

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP142 – Using D2021 for all invoices/credit notes if it is used at all		
Decision:	The Authority ¹ directs that proposal DCP142 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	19 February 2013	Implementation Date:	1 October 2013

Background to the modification proposal

Distribution Network Operators (DNOs) 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.

For Meter Point Administration Number (MPANs) with Half-Hourly (HH) metering equipment, the DNOs receive site specific data and charge on a site specific basis, ie one bill is generated for each site.

Suppliers have noted that distributors often use electronic invoices to bill site specific customers, but some distributors then raise credit notes and re-bills as paper documents.

The modification proposal

This modification was raised by E.ON (the proposer) following discussions at a DUoS billing forum.³ It aims to ensure that all distributors adopt a common approach to billing DUoS charges. The DUoS billing forum reviewed different approaches used by the DNOs to bill suppliers and in their view this is the best approach.

Under the proposed change, where the distributor submits (and the supplier agrees to receive) site specific accounts by sending an electronic invoice, the distributor must use electronic invoices for all that user's accounts, including revised accounts and credit notes.⁴ 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 believes that this modification will help promote competition by providing more transparency on how DUoS charges are calculated, which would be of particular benefit for small suppliers and new entrants to the supply market.

DCUSA Parties' recommendation

The Change Declaration for DCP142 indicates that DNO, IDNO/OTSO,⁵ Supplier and DG⁶ parties were eligible to vote on DCP142. 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 vote procedure, the recommendation to us is that DCP142 is accepted. The outcome of the weighted vote is set out in the table below:

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

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

³ Distribution Charging Methodologies Forum (DCMF) Methodology Issues Group (MIG) Billing Supergroup

⁴ For clarity it is noted that an "electronic invoice" means an account providing the data items set out in data flow D2021.

⁵ Offshore Transmission System Operators

⁶ Distributed Generation

DCP142	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	64	36	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	64	28 ⁷	100	0	100	0	n/a	n/a

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 15 January 2013. 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 DCP142 will better facilitate the achievement of the General DCUSA objectives⁸; and
- directing that the change is approved is consistent with our principal objective and statutory duties.⁹

Reasons for our decision

We consider that this modification has a positive impact on DCUSA General Objectives 3.1.2 and 3.1.3. We consider that the 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

The proposer considers 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. The proposer considers that this will improve transparency for suppliers, with proportionately greater benefits for new market entrants and smaller suppliers therefore helping to improve effective competition. We agree that this change proposal will improve transparency and will better facilitate DCUSA General Objective 3.1.2.

DCUSA General Objective 3.1.3 - the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences

One DNO party considered that the proposed approach would lead to more efficient DNO billing practices. We agree that billing suppliers for credit notes and re-bills using the same format that the original invoice was sent in, may be a more efficient use of resources than switching to use paper or portable document format (PDF) invoices. We therefore consider that this change proposal may better facilitate DCUSA General Objective 3.1.3.

One supplier considered that reduced handling of manual data entry of transactions would reduce validation errors. We consider that all parties should have robust quality assurance processes in place to ensure that information inputted is accurate. We

⁷ One DNO Party voted "neutral" to the implementation date, which makes the overall percentage not equal to 100 per cent.

⁸ 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.

⁹ 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.

therefore consider that the actual benefit of this under DCUSA General Objective 3.1.3 is minimal.

Overall we consider that using the same format to issue all invoices (including credit notes and re-bills) may be a more efficient use of resources and therefore better facilitate DCUSA General Objective 3.1.3.

DCUSA General Objective 3.1.1 - the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

One DNO stated that there might be a financial cost to implementing this change proposal if ad hoc invoices are required to be sent electronically. However, it added that the impact of this change proposal on its systems was minor and that it supported implementing the change proposal.

The suppliers considered that this change proposal would reduce the cost of validating DUoS invoices and noted therefore that there was a financial cost of not implementing DCP142. One Supplier estimated that it cost approximately £1,000 to validate each bespoke item, with the need to cost additional validation staff at £5,000 per annum.

Based on the evidence provided, we consider that the reduced validation costs for suppliers in the longer-term, and the potential benefits of a more effective supply competition market, will outweigh the immediate cost of implementing this change proposal for distributors. We therefore consider that this change proposal does not have a negative impact on the DCUSA General Objective 3.1.1.

DCUSA General Objective 3.1.4 - the promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it

Electronic invoices are sent pursuant to a contract between the sending distributor and ElectraLink that enables them to use the Data Transfer Network (DTN) to send the flow. One DNO considers that this change proposal has a negative impact on DCUSA General Objective 3.1.4 as there is a potential cross-governance interpretation issue associated with placing governance arrangements for electronic invoices in DCUSA. For example D2021 governance processes do not have a defined term for 'credit notes'. We note the DNOs' concern, but do not consider that this change proposal contradicts D2021 data governance processes. The DCUSA outlines the common governance arrangements for DNOs' invoicing relationship with suppliers and we therefore consider that it this change proposal is relevant to DCUSA.

Since in our view this change proposal does not cause any cross-governance issues, we consider that the impact of this change proposal on DCUSA General Objective 3.1.4 is neutral.

Decision notice

In accordance with standard licence condition 22.14 (b) of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP142: 'Using D2021 for all invoices/credit notes if it is used at all' be made.

Andy Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose