

DCUSA Derogation Application

Originator Details	
Companies	All DNOs and IDNOs
Originator's Name	Ryan Farrell (on behalf of all DNOs and IDNOs)
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Details of obligation(s) to which you are seeking a derogation, quoting relevant DCUSA clause(s)	
Paragraph	<u>Paragraph 6.11 of Schedule 32</u>
Obligation	<p><i><u>Note, that Paragraph 6.10 has been included for completeness but is not specifically being derogated against.</u></i></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
<p>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. This was picked up in 2023, when DNOs/IDNOs completed the process for the first time, and a derogation was granted at the time. A Change Proposal (DCP 433 'Limitation for backdating of rebates/charges under Schedule 32') was raised in 2024 and is with the Authority for a decision, with a provisional date for the decision of 8 November 2024, which is too late for the reallocations due in September 2024.</p>

The particular paragraph causing the issue is Paragraph 6.11 in Schedule 32 but for ease of reference, The entire set of paragraphs related to the process is included below. The Derogation should 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, DCP 433 has been raised to amend the wording in Paragraph 6.11 of Schedule 32 as follows:

6.11 The New Charging Band will be effective from the later of 1 August of the prior year or the date on which the Old Charging Band was applied. Charging band reallocations are actioned by amending the LLFC Id assigned to the MPAN, which must be completed by the DNO/IDNO Party before the date of the Final Reconciliation Settlement Run (as defined in the BSC) for 1 August of the prior year.

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)

DCP 433 has been raised to amend the wording in Paragraph 6.11 of Schedule 32 . The intent is for all DNOs/IDNOs to follow the inferred obligations in the updated legal text of Paragraph 6.11 (as below) in DCP 433, which was accepted by all DCUSA parties and is awaiting Authority Ofgem decision. This updated legal text limits the backdating of any changing bands as a result of the annual allocation review to 01 August 2023 in the 2024 annual allocation review.

6.11 The New Charging Band will be effective from the later of 1 August of the prior year or the date on which the Old Charging Band was applied. Charging band reallocations are actioned by amending the LLFC Id assigned to the MPAN, which must be completed by the DNO/IDNO Party before the date of the Final Reconciliation Settlement Run (as defined in the BSC) for 1 August of the prior year.

The updated legal text also includes a new paragraph (6.12) which makes clear this applies to both rebates and additional charges:

6.12 Reallocation of a Final Demand Site to a New Charging Band in accordance with Paragraph 6.11 may result in the Registrant for the Final Demand Site being either eligible for a rebate or subject to an additional charge.

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.

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). DCP 433 has been raised 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. The change was accepted by all DCUSA Parties and was sent to the Authority for approval in June 2024. The Authority decision is currently expected on 8 November 2024.

Timescales - period of time for which the derogation is sought

This Derogation is only necessary for the 2024 Annual Allocation Review period and for prudence the derogation should be long enough to cover the entire period of the 2024 Annual Allocation Review to the point at which the Change Proposal DCP 433 is either implemented or rejected.

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

A Derogation was granted for the initial Annual Allocation Review period in September 2023. This additional Derogation is requested for the second Annual Allocation Review period (2024) as the Authority decision on the Change Proposal (DCP 433) has not yet been received.

To be completed by Panel Secretary

Date received	02/09/2024
Representations or objections received	<p>In accordance with Clause 56.5, the DCUSA Code Administrator issued the Derogation Application to Parties on 02 September, for a period of 10 Working Days in which Parties were able to provide any representations or objections with respect to the Derogation Application. Three responses were received and these are detailed below:</p> <p><u>National Grid Electricity Distribution</u></p> <p><i>We support this Derogation request as is written.</i></p> <p><i>If OFGEM were to approve DCP 433 'Limitation for backdating of rebates/charges under Schedule 32' prior to the end of September 2024 then this would remove the need for this derogation.</i></p> <p><u>UK Power Networks</u></p> <p><i>UK Power Networks are fully supportive of the derogation request relating to the TCR Annual Allocation Review and specifically the backdating of changes for NHH sites beyond 14 months. This issue was identified in 2023 and a change proposal (DCP433) was raised to address this within DCUSA, but the decision from Ofgem is still outstanding at the current time. We agree that this should only be required for 2024, after which DCP433 would either have been accepted, or if rejected an alternative change proposal would be expected to be raised to address this issue longer term within the DCUSA Legal Text.</i></p> <p><u>ESP Electricity Ltd</u></p> <p><i>ESP Electricity Ltd supports this derogation application.</i></p>
Date presented to DCUSA Panel	18/09/2024
Outcome	TBC