

## WS2 report on portfolio billing consultation (29 September 2009)

### Purpose of this document

1. This document and the accompanying draft code of practice are WS2's contribution to the work of the working group established under DCUSA to take forward the development and implementation of embedded network (LDNO) portfolio billing arrangements.
2. This document comprises the following sections:
  - (a) A summary of the changes made to the draft code of practice after consultation.
  - (b) A list of issues that might need to be addressed by the DCUSA working group.
  - (c) An illustrative worked example for the half hourly reconciliation formulae.
  - (d) A summary of the consultation responses received by WS2. A more detailed table showing the individual responses is included as an appendix.
3. WS2's work and consultation related only to tariffs within the scope of the CDCM, i.e. excluding embedded networks with an EHV boundary. The scope of this summary has the same limitation.

### Changes to the draft code of practice

4. A revised draft of the code of practice is attached. The changes from the draft included in WS2's August 2009 consultation are:
  - (a) Corrections to the data flow structures to include the Boundary Metering Indicator where necessary.
  - (b) Inclusion in the reconciliation to boundary metering (section 6) of a facility to switch off reconciliation altogether.
  - (c) Clarification that reconciliation to boundary metering data only applies where the Boundary Metering Indicator is set to TRUE.
  - (d) Corrections and clarification of the reconciliation formulae.
  - (e) Addition of a requirement for the Agent to provide billing reports using Tariff Codes, including a D0030 look-alike report.
  - (f) Inclusion in the embryonic performance assurance section (section 8) of a risk register based on the one included in the consultation, taking account of suggestions in responses.

(g) Correction of some typographical and formatting errors.

Issues for the DCUSA working group to consider

5. WS2 identifies the following issues as potentially requiring consideration by the DCUSA working group.
6. The draft code as it stands asks the Agent to provide two parallel reports for billing: the reports specified in tables 12 and 13, and reports which mirror more closely the existing structure of the D0030, D0036 or D0275 (paragraphs ). Are both types of reports needed, or could one of them (which?) be omitted or deferred?
7. If the D0030 look-alike report is to be provided, should the Agent also be responsible for merging the data in that report with the D0030 for each Company and sending a single D0030+ flow that can be loaded in existing DUoS billing systems with minimal modifications?
8. The draft code is designed to cater for multiple-level nested network configurations, subject only to the risk of running out of LLFCs for use on such nested networks. Are these arrangements satisfactory?
9. The draft code of practice does not mandate a method for estimating the boundary flow when data have not been received in time or (in the case of NHH boundary metering) where the meter reading dates do not coincide with the beginning and end of the financial period. How should this be addressed, e.g. by adopting an existing set of rules for estimation or by creating a specific method within the code?
10. Should the billing system provide reactive power data in order to permit the application of unauthorised demand, maximum demand or exceeded capacity charges (including exceeded capacity charges levied at the same p/kVA/day rate as capacity charges)?
11. Should the billing system support the possibility of p/kVArh charges being imposed as part of portfolio tariffs in the future?
12. What accuracy and rounding rules should be specified for calculations performed by the Agent?

Illustrative worked example of half hourly reconciliation rules

13. The consultation responses indicated a risk of misunderstanding about the effect of the formula for CHH (half hourly reconciliation factor). We have tried to clarify the wording within the draft code.
14. As further clarification, the following is a simplified and extreme example to demonstrate the operation of the formulae.
15. Suppose that an IDNO has a set of LV-boundary, half hourly boundary metered, non nested embedded networks in a GSP Group with the following loads:

