




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 433</h2> <h3>Limitation for backdating of rebates/charges under Schedule 32</h3> <p>Date Raised: 5 January 2024</p> <p>Proposer Name: Chris Barker</p> <p>Company Name: Electricity North West Limited</p> <p>Party Category: DNO</p>		<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>
<p>Purpose of Change Proposal:</p> <p>The intent of this Change Proposal (“CP”) is to amend Schedule 32 to ensure that processes which may result in the backdating of rebates/charges are reflective of the limitations within the current industry arrangements.</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on this CP.</p> <p>The Working Group recommends that this CP should proceed to Consultation.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 10 April 2024.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>	
	<p>Impacted Parties</p> <p><input checked="" type="checkbox"/> Suppliers <input checked="" type="checkbox"/> DNOs <input checked="" type="checkbox"/> IDNOs <input checked="" type="checkbox"/> CVA Registrants <input type="checkbox"/> OTSO Party</p> <p><input type="checkbox"/> Gas Suppliers <input type="checkbox"/> SIP Parties</p>	
	<p>Impacted Clauses</p> <p>Schedule 32, Paragraph 6.11</p>	

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	17 January 2024
Consultation issued to Parties	18 March 2024
Change Report issued to Panel	15 May 2024
Change Report issued for Voting	16 May 2024
Party Voting Ends	07 June 2024
Change Declaration Issued to Parties	11 June 2024
Change Declaration issued to Authority	11 June 2024
Authority Decision	TBC
Implementation	June standard release / 5 Working Days after approval



Any questions?

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1 Summary

What?

- 1.1 An issue has come about due to the implementation of DCP 389 'TCR – Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites' on 01 April 2023. DCP 389 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 currently obliges DNOs/IDNOs to backdate rebates/additional charges to the date on which the Final Demand Site was first charged the Old Charging Band residual fixed charge. The proposer considers this to be past a point which is realistically possible/practical but the issue has only now been picked upon the DNOs/IDNOs, following the completion of the Annual allocation review for the first time in September 2023.
- 1.2 The DNOs/IDNOs requested and the DCUSA Panel approved a Derogation from Paragraph 6.11 of Schedule 32 during their meeting on 20 September 2023 ([DNO/IDNO Derogation – Paragraph 6.11 of Schedule 32](#)).

Why?

- 1.3 As part of the above Derogation, the Panel has specified that the term of the Derogation is until 31 March 2024. The Panel also encouraged a Party to raise a Change Proposal as soon as possible 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. This Change Proposal has been raised in order to fulfil that request.

How?

- 1.4 The intent behind the Derogation was 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 in September 2024, pending Ofgem's decision on DCP433.

2 Governance

Part 1 Or Part 2 Matter

- 2.1 This CP is classified as a Part 1 matter and therefore will go to the Authority for determination, after the voting process has completed.

Next Steps

- 2.2 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution.

3 Why Change?

- 3.1 As noted above, DCP 389 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).
- 3.2 Paragraph 6.11 sets 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”. By 15 September each year, the DNO/IDNO Party has to provide suppliers with a list of sites which have been reallocated to a New Charging Band. The New Charging Band is to be applied from the next billing period, i.e. 1 October.
- 3.3 Paragraph 6.11 has been identified as an issue in that billing systems between DNOs/IDNOs and suppliers use settlement data from specific settlement runs that end with the final Reconciliation Run at 14 months. Therefore, the proposer’s view is that it would only be possible to backdate rebates or additional charges as far as 14 months due to the limits in settlement data availability. Given any New Charging Band must be applied from 1 October, the rebate or additional charge would be backdated to 1 August in the previous year.
- 3.4 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 ‘Dispute Final (“DF”) run’ would allow them to go beyond 14 months, up to 30 months from the settlement day, but noted that this process wasn’t designed for such instances and in any case would normally be a Supplier instigated process.

4 Code Specific Matters

Reference Documents

- 4.1 No code specific reference documents have been identified.

