

DCUSA Change Proposal (DCP)		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: 5/1/2023 Proposer Name: Chris Barker Company Name: Electricity North West Limited Party 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 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>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> <table border="1"> <thead> <tr> <th>Section/Schedule</th> <th>Clause/Paragraph</th> </tr> </thead> <tbody> <tr> <td>Schedule 32</td> <td>Paragraph 6.11</td> </tr> </tbody> </table>		Section/Schedule	Clause/Paragraph	Schedule 32
Section/Schedule		Clause/Paragraph				
Schedule 32	Paragraph 6.11					

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Indicative Timeline

The Secretariat recommends the following timetable:

Initial Assessment Report	17 January 2024
Consultation Issued to Industry Participants	TBC
Change Report Approved by Panel	15 May 2024
Change Report issued for Voting	16 May 2024
Party Voting Closes	07 June 2024
Change Declaration Issued to Parties	11 June 2024
Change Declaration Issued to Authority	11 June 2024
Authority Decision	TBC

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 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.
- 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

Who?

- 1.5 It is expected that this Change Proposal will impact DNO/IDNO Parties, as well as Supplier Parties mainly with respect to billing and invoicing processes.

2 Governance

Proposers Recommended Progression Route

- 2.1 This Change Proposal should:
 - Be treated as a Part 1 Matter;
 - Be treated as a Standard Change; and
 - Proceed to the Definition phase via a Working Group for further development.

Justification for Part 1 or Part 2 Matter

- 2.2 It is proposed that this Change Proposal be treated as a Part 1 Matter as it has commercial implications and might be deemed to have a significant impact on the interests of electricity consumers.

3 Reasons for raising the Change Proposal

- 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 The particular paragraph causing the issue is Paragraph 6.11 and 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.
- 3.3 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.

4 Solution and Legal Text

Solution Overview

- 4.1 To resolve this issue, it is proposed to amend the wording in Paragraph 6.11 of Schedule 32 and two options for how this could be achieved are set out below. Both 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.

Legal Text Amendments

- 4.2 The two options for draft legal text which are believed to achieve the solution specified above are set out below for ease of reference:

First option for Paragraph 6.11 of Schedule 32

- 6.11 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 Rreallocation 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 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.~~

Second option for Paragraph 6.11 of Schedule 32

6.11 ~~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 ~~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~~ that LLFC ID was backdated to.

Legal Text Commentary

4.3 The proposed amendments to Paragraph 6.11 of Schedule 32 are intended to reflect the reality of how sites are billed and the limitations for backdating of sites on the basis of LLFC IDs due to the 14 month limitation in terms of being able to backdate/change the LLFC ID in the settlement processes

5 Relevant Objectives

DCUSA Charging Objectives

1) The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Neutral
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
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
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
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
6) That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

- 5.1 This proposal 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.
- 5.2 The change 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.

6 Impacts & Other Considerations

6.1 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).

Impacts on any Significant Code Review (SCR) or other significant industry change projects

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

Impacts on Other Codes

6.3 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.....

Impacts on DCUSA Owned Data Flows

6.4 The Proposer does not believe that this change will require any amendments to DCUSA owned data flows or data items.

Consumer Impacts

6.5 The Proposer believes that this CP has impacts on consumers but that the impacts will be specific to each site and will vary dependent upon whether they would be subject to an additional charge or would be in receipt of a rebate.

Environmental Impacts

6.6 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

6.7 Non-confidential.

7 Implementation

Lead Time for Implementation

7.1 The Proposer does not believe that a lead time for implementation is necessary for this Change Proposal as the intent is that the DNOs/IDNOs will already be following the process that this change seeks to clarify. It is also not expected to have any adverse impacts on Supplier systems but this can be ratified during the development by a Working Group.

Proposed Implementation Date

7.2 The Proposer believes that this Change Proposal should be implemented prior to the next iteration of the Annual Allocation review which takes place each September and so ideally, this means that implementation should be in the June 2024 DCUSA release which is expected to be on 27 June 2024.

8 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.