

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP148 – Re-billing to be done via credit/re-bill		
Decision:	The Authority ¹ directs that proposal DCP148 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.

Half-Hourly (HH) meters measure how much electricity is used every half hour of every day. The HH data used to inform DUoS invoices can be updated and the values may change. Currently the distributors adopt different approaches to dealing with changes in HH billing data; some credit an original invoice and raise a new invoice while others bill the difference.

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 optimum approach.

Under the proposed change, where an adjustment is required to any site-specific account, the distributor shall issue a credit-note in respect of the original account and shall raise a new account for the new value.

The proposer believes that the modification will better facilitate DCUSA General Objective 3.1.2, as they consider 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,⁴ Supplier and DG⁵ parties were eligible to vote on DCP142. In the DNO and Supplier categories (no votes were cast in the DG party category), there was majority (>50%) support for the proposal and for its proposed implementation date. In the IDNO category 100 per cent of parties voted against the change proposal (only one IDNO voted). In accordance with the weighted vote procedure, the recommendation to us is that DCP148 is rejected. 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 The Distribution Charging Methodologies Forum (DCMF) Methodology Issues Group (MIG) Billing Supergroup

⁴ Offshore Transmission System Operators

⁵ Distributed Generation

DCP148	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	66	34	0	100	100	0	n/a	n/a
IMPLEMENTATION DATE	66	34	0	100	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 DCP148 will better facilitate the achievement of the General DCUSA objectives⁶; and
- directing that the change is approved is consistent with our principal objective and statutory duties.⁷

Reasons for our decision

We consider that this modification has a positive impact on DCUSA General Objective 3.1.2. 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 3.1.1 - the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

Two DNOs considered that billing the difference, rather than credit/re-bill, may be the most cost efficient discharge of their licence obligations. They noted that the proposed approach does not align with the common approach for settlement class and that there is a cost associated with implementing this change proposal. One DNO stated that to implement this change proposal would cost approximately £500,000 (including hardware and software costs). The other DNO noted that it would also incur a one-off cost of £50,000-£70,000 and some minimal business costs. One IDNO also noted that it would incur costs implementing this change proposal.

The suppliers considered that this change proposal would reduce the cost of validating DUoS invoices and noted that there was a financial cost of not implementing DCP148. One supplier estimated that it could cost approximately £1,000 to validate each bespoke item, with the need for additional validation staff at a cost of £1,600 per annum per

⁶ 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.

⁷ 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.

Distribution Licence. Based on the number of the invoices they receive and the current uncertainty about the approach to be used, this supplier indicated that its annual cost of not implementing this change proposal might be £25,000-35,000. If the other five large suppliers incurred similar costs this could create potential industry costs of £150,000-210,000 per annum. However, we also note that in addition to the 'big six suppliers' there are 11 smaller suppliers which currently operate in the HH market and which would also benefit from this change proposal.

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, should outweigh the immediate cost of implementing this change proposal for distributors. We therefore disagree that this change proposal has 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, which 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 they suggested that there is a potential cross-governance interpretation issue associated with placing governance arrangements for all invoices (including electronic invoices) in DCUSA. For example D2021 business processes allow the DNOs to bill the difference by issuing an 'amend invoice' and do not have a defined term for 'credit notes'. We note the DNOs' concern, but we 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 this change proposal is relevant to DCUSA.

We consider that this change proposal would have a neutral impact on DCUSA General Objective 3.1.4.

Decision notice

In accordance with standard licence condition 22.14 (b) of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP142: *Re-billing to be done via credit/re-bill* be made.

Andy Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose