

DCUSA Derogation Application

Originator Details

Companies	<p>All DNOs and (subject to confirmation) all IDNOs – currently confirmed are:</p> <ul style="list-style-type: none"> EASTERN POWER NETWORKS PLC (DNO) ELECTRICITY NORTH WEST LIMITED (DNO) LONDON POWER NETWORKS PLC (DNO) NATIONAL GRID ELECTRICITY DISTRIBUTION (EAST MIDLANDS) PLC (DNO) NATIONAL GRID ELECTRICITY DISTRIBUTION (SOUTH WALES) PLC (DNO) NATIONAL GRID ELECTRICITY DISTRIBUTION (SOUTH WEST) PLC (DNO) NATIONAL GRID ELECTRICITY DISTRIBUTION (WEST MIDLANDS) PLC (DNO) NORTHERN POWERGRID (NORTHEAST) PLC (DNO) NORTHERN POWERGRID (YORKSHIRE) PLC (DNO) SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC (DNO) SOUTH EASTERN POWER NETWORKS PLC (DNO) SOUTHERN ELECTRIC POWER DISTRIBUTION PLC (DNO) SP DISTRIBUTION PLC (DNO) SP MANWEB PLC (DNO) THE ELECTRICITY NETWORK COMPANY LIMITED (IDNO) UK POWER DISTRIBUTION LIMITED (IDNO) ECLIPSE POWER NETWORKS LIMITED (IDNO) ENERGY ASSETS NETWORKS LIMITED (IDNO) INDEPENDENT POWER NETWORKS LIMITED (IDNO) LAST MILE ELECTRICITY LIMITED (IDNO) LEEP ELECTRICITY NETWORKS LIMITED (IDNO)
Originator's Name	Dave Wornell (on behalf of all DNOs and IDNOs above)
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Details of obligation(s) to which you are seeking a derogation, quoting relevant DCUSA clause(s)

Paragraph	Paragraph 6.11 of Schedule 32
Obligation	<p><u><i>Note, that Paragraph 6.10 has been included for completeness but is not specifically being derogated against.</i></u></p> <p>6.10 On or before 15 September of the Annual Allocation Review, the DNO/IDNO Party shall provide each Supplier Party with a list of each and every MPAN associated with a Non-Domestic Premises that is connected to the DNO/IDNO Party's Distribution System that has been reallocated to a New Charging Band as a result of the Annual Allocation Review, identifying the Old Charging Band and New Charging Band to which each such MPAN has been allocated, and the LLFC Id which is assigned to the MPAN.</p> <p>6.11 Reallocation of a Final Demand Site to a New Charging Band may result in the Registrant for the Final Demand Site being either eligible for a rebate or subject to an additional charge both of which shall be backdated to the date on which the Final Demand Site was first charged the Old Charging Band residual fixed charge. The New Charging Band will be applied from the next billing period.</p>

Reason Derogation Sought - details of the justification for seeking this derogation

[DCP 389 'TCR – Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites'](#), which was implemented on 01 April 2023, introduced a process for an annual allocation review of any new Final Demand Sites as well as those Final Demand Sites which were initially allocated to a Residual Charging Band based on no recorded data (i.e., by using a best guess approach). The process obliges DNOs/IDNOs to potentially backdate rebates/charges past a point which is realistically possible/practical but has only now been picked upon the DNOs/IDNOs needing to complete the process for the first time.

The particular paragraph causing the issue is Paragraph 6.11 in Schedule 32 but for ease of reference, I've included the entire set of paragraphs related to the process below. It likely makes sense for the Derogation to apply to all Distributors (i.e., all DNOs/IDNOs) and with the assistance of the DCUSA Code Administrator, confirmation of the inclusion of a number of the IDNOs in this application have been received.

Whilst Paragraph 6.11 of Schedule 32 does not explicitly place any obligations on the DNOs/IDNOs to backdate any rebate/additional charge, it does, by inference, set out the need for DNOs/IDNOs to backdate any rebate/additional charge *"to the date on which the Final Demand Site was first charged the Old Charging Band residual fixed charge"*. Paragraph 6.11 has been identified as an issue in that billing systems are set up to use settlement data from specific settlement runs that end with the final Reconciliation Run at 14 months. Therefore, the view is that it would only be possible to backdate the charges as far as 14 months due to the limits in settlement.

