









| DCUSA Change Proposal (DCP) | | At what stage is this document in the process? |
|--|---|--|
| <h1>DCP 430:</h1> <h2>Reducing Good Payment Record</h2> <p>Date Raised: 02 October 2023</p> <p>Proposer Name: Peter Waymont</p> <p>Company Name: Eastern Power Networks</p> <p>Party Category: DNO</p> | | 01 – Change Proposal |
| | | 02 – Consultation |
| | | 03 – Change Report |
| | | 04 – Change Declaration |
| <p>Purpose of Change Proposal:</p> <p>To clarify how Distributors should deal with late payments in considering good payment record reductions.</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 • Progressed 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>Suppliers/DNOs/IDNOs/</p> | |
|  | <p>Impacted Clauses:</p> <p>Schedule 1</p> | |

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| Indicative Timeline | |  DCUSA@electralink.co.uk |
| The Secretariat recommends the following timetable: | |  020 7432 3011 |
| Initial Assessment Report | 18 October 2023 | Proposer: |
| Change Report Approved by Panel | 15 November 2023 | Peter Waymont |
| Change Report issued for Voting | 16 November 2023 |  peter.waymont@ukpowernetworks.co.uk |
| Party Voting Closes | 07 December 2023 |  - |
| Change Declaration Issued to Parties | 11 December 2023 | |
| Implementation Date | 29 February 2024 | |

1 Summary

What?

- 1.1 Clarification is required to be added to DCUSA as to how a good payment record is reduced.

Why?

- 1.2 Schedule 1 Clause 2.13(e) is concerned with late payments that reduce good payment record and states -

“on each occasion that the User fails to pay the Charges on or before the date by which such payment is required to be made under this Agreement (but for which the delay in payment is not so great as to create a new Good Performance Start Date under Paragraph 2.14(c)), the Payment Record Factor that would otherwise apply shall be reduced”

- 1.3 It is unclear what is meant by “Charges” in this context as these are defined as -

“in respect of Section 2A, the Use of System Charges and the Other Charges”.

- 1.4 But the entirety of Charges, so defined, is unlikely to be paid late. Given that there are a number of different invoice types raised in a month, each with different due dates, it is unclear from the legal text how Charges should be interpreted.

- 1.5 The table goes on to use –

“Value of debt as a percentage of Charges invoiced”

- 1.6 But there is no reference to the time period during which Charges have been invoiced or which Charges should be included.

- 1.7 Contrast this with Clause 2.14(c), which applies where a late payment causes a good payment record to be removed, that makes reference to an account -

“for all Users, where the User fails (or has failed) on any occasion to pay any relevant account relating to undisputed Charges in full on the applicable payment date (and does not remedy that failure within 3 Working Days such that Paragraph 2.13(e) applies)”.

- 1.8 Referring to the DCP349 Change Report, earlier drafting in the consultation had used the following in the table which (I think) shows the intent better -

“Value of debt as a percentage of previous month's charges”

- 1.9 Earlier versions of DCUSA had the following wording in the equivalent clause;

“for all Users, where the User fails, or has failed, on any occasion to pay any relevant account relating to undisputed Charges in full on the applicable payment date,”

How?

1.10 By amending the DCUSA to clarify how good payment record is reduced.

2 Governance

Justification for Part 1 and Part 2 Matter

2.1 This does not meet any of the Part 1 criteria as it feels like housekeeping to tidy up the text rather than amend the intent.

Requested Next Steps

2.2 This Change Proposal should:

- Be treated as a Part 2 Matter;
- Be treated as a Standard Change; and
- Proceed to the Change Report phase.

2.3 It's a straightforward change akin to housekeeping.

3 Why Change?

3.1 To clarify how good payment record should be reduced as the text is ambiguous.

4 Solution and Legal Text

Legal Text

4.1 Amend Schedule 1 para 2.13 as follows;

- (e) on each occasion that the User fails to pay ~~the~~ any relevant account(s) relating to undisputed Charges on or before the date by which such payment is required to be made under this Agreement (but for which the delay in payment is not so great as to create a new Good Performance Start Date under Paragraph 2.14(c)), the Payment Record Factor that would otherwise apply shall be reduced as follows:

| Age of debt past payment date when settled (Working Days) | Value of debt as a percentage of Charges invoiced <u>in the previous month</u> | Reduction to Payment Record Factor |
|---|--|--|
| 1 to 3 | <25% | Loss of 25% of previously accrued good payment performance |

| | | |
|--|---------------|---|
| | ≥25% and <75% | Loss of 50% of previously accrued good payment performance |
| | ≥75% | Loss of 100% of previously accrued good payment performance |

Text Commentary

- 4.2 The text is intended to make it clear that good payment record is reduced based on the value of debt paid late as a percentage of the invoices raised in the prior month.
- 4.3 The logic here is that any debt older than the prior month must cause good payment to be removed under para 2.14 and if debt is paid late in the current month, we may not have a full month value of invoicing to compare that with.
- 4.4 Plurals of accounts have been used to recognise site-specific billing, which has many invoices raised on the same date and which are usually paid in one payment.

5 Code Specific Matters

Reference Documents

- 5.1 None.

6 Relevant Objectives

| | DCUSA General Objectives | Identified impact |
|-------------------------------------|--|-------------------|
| <input type="checkbox"/> | 1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks | None |
| <input type="checkbox"/> | 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity | None |
| <input type="checkbox"/> | 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences | None |
| <input checked="" type="checkbox"/> | 4. The promotion of efficiency in the implementation and administration of the DCUSA | Positive |

| | | |
|--------------------------|---|------|
| <input type="checkbox"/> | 5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | None |
|--------------------------|---|------|

6.1 General objective 4 is better facilitated by clarifying the process.

7 Impacts & Other Considerations

7.1 N/A

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

7.2 No.

Does this Change Proposal Impact Other Codes?

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

Consideration of Wider Industry Impacts

7.3 This was discussed in the SIG initially and this change has been raised in light of discussions.

Confidentiality

7.4 None.

8 Implementation

Proposed Implementation Date

8.1 Next release after approval.

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.