5 Working Group Assessment

- 5.1 The DCUSA Panel established a Working Group to assess this CP. This Working Group consist of DNO, Supplier, IDNO, and generator representatives. Meetings were held in open session and

the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

- 5.2 The Working Group developed this consultation document to gather information and feedback from market participants.
- 5.3 The Working Group explored why this change was necessary and determined that there are a few scenarios where a customer may currently be eligible for a backdated rebate or backdated charges beyond 14 months. The Proposer created an information pack, attached to this consultation as attachment 4, which outlined these.
- 5.4 The following table summarises these scenarios – column 1 refers to DCUSA Schedule 32:

Customer Category	Site Type	Qualifying Criteria	Requirement to be Included in the Review	Maximum Potential Backdating
4.1 (b) (ii)	Site with MIC	No MIC data available (possibly a new connection with unconfirmed capacity)	Minimum of 12 months of MIC data	Up to 23 months (only 11 months available for prior review, so reviewed next year giving an extra 12 months) plus 3 months for the review process
4.2 (a) (iii)	HH settled no MIC	Less than 12 months of annual import consumption	Minimum of 12 months of metered data	Up to 23 months (only 11 months available for prior review, so reviewed next year giving an extra 12 months) plus 3 months for the review process
4.2 (b) (ii)	NHH settled no MIC	No EAC, so used default EAC	EAC from up to and including May of the review year	Depends on EAC availability, unclear what time scales might be.
4.2 (b) (iii)	NHH settled no MIC	No EAC or default, so used other basis	EAC from up to and including May of the review year	Depends on EAC availability, unclear what time scales might be.

Question 1 – Do you understand the intent of this CP?

Question 2 – Are you supportive of the principles of this CP?

- 5.5 The Working Group issued a request for information to DNOs to provide information of the number of sites re-banded as a result of the first (and only) Annual Allocation Review in 2023. The Working Group sought to understand:
- 5.5.1 how many sites were reallocated at the last annual review;
- 5.5.2 what percentage of these sites were a decrease in charges versus an increase in charges; and
- 5.5.3 how many sites were reallocated for more than 14 months.
- 5.6 The Working Group received data from all DNOs, across all DNO areas of Great Britain. The Working Group found that of 79,590 sites that were re-banded, 51% of these sites were re-banded to a lower band and may be entitled to a rebate, whilst 49% of these sites were re-banded

to a higher band and may be liable for additional charges. The analysis is summarised below:

Band Change	Sites	
-3	620	
-2	7867	
-1	32087	51%
1	25455	49%
2	10339	
3	3221	
4	1	

5.7 The Working Group noted that if this CP was approved, a proportion of sites which would have become eligible for a rebate, or liable for a charge, beyond the proposed 14-month period, would miss out on the rebate, or avoid the additional charge, for the period between the date they were first charged the Old Charging Band residual fixed charge and the 1 August in the year of the Annual Allocation Review.

5.8 The Working Group analysed how many of these sites were re-banded prior to 1 August 2022. This analysis is summarised below:

>14 Months	Sites	
No	51648	
Yes	2558	4.7%
Blank	25384	

5.9 The Working Group noted some important caveats around this analysis:

5.9.1 that the analysis of the dates was based on an incomplete dataset, as of the of the 79,590 sites provided in the analysis, only 54,206 of these were provided with effective from dates (representing 68% of the total volume); and

5.9.2 that many of the effective from dates had been set to 1 August 2022, potentially as a result of the derogation granted by the DCUSA Panel in September 2023, and that the analysis was therefore skewed.

5.10 The Working Group discussed that despite the caveats above, the data showed that some sites would have been backdated beyond 14 months.

5.11 The analysis, whilst noting the above caveats, showed that 4.7% of the sites had an effective from date prior to 1 August 2022, which if extrapolated to the entire volume would account for around 3,700 sites.

5.12 The Working Group also noted that the data in the analysis was based on the first Annual Allocation Review that has been performed since the implementation of the TCR and that the volumes were therefore expected to be lower moving forwards, though it was stated by some Working Group members that this would still likely amount to a few hundred sites.

Question 3 – Do you agree with the proposal that the date for backdating rebates or charges under Schedule 32 should be limited to 1 August in the previous year, in line with the 14-month data availability for the Final Reconciliation (“RF”) settlement run? Please provide your rationale.

Question 4 – Do you have any other solutions which could resolve the issue identified in this Change Proposal?

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.
- 6.2 The Proposer considers that the following DCUSA Charging Objectives are better facilitated by this CP.

