





DCUSA Change Declaration		At what stage is this document in the process?
<h2>DCP 430</h2> <h3>Reducing Good Payment Record</h3> <p>Date raised: 02/10/2023</p> <p>Proposer Name: Peter Waymont</p> <p>Company Name: Eastern Power Networks</p> <p>Company Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal</p> <p>The intent of this Change Proposal (CP) is to add clarity to the DCUSA for how Distributors should deal with late payments in considering good payment record reductions.</p> <p>This document provides the DCUSA Change Declaration for DCP 430.</p>		
	<p>DCUSA Parties have voted on DCUSA Change Proposal (DCP) 430 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 2.</p>	
	<p>For DCP 430, 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:</p> <p>Suppliers/DNOs/IDNOs</p>	
	<p>Impacted Clauses:</p> <p>Schedule 1</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 October 2023
Consultation Issued to Parties	N/A
Change Report Approved by Panel	20 December 2023
Change Report issued for Voting	21 December 2023
Party Voting Closes	16 January 2024
Change Declaration Issued to Parties	18 January 2024
Implementation	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 Part 2 Matter

- 2.1 The Proposer does not believe that this CP meets the criteria for it to be considered as a Part 1 Matter, and therefore, considers that it should be treated as a Part 2 Matter.

Requested Next Steps

- 2.2 DCUSA Parties voted to accept DCP 430 and as such, it will be implemented in line with Section 11 below.

3 Why Change?

Background of DCP 430

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

4 Code Specific Matters

Modelling Specification Documents

- 4.1 None

Reference Documents

- 4.2 None

5 Solution

DCP 430 Assessment

- 5.1 It is proposed that Schedule 1 be updated to add clarity for how Distributors should deal with late payments in considering good payment record reductions.
- 5.2 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.
- 5.3 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.
- 5.4 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.

DCP 430 Legal Review



- 5.5 During the process of legal review by DCUSA Ltd.'s legal advisors, the solution was slightly altered, and this is described below:


1. Schedule 1, Paragraph 2.13(e) – The key change to this was to clarify that the percentages in the table are the late payment as a percentage of the total Charges billed to the User in a month. The legal advisors have also changed 'the Charges' to 'any Charges', and corrected the reference to 'Good Payment Performance Factor'.
2. Schedule 1, Paragraph 2.14(a) and (b) – The wording which the legal advisors have deleted referred to bills raised under bilateral UoS agreements which pre-dated the DCUSA. Given the length of time that has elapsed since the DCUSA came into effect, these are no longer relevant.
3. Schedule 1, Paragraph 2.14(c) – the legal advisors have changed the wording to more closely follow the wording in paragraph 2.13(e), as both paragraphs are concerned with the same circumstances. The word 'undisputed' is not necessary, as Schedule 4 deals with whether and when disputed amounts need to be paid, so it is therefore sufficient to refer to the payment date required by the DCUSA.

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 General Objectives are better facilitated by this CP.

	DCUSA General Objectives	Identified impact
	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.	None
	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
	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.	None
	4. The promotion of efficiency in the implementation and administration of the DCUSA.	Positive

	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
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- 6.3 The proposer considers that this CP enhances the process of how Distributors should deal with late payments in considering good payment record reductions and therefore, it better facilitates DCUSA General Objective 4.

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 this CP 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 this CP.

Grid Code..... ☐ SEC..... ☐ CUSC..... ☐
Distribution Code... ☐ REC..... ☐ BSC..... ☐
None..... ☒

Consumer Impacts

- 7.3 The Proposer does not believe that this change will impact consumers.

Environmental Impacts

- 7.4 In accordance with DCUSA Clause 10.4.5A, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Confidentiality

- 7.5 Non-confidential.

8 Implementation

- 8.1 The proposed implementation date for DCP 430 is 29 February 2024.

