Parties voted to accept DCP 378 and as such, it will be implemented in line with Section 8 below.

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 Code Specific Matters

Reference Documents

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







5 Solution

- 5.1 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.

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

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

- 7.1 The Proposer does not believe that DCP 378 impacts upon any current SCR or other significant industry change projects.

Impacts Other Codes

- 7.2 The Proposer does not consider that there are any impacts to any other 'Industry Codes' as a result of the implementation of DCP 378.

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"/>

Consumer Impacts

- 7.3 This change does not impact consumers.

Environmental Impacts

- 7.4 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 Voting

10.1 The 378 Change Report was issued to DCUSA Parties for Voting on 22 January 2021.

Part 2 Matter: Authority Decision is not Required

DCP 378 Proposed Variation (Solution) Decision

10.2 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the proposed variation was more than 65% of the total number of Groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the proposed variation was more than 65%

10.3 DCUSA Parties have voted to **accept** the proposed variation (solution) of DCP 378.

DCP 378 Implementation Date Decision

10.4 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the implementation date was more than 65% of the total number of groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 65%.

10.5 DCUSA Parties have voted to **accept** the implementation date of DCP 378.

The table below sets out the outcome of the votes that were received in respect of the DCP 378 Change Report that was issued on 22 January 2021 for a period of 15 working days.

DCP 378	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	CVA REGISTRANT	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	None Received	Not Eligible	Not Eligible
IMPLEMENTATION DATE	Accept	Accept	None Received	Not Eligible	Not Eligible

11 Recommendations

DCUSA Parties

11.1 DCUSA Parties have voted on DCP 378, with the outcome being a decision to accept the Change Proposal and thus the proposed variation to the DCUSA will be made accordingly.

12 Attachments

- Attachment 1 – DCP 378 Legal Text
 - Attachment 2 – DCP 378 Change Proposal Form
 - Attachment 3 – DCP 378 Consolidated Party Votes
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