Consideration was given to moving to a manual process for periods beyond the 14 months, but that would not be possible, especially in the NHH market due to the use of aggregated data used for billing. Whilst for the HH market, there is less of an issue, due to the use of Site Specific data for billing, both the NHH and HH sites are affected by the 14 month limitation in terms of being able to backdate/change the LLFC ID in the settlement processes. DNOs discussed whether using the 'DF run' would allow them to go beyond 14 months but noted that this process wasn't designed for such instances and in any case would normally be a Supplier instigated process.

To resolve this issue, it is proposed to raise a Change Proposal to amend the wording in Paragraph 6.11 of Schedule 32 and two options for how this could be achieved are set out below. The DNOs/IDNOs believe that the options have the same net result but with the first option being more to the point and the second option providing a more detailed description of how the process will work.

[First option for Paragraph 6.11 of Schedule 32](#)

Before the date of the final Reconciliation Run for the period to 01 August of the prior year, the DNO/IDNO Party shall, as is set out in Paragraph 6.10, carry out a reallocation of a Final Demand Site to a New Charging Band which may result in the Registrant for the Final Demand Site being either eligible for a rebate or subject to an additional charge both of which shall be backdated to 01 August the prior year.

[Second option for Paragraph 6.11 of Schedule 32](#)

Before the date of the final Reconciliation Run for the period to 01 August of the prior year, the DNO/IDNO Party shall, upon carrying out its obligations in accordance with Paragraph 6.10, and for any Final Demand Site that is reallocated to a New Charging Band, backdate the LLFC ID associated with the New Charging Band which is assigned to the MPAN to 01 August the prior year. Reallocation of a Final Demand Site to a New Charging Band may result in the Registrant for the Final Demand Site being either eligible for a rebate or subject to an additional charge both of which shall be backdated to the date that LLFC ID was backdated to.

Conditions – description of the conditions of this derogation (i.e. the extent to which a derogation is needed / whether a less onerous obligation will be met for the period of the derogation)

The intent is for all DNOs/IDNOs to follow the inferred obligations in Paragraph 6.11 of Schedule 32 to the extent possible (i.e., by backdating the LLFC ID for applicable sites through settlement processes to a maximum of 14 months) and to raise a Change Proposal to amend the relevant text in the DCUSA.

Impact - details of the anticipated impact on the costs and operations of other parties:

Consideration was given to the potential impacts with the consensus being that proceeding with a derogation was likely to be in the best interests of all Parties (i.e., Suppliers and DNOs/IDNOs). Whilst it is appreciated that Suppliers would prefer to be in a position of receiving invoices that account for all relevant rebates/charges, and indeed DNOs/IDNOs would prefer to be issuing invoices that account for all relevant rebates/charges, in the case of some DNOs/IDNOs, they'd be in a position of applying additional charges past the standard final Reconciliation Run for which there is no process for. Equally, where rebates are owed, and if a manual process was to be used, that this may cause issues with Suppliers validation processes, given the volume/scale of sites impacted by this initial Annual Allocation Review (i.e., likely to total in excess of 50,000 sites).

Action Being Taken - details of the action you will take to become compliant with the obligation including dates of any key milestones associated with these actions:

The intent is for all DNOs/IDNOs to follow the inferred obligations in Paragraph 6.11 of Schedule 32 to the extent possible (i.e., by backdating the LLFC ID for applicable sites through settlement processes to a maximum of 14 months) and to raise a Change Proposal to amend the relevant text in the DCUSA (i.e., Paragraph 6.11 of Schedule 32) such that it reflects the reality of how sites are billed and the limitations for backdating of sites on the basis of LLFC IDs. It would be expected that the change can be raised to the next applicable Panel meeting and that if approved, would be in place for the next Annual Allocation Review.

Timescales - period of time for which the derogation is sought

The Derogation is only necessary for this initial Annual Allocation Review period and for prudence the derogation should be long enough to cover the entire period of the initial Annual Allocation Review to the point at which a Change Proposal is either implemented or rejected.

Associated Derogations – details of any previous or current derogations which are related to this one

None

To be completed by Panel Secretary

Date received 01 September 2023

Date presented to DCUSA Panel 20 September 2023

Outcome TBC