

DCUSA Panel Chair, DCUSA Panel,
Electricity Distribution Network Operators,
Electricity Suppliers and other interested parties

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Dear Panel Chair,

**Authority decision to 'send back' DCUSA modification proposal DCP439:
Backdating of Charges**

On 18 September 2024, the Change Declaration and Change Report for Distribution and Charging Use of System Agreement (DCUSA) change proposal DCP439 was submitted to the Authority¹ for decision. We have decided that we cannot properly form an opinion on DCP439 based on the Change Report as submitted to us and are therefore sending the proposal back for further work.

Background

Distribution Network Operators² (DNOs) are entities that own and operate the networks which distribute electricity to homes and businesses in GB. There are also a number of smaller Independent Distribution Network Operators (IDNOs) which operate smaller networks connected to the distribution networks.

¹ References to the "Authority", "Ofgem", "we", and "our" are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² Distribution Network Owners hold a [licence](#) granted, or treated as granted, pursuant to Section 6(1)(c) of the Act.

End users connected to the distribution network have meters to record their use of the system, and each meter has a Meter Point Administration Number (MPAN)³. These MPANs have a number of identifiers and associated data that ensures relevant information on that meter can be made available to suppliers and DNOs for pricing, billing and other purposes. LLFCs and DUoS Tariff IDs are two such identifiers assigned to MPANs to map specific qualities to the meter and the site where it is located.

LLFCs identify a user as having a given Line Loss Factor, which is a multiplier used to account for Distribution Network losses on a DNO network. These are now limited to MPANs that have not been “migrated” to new metering arrangements under Market Wide Half-Hourly Settlement (MHHS) arrangements. Those MPANs that have been “migrated” to the new MHHS arrangements have DUoS Tariff IDs instead of LLFCs. LLFCs represent a “legacy” arrangement, while DUoS Tariff IDs reflect the new enduring arrangements.

Where a Meter Point Administration Number (MPAN) is identified as having an incorrect LLFC or DUoS Tariff ID due to oversight on the part of the DNO, it is expected that the DNO will correct this and re-bill the user. The existing arrangements allow for this correction and reconciliation to take place up to six years prior.

The modification proposal

DCP439 was raised by Eastern Power Networks on 14th March 2024. DCP439 seeks to reduce the period for which backdating would be required when an error or oversight is identified that requires correction to LLFC or DUoS Tariff ID information. The DCP439 change report notes that DNOs may, following implementation of MHHS, seek to change their systems and discontinue support for legacy arrangements. The Proposer suggests that with such changes, there should be a modification to replace the existing six-year limitation with a more “sensible” backstop, which in the case of DCP439 is suggested to be 14 months in line with the Final Reconciliation (RF) settlement run, noting in the change proposal that errors “should be able to be identified sooner than six years”.

The proposer notes that the existing six-year limitation requires manual workarounds. They also note that under MHHS, the registration system is recognised as the master for this data and suggests the rules on backdating should reflect the limitations of that master data.

Description of impact assessment set out in workgroup discussions

³ MPAN is the Retail Energy Code term. The equivalent term in the BSC is Metering System Identifier (MSID), which has broadly the same meaning as MPAN. These terms are often used interchangeably.

A request for information (RFI) was developed by the workgroup on the number and types of requests to update tariff information, and the time period for which the changes related. The RFI results appear to show material numbers of changes in all time periods. The results show that backdating requests are currently being made for a number of reasons deemed relevant to the workgroup up to the existing limitation point and beyond, suggesting the proposal would exclude a significant number of the requested changes after a transition to a 14 month RF window. Though it is not explicit, due to the lack of 0-4 or 0-12 month time periods in the analysis, we would assume that a 4 month limitation would exclude a significant proportion of requested changes. One DNO noted that all of the changes they identified with a limited search, which they considered “business as usual” changes rather than errors, were for periods greater than 12 months in the past. DNOs broadly agreed that 14 months was the practical limit on backdating across a number of industry systems, but also agreed MHHS would later reduce the effective window of available data to 4 months.

Reasons for our decision

We have identified the following deficiencies in the Change Report.

- Articulation of specific impacts on users
- Articulation of benefits

It is noted throughout the Change Report that the existing window for the RF settlement run will reduce from the existing arrangements to 14 months, and then to 4 months post-MHHS implementation. There is either not sufficient articulation of the impact assessment of the proposal that was carried out, or the impact assessment itself is insufficient for an understanding of the potential consumer impacts to be considered, particularly for a 4 month RF window.

The design of the RFI does not seem to have allowed for relevant information on those backdating requests inside or outside the initial 14-month window, but rather looks at 12-month windows. Post-MHHS, it is noted that the RF window will be 4 months, and no attempt is made to understand how many backdating changes (or requests to backdate) would have fallen within that window, despite concerns articulated by workgroup members and consultation respondents. It is noted by a workgroup member that the volumes of MPANs backdated greater than 14 months is very low, but no supporting analysis is provided, and no assessment of the volumes greater than 4 months. Given the importance in the future of the 4 month window, this impact assessment is not sufficiently detailed to

understand the enduring impact of the modification proposal and more work (or better articulation of existing work, if it exists) is required.

It is noted that the proposal could bring many benefits, such as more efficient process and reduced DNO costs due to not having to maintain legacy systems. These are not quantified, and so cannot be weighed against the potential consumer impacts⁴, or weighed against the impact on relevant objectives.

Direction

We direct, pursuant to Clause 13.11A of the DCUSA, that consideration is given to the issues highlighted above by the DCUSA Panel/workgroup to address these deficiencies. A revised Change Report should include

- consideration of the impact on consumers of using the 4 month post-MHHS RF window;
- clearer explanation of the benefits; and
- fuller impact assessment to better reflect the above two points.

After addressing the issues discussed above the DCUSA Panel should re-submit the DCP439 Change report to us for decision as soon as reasonably practicable.

Yours sincerely,

Andrew Malley

Head of Distribution and Residual Charging

Signed on behalf of the Authority and authorised for that purpose

⁴ Which as noted above are also not quantified.