- (a) 4 MW of non half hourly unmetered demand with an always-on profile.
  - (b) One half hourly metered user which takes a base load of 2 kW, plus a one-off spike of 200 kWh in a single half hour within the month.
16. Assume the month has 750 hours and that the loss factors are 1, to keep things simple. The boundary meters will record about 2 MWh in each half hour (presumably fluctuating by tens or hundreds of kWhs from half hour to half hour since the unmetered load might not be as constant as its profile assumes). In the one half hour where the half hourly metered user is on, the boundary flow might be higher than average — or this might be lost in the noise. Assume that it is lost in the noise, and the metered boundary flow in the one half hour where the half hourly metered user is on is actually 2 MWh exactly.
17. Total billed units on the embedded networks in the month are:
- (a) Non half hourly: 3,000 MWh.
  - (b) Half hourly: 1.7 MWh.
18. Assume that total boundary flow in the month turns out to have been 3,030 MWh. This means that 28.3 MWh have been taken and not accounted for — presumably an error in the unmetered load inventory.
19. The formulae in the draft code of practice have the following effect.
20. CNHH is equal to  $3,030/3,001.7 = 1.009428$ .
21. For the one half hour in the month in which the half hourly metered user is spiking,  $CHH_j$  is equal to  $1 + 0.009428*(2/0.201 - 1)/(3,030/1.7 - 1) = 1.00004737$ .
22. For every other half hour in the month,  $CHH_j$  fluctuates around  $1 + 0.009428*(2/0.001 - 1)/(3,030/1.7 - 1) = 1.01058$ .
23. Applying these factors gives the following reconciled volumes:
- (a) Non half hourly:  $1.009428*3,000 = 3,028.284$  MWh.
  - (b) Half hourly:  $1.00004737*0.201 = 0.201$  MWh in the special half hour, something around  $0.001*1.01 = 0.001$  MWh in every other half hour.
24. The total reconciled volume is a few kWh different from 3,030 MWh, due to rounding in the above calculations.

#### Summary of consultation responses

- 25. WS2 of the CMG launched a consultation on a draft code of practice for portfolio billing for embedded networks on 7 August 2009.
- 26. Responses to this consultation were received from:

- (a) three IDNOs (ESP Electricity, GTC and IPNL);
  - (b) three DNOs (EDFEN, ENW and WPD);
  - (c) one supplier (E.ON); and
  - (d) Ofgem.
27. The responses are available from <http://2009.energynetworks.org/structure-of-charges/>.

### ***Question numbering***

28. Due to a document production error on our part, the list of questions at the end of the August 2009 consultation document did not match the questions within the body of the document. This summary follows the structure and numbering given by the questions in the body of the document. General comments and comments in response to questions in the erroneous list are addressed in the context of the most relevant question in the body of the document.

### ***Q1. Should boundary tariffs be offered to embedded networks alongside portfolio tariffs? If so, should the applicable tariff be at the option of the embedded network operator or based solely on capability to supply the necessary data?***

29. Most IDNO responses supported the concept of offering boundary tariffs alongside portfolio tariffs, even though they expressed support for the move towards portfolio tariffs in general.
30. WPD supported the use of boundary tariffs until full portfolio data management and billing arrangements are in place. There would be no parallel running of boundary and portfolio tariffs under WPD's preferred approach.
31. The supplier response stated that it would be counter-intuitive to mix and match the two types of tariffs at the same time.
32. We agree with the supplier response. Our priority is to develop enduring portfolio billing arrangements, but we will look into the possibility of using boundary tariffs as an interim solution from 1 April 2010 (instead of a spreadsheet workaround for portfolio billing), if the full portfolio billing solution cannot be delivered in time for the implementation of portfolio tariffs from 1 April 2010. A working subgroup of DNOs and IDNOs is expected to be established to consider these transition issues.

### ***Q2. Should the "simplified" method first considered by the working group be used for an enduring solution?***

33. GTC supported a simplified approach in cases where boundary metering data are required. The simplified approach suggested by GTC was "to agree a percentage split of metered boundary data to allocate consumption to different portfolio tariffs", instead of procuring an agent to process settlement data in order to establish these percentage splits.