	DCUSA Charging Objectives	Identified impact
<input type="checkbox"/>	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	Neutral
<input checked="" type="checkbox"/>	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)	Positive
<input checked="" type="checkbox"/>	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	Positive
<input type="checkbox"/>	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	Neutral
<input type="checkbox"/>	5. That compliance by each DNO Party with the Charging Methodologies facilitates 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; and	Neutral
<input checked="" type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

- 6.3 The Proposer believes this CP supports Charging Objective 2 and 3 by aligning to industry practices in terms of charging based on settlement timetables and because it could be expected

to facilitate and not distort competition. It also should also reflect the costs incurred, or reasonably expected to be incurred by DNOs due to the nature of the costs being considered by this Change Proposal being corrected via additional charges or the provision of rebates but only back to a specific point in time which is reasonable and practicable for all involved.

- 6.4 The Proposer believes this CP also supports objective 6 by ensuring administration of the is efficient as it will allow standard industry billing processes to be used for back-dated charges, rather than potentially requiring manual billing calculations to be undertaken.

Question 5 – Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.

7 Impacts & Other Considerations

- 7.1 It was acknowledged that Suppliers would prefer to be in a position of receiving invoices that account for all relevant rebates/charges backdated to the date on which the Final Demand Site was first charged the Old Charging Band residual fixed charge, and indeed DNOs/IDNOs would prefer to be issuing invoices accordingly. However, DNOs/IDNOs consider that it is not technically feasible to apply additional charges past the standard Final Reconciliation Run. Equally, where rebates are owed, and if a manual process was to be used, this would cause issues with Suppliers validation processes, given the volume/scale of sites impacted by the initial Annual Allocation Review (i.e., 79,590 sites).

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

- 7.2 The Proposer does not believe that this CP impacts upon any current SCR or other significant industry change projects.

Impacts on Other Codes

- 7.3 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..... ☐ None..... ☒
Distribution Code... ☐ REC..... ☐ BSC..... ☐

Consumer Impacts

- 7.4 As per paragraph 5.7 in this consultation, the Working Group noted that if this CP was approved, a proportion of sites which would have become eligible for a rebate, or liable for a charge, beyond the proposed 14-month period, would miss out on the rebate, or avoid the additional charge, for the period between the date they were first charged the Old Charging Band residual fixed charge and the 1 August in the year of the Annual Allocation Review.

- 7.5 There is uncertainty around the number of sites and customers affected because of the lack of experience of ongoing allocation reviews because the initial allocation review which was undertaken last year is not expected to be entirely representative of the ongoing process.

Environmental Impacts

- 7.6 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if this CP was implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Question 6 – Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

Engagement with the Authority

- 7.7 This is a Part 1 matter. Ofgem can join the Working Group as an observer and will make the final decision on this CP.

8 Implementation

- 8.1 The proposed implementation date for this CP is the June 2024 standard release, or 5 Working Days after approval.

Question 7 – Are you supportive of the proposal to implement this CP in the June 2024 DCUSA standard release or, if later than this, 5 Working Days after Authority approval?

9 Legal Text

- 9.1 The legal text for this CP is provided as Attachment 3.

Question 8 – Do you have any comments on the legal text?

10 Consultation Questions

- 10.1 The Working Group is seeking industry views on the following consultation questions:

No.	Questions
1	Do you understand the intent of this CP?
2	Are you supportive of the principles of this CP?
3	Do you agree with the proposal that the date for backdating rebates or charges under

	Schedule 32 should be limited to 1 August in the previous year, in line with the 14-month data availability for the Final Reconciliation ("RF") settlement run? Please provide your rationale.
4	Do you have any other solutions which could resolve the issue identified in this Change Proposal?
5	Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.
6	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
7	Are you supportive of the proposal to implement this CP in the June 2024 DCUSA standard release or, if later than this, 5 Working Days after Authority approval?
8	Do you have any comments on the draft legal text?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than 10 April 2024.

10.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

11 Attachments

- Attachment 1 – DCP 433 Consultation Response Form
- Attachment 2 – DCP 433 Change Proposal Form
- Attachment 3 – DCP 433 Legal Text
- Attachment 4 – DCP 433 Information Pack