

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP144 – Prohibiting Rounding of HH Data</b>		
Decision:	The Authority <sup>1</sup> directs that proposal DCP144 be made <sup>2</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	18 January 2013	Implementation Date:	1 October 2013

## Background to the modification proposal

Distribution Network Operators invoice suppliers and generators for the cost of distributing electricity from the point of generation to consumption. Distribution Use of System (DUoS) charges are incorporated into the total electricity bill that the consumer receives from their supplier.

Half-Hourly (HH) meters measure how much electricity is used every half hour of every day. Distribution Network Operators (DNOs) and suppliers receive updated HH meter data on an ongoing basis.

DNOs invoice suppliers for the relevant DUoS charges based on the HH metering data that they receive. Suppliers then validate these invoices to confirm that they are paying the correct amount.

Metering data is available up to an accuracy of one decimal point. Currently, there are no restrictions on whether the DNOs can round or adjust this data for the purposes of billing suppliers. If a DNO does round HH data, this can make it difficult for suppliers to validate DUoS billing invoices as the value on the invoice may not match the suppliers' data. Currently one DNO rounds HH data.

## The modification proposal

This modification was raised by E.ON (the proposer) following discussions at the Distribution Charging Methodologies Forum (DCMF) Methodology Issues Group (MIG) Billing Supergroup and aims to ensure that all distributors adopt a common approach to billing UoS charges. The DCMF MIG Billing Supergroup has reviewed different approaches used by the DNOs to bill suppliers and in their view this is the optimum common approach.

Under the proposed change distributors would be unable to adjust HH meter data for the purposes of billing suppliers. The proposer believes that the modification will better facilitate DCUSA General Objective 3.1.2, as it considers a common approach to billing will make it easier for suppliers to validate the invoices received. The proposer considers that this modification will help promote competition by providing more transparency on how UoS charges are calculated this would be of particular benefit for small suppliers and new entrants to the supply market.

## DCUSA Parties' recommendation

The Change Declaration for DCP144 indicates that DNO, IDNO/OTSO,<sup>3</sup> Supplier and DG<sup>4</sup> parties were eligible to vote on DCP144. In each party category where votes were cast (no votes were cast in the DG party category), there was majority (>50%) support for the proposal and for its proposed implementation date. In accordance with the weighted

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> Offshore Transmission System Operators

<sup>4</sup> Distributed Generation

vote procedure, the recommendation to us is that DCP144 is accepted. The outcome of the weighted vote is set out in the table below:

DCP144	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	79	21	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	87	13	100	0	100	0	n/a	n/a

### Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 11 December 2012. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that:

- implementation of the change proposal DCP144 will better facilitate the achievement of the General DCUSA objectives<sup>5</sup>; and
- directing that the change is approved is consistent with our principal objective and statutory duties.<sup>6</sup>

### Reasons for our decision

We consider that this modification has a positive impact on DCUSA General Objective 3.1.2 and its impact on the other objectives is neutral.

#### **DCUSA General Objective 3.1.2 – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity**

We agree that this change proposal will better meet DCUSA General Objective 3.1.2 by ensuring that the DNOs adopt a common approach to billing suppliers. This will improve transparency for suppliers (with proportionately greater benefits for new market entrants and smaller suppliers), therefore helping to improve effective competition.

The working group indicated that all suppliers are affected by this issue, but that it could disproportionately affect any suppliers that operate mainly in the HH market. One supplier indicated that this change proposal would reduce validation costs by £1,500 per item, plus the cost of employing additional validation staff of £5,000 per DNO Licensee per year. We also note that any changes to a DNO's billing systems or infrastructure carries an associated cost. The affected DNO indicates that the cost of redeveloping their billing systems would be approximately £70,000. We consider that this cost is offset against a reduction in suppliers' validation costs and the wider benefits to consumers of more effective competition in the supply market.

One DNO considered that only minimal volumes of unmetered data are rounded and the impact is immaterial. We consider that, regardless of the data volumes involved, suppliers may need to take additional, unnecessary steps to validate these invoices, and a common approach to billing is therefore preferable.

<sup>5</sup> The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

<sup>6</sup> The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

One DNO also considered that, due to the nature of rounding, the unadjusted number should be very similar to the adjusted number and suggested that the suppliers' approach to validation may be too onerous. We recognise that any data change, regardless of the size, is likely to cause validation problems for suppliers that validate data. We therefore support prohibiting the rounding of HH data.

### **Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP144: '*Prohibiting Rounding of HH Data*' be made.

**Andy Burgess**

**Associate Partner – Transmission and Distribution Policy**

Signed on behalf of the Authority and authorised for that purpose