

Modification proposal:	Distribution Connection and Use of System Agreement (DCUSA) DCP297 – Network Interventions SLA Enhancement (DCP297)		
Decision:	The Authority ¹ has decided to reject ² this modification ³		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	25/11/2022	Implementation date:	n/a

Background

In the course of the smart meter roll-out⁴ electricity suppliers, or their agents, may identify issues with network assets that require remedial action to be taken by the distribution network operators (DNOs). These could include issues with assets that may pose a danger to the customer or their property, as well as issues that may be less serious but could still prevent the supplier from exchanging the meter.

We approved DCP195A "Service Level Agreement for Resolving Network Operational Issues"⁵ on 12 August 2014. DCP195A introduced Service Level Agreements (SLAs) for DNOs to rectify issues reported to them by suppliers or their agents. DCP195A also introduced a provision in DCUSA that released the DNOs from their obligation to meet the SLA if the sum of smart meters rolled out by suppliers, or their agents, exceeded 102% of the forecast smart meter roll-out for a single area in a given period.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ <https://www.gov.uk/guidance/smart-meters-how-they-work>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/distribution-connection-and-use-system-agreement-dcusa-dcp195-195a-service-level-agreement-resolving-network-operational-issues>

The modification proposal

DCP297 was raised by British Gas Limited (the Proposer) on 7 April 2017. DCP297 seeks to change the mechanism whereby DNOs are released from their obligations to meet the intervention SLA, which is currently capped to circumstances where the sum of smart meters exceeds 102% of a suppliers' forecast in a single area. The modification proposes to increase the SLA coverage to release DNOs from their obligation to meet the service level where the sum of the smart meter installations exceeds 110% of a suppliers' forecast in a single area.

The aim of this proposal is that DNOs should only be released from their SLA where an inaccurate smart meter forecast has been submitted. The Proposer believes that releasing DNOs from their obligation once suppliers rolled out more than 102% of the smart meters they had forecast is harmful to customers as these customers are not subject to any SLA. The Proposer acknowledges that DNOs have an obligation to prioritise customers that fall within the 102% but believe that all customers should have the same certainty of when a reported intervention will be rectified.

The proposal was discussed by a working group and was subject to an industry consultation. Most respondents to the industry consultation were supportive of the principles of improving customer service but not in the manner proposed by DCP297.

The proposer considers that the modification would better achieve Applicable DCUSA Objectives (a) and (c).

DCUSA Parties' recommendation

The Change Declaration for DCP297 indicates votes were cast in the DNO and Supplier party categories.⁶

There was unanimous support for the proposal and for its proposed implementation date from the Supplier party category. The DNO parties voted unanimously against the proposal and its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP297 is rejected. The outcome of the weighted vote is set out in the table below:

DCP297	WEIGHTED VOTING (%)							
	DNO ⁷		IDNO/OTSO ⁸		SUPPLIER		DG ⁹	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	0%	100%	n/a	n/a	100%	0%	n/a	n/a
IMPLEMENTATION DATE	0%	100%	n/a	n/a	100%	0%	n/a	n/a

⁶ There are currently no gas supplier parties.

⁷ Distribution Network Operator

⁸ Independent Distribution Network Operator/Offshore Transmission System Operator

⁹ Distributed Generation

Our decision

We have considered the issues raised by the proposal and the Change Declaration and Change Report dated 22 January 2018 and taken into account the vote of the DCUSA Parties on the proposal, which is attached to the Change Declaration. We have concluded that implementation of the modification proposal will not better facilitate the achievement of the Applicable DCUSA objectives.¹⁰

Reasons for our decision

We consider this modification proposal will not better facilitate Applicable DCUSA Objective (a) and has a neutral impact on Applicable DCUSA Objective (c) and the other applicable objectives.

Applicable DCUSA Objective(a) – the development, maintenance and operation by each of the licensee of an efficient, co-ordinated, and economical Distribution System

We considered the concerns raised by respondents to the industry consultation and by members of the working group. In order to support the successful roll-out of smart meters we expect suppliers to provide data of sufficient accuracy to allow DNOs to ensure they have sufficient resources in place to respond to issues identified by suppliers or their agents. This proposal relies on the provision of accurate forecast data well in advance from suppliers. If supplier forecasts are inaccurate and the resultant level of activity does not materialise, DNOs may have stranded costs that customers would have to bear. The level at which DNOs are released from their obligations needs to be set so that DNOs have an efficient level of resources in place and suppliers are incentivised to provide an accurate forecast of roll out.

The level of staff and equipment that DNOs would need to have in place to comply with the 110% threshold may not be efficient. The proposed increased threshold may also not sufficiently incentivise suppliers to provide an accurate forecast of the number of meters they expect to exchange, which may make it more difficult for DNOs to develop, maintain and operate the system. Accordingly, we do not consider the proposed modification better facilitates this applicable objective.

Applicable DCUSA Objective (c) – the efficient discharge by the licensee of the obligations imposed upon it by its licence

The Change Report notes that DNOs are required to facilitate the roll-out of smart meters and operate a safe, reliable and efficient distribution network. It is proposed that this modification will better achieve this objective as it will ensure more customers will benefit from an SLA, which should support the operation of a safe, reliable and efficient network. The proposer has not provided evidence to support the claim that customers would benefit from this modification.

We therefore do not consider that the proposed modification better facilitates this applicable objective and as such the impact on this objective is neutral.

Decision notice

¹⁰ The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority has decided that modification proposal DCP297: 'Network Interventions SLA Enhancement' should not be made.

Mark Hogan

Head of Electricity Distribution Cost Analysis

Signed on behalf of the Authority and authorised for that purpose