9 Legal Text

9.1 The proposed DCUSA legal text amendments are contained within Attachment 1 to this Change Declaration in redlined, tracked changes format. These amendments have been recommended by the Proposer and reviewed by the DCUSA legal advisor.

9.2 For ease of reference the proposed legal drafting is also set out below.

Amend Paragraph 2.13 of Schedule 1 as follows:

2.13 With effect from 29 June 2023, the Payment Record Factor shall equal the number of months since the Good Payment Performance Start Date (as specified in Paragraph 2.14) multiplied by 0.033% (that is to say, by 0.4% per annum), subject to the following provisos and caps:

- (a) during the first 36 months from the first relevant account (as referred to in Paragraph 2.14(a) or 2.14(b), as applicable to the User), the Payment Record Factor shall be capped at a maximum value of 1.2% (i.e. the maximum which could be earned in that period);
- (b) during months 37 to 48 (inclusive) following such first relevant account, the Payment Record Factor shall be capped at a maximum value of 0.7%;
- (c) during months 49 to 60 (inclusive) following such first relevant account, the Payment Record Factor shall be capped at a maximum value of 0.4%;
- (d) from and including the 61st month following such first relevant account, the Payment Record Factor shall always be zero; and
- (e) on each occasion that the User fails to pay ~~any~~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 Payment 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 late payment debt as a percentage of <u>total</u> Charges invoiced <u>in the same 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

2.13A The Company shall give the User notice of any adverse change in the calculation of its Payment Record Factor under Paragraph 2.13.

- 2.13B It is acknowledged that the User's first relevant account (as referred to in Paragraph 2.14(a) or 2.14(b), as applicable to the User); may have been before 29 June 2023, and furthermore that it might have been more than 60 months before 29 June 2023 (such that the User's Payment Record Factor shall always be zero from 29 June 2023).
- 2.14 The Good Payment Performance Start Date shall:
- (a) for Users under Section 2A, initially, be the date of the earliest of the first Initial Account, the first Reconciliation Account, or the first account issued pursuant to Clause 21, ~~or the first account comparable to the foregoing issued under the use of system agreement applying between the User and the Company immediately before this Agreement became effective~~ (each at the relevant account);
 - (b) for Users under Section 2B, initially, be the date of the earliest of the first account issued pursuant to Clause 44 or 45, ~~or the first account comparable to the foregoing issued under any connection and use of system agreement applying between the User and the Company immediately before this Agreement became effective~~ (each at the relevant account); and
 - (c) 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 or before the applicable payment date required by this Agreement (and does not remedy that failure within 3 Working Days such that Paragraph 2.13(e) applies), be the date on which a relevant account is submitted in a month subsequent to the month in which such payment failure is remedied (unless, having regard to all the circumstances, including in particular the value, duration, and frequency of failure, the Company reasonably determines an earlier date).
- 2.15 Where any unpaid disputed invoice is found to have been disputed without merit, a failure to have paid the relevant account in accordance with the terms of this Agreement shall be treated as a failed payment and the provisions of Paragraph 2.14(c) shall apply accordingly.

10 Voting

10.1 The 430 Change Report was issued to DCUSA Parties for Voting on 21 December 2023.

Part 2 Matter: Authority Decision is not Required

DCP 430 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 430.

DCP 430 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 430.

The table below sets out the outcome of the votes that were received in respect of the DCP 430 Change Report that was issued on 21 December 2023 for a period of 15 working days.

DCP 430	WEIGHTED VOTING					
	DNO	IDNO	SUPPLIER	SAFE ISOLATION PROVIDER	CVA REGISTRANTS	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	No votes received	N/A	N/A	N/A
IMPLEMENTATION DATE	Accept	Accept	No votes received	N/A	N/A	N/A

11 Recommendations

DCUSA Parties

11.1 DCUSA Parties have voted on DCP 430, 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 430 Legal Text
- Attachment 2 – Consolidated Party Votes
- Attachment 3 – DCP 430 Change Proposal Form