34. We do not consider that the use of a spreadsheet-based method or reliance on ad hoc agreements of percentage splits between distributors is appropriate for an enduring solution. Such methods would not provide sufficient accuracy for the billing and losses calculations.
35. We agree with WPD's view that the developments in the CDCM mean that the simplified method has been overtaken as a possible enduring solution. (The CDCM was still under significant development and review at the time where the draft portfolio billing arrangements were being developed.)
36. We do not recommend that further effort should be expended on any simplified method for an enduring solution.

***Q3. Is it appropriate to develop a “code of practice” as a statement of the rules and data processing requirements before undertaken any further procurement or development work?***

37. There was general support for the concept of such a code of practice.

***Q4. Is DCUSA an appropriate contractual vehicle for this code of practice? If not, what should be the contractual structure?***

38. There was general support for the use of DCUSA as the vehicle to establish the necessary obligations on distributors, irrespective of the method used to procure any data processing agent or agents.
39. It therefore seems appropriate for the development of the portfolio billing arrangements to be overseen and co-ordinated by a working group established under DCUSA.

***Q5. Should reconciliation by settlement period for half hourly tariffs be specified in the code of practice?***

40. ENW, ESP and IPNL did not agree with the concept of reconciliation to boundary metering for DUoS billing purposes.
41. We do not think that their objections have merit: where boundary metering data are available, it is appropriate that the charges paid by the embedded network operator should reflect actual electricity flows and should not be distorted by any losses or meter registration errors on the embedded network (over which the host network operator would have no control or influence).
42. However, to cater for the risk that Ofgem might direct that reconciliation should not be used, we have amended the code of practice to allow for reconciliation to be “switched” on or off.
43. IPNL also had concerns about the apparent complexity of the reconciliation system proposed. We do not think that the proposals for reconciliation by settlement period add to the complexity of the arrangements for parties — it does not affect either data flows or standing data.

44. GTC argued against altering HH data to address profiling inaccuracies in NHH data. We agree. The reconciliation arrangements proposed in the draft code of practice do not rely on any half-hourly profiling of NHH data, and minimise the impact of any daily profiling inaccuracies by aggregating NHH daily profiled figures across the Financial Period before undertaking reconciliation calculations. The illustrative worked example presented earlier in this document seeks to show how the proposed reconciliation method achieves these objectives.

***Q6. Is the migration of most MPANs on embedded networks to new LLFCs by 1 April 2010 feasible? What is the impact on suppliers' systems?***

45. Whilst some risks were identified in relation to migration, no serious concern was raised. The volumes involved (number of MPANs on embedded networks) are modest and main risks relate to the updating of standing data.
46. We recommend that the DCUSA working group should seek to co-ordinate the implementation of the new arrangements (e.g. by ensuring that different companies' changes are not made on the same day, where possible) and that DCMF be used to communicate forthcoming changes to standing data across the industry.

***Q7. Should a common allocation of LLFCs be mandated for IDNO and out-of-area networks?***

47. GTC strongly opposed this suggestion, agreeing that it was beyond the powers of WS2 or a DCUSA-led process to force a common allocation.
48. We agree with GTC, and do not recommend any further work on commonality of LLFCs.

***Q8. Are suppliers able to validate distribution use of system charges where the applicable tariff depends on the combination of LLFC, profile class and standard settlement configuration?***

49. Nothing was identified that would prevent implementation of this part of the proposals (which is already implemented by GTC).

***Q9. Would allocating additional distributor IDs to existing distributors to release additional LLFCs cause any problems for existing industry systems?***

50. There was no support for this suggestion. Some practical problems were identified.

***Q10. Given the LLFC conservation measures proposed, is there an immediate need to plan for changes to industry system to allow for more disaggregated tagging of data, e.g. through longer LLFC?***

51. The responses did not suggest that the portfolio billing proposals would, by themselves, cause a shortage of LLFCs.

52. However, these proposals will lead to the use of a significantly greater of LLFCs than current arrangements, and some longer-term risks have been identified in the consultation document and the GTC response.

53. We recommend that the DCUSA working group consider how best to mitigate the risk that some distributors might run out of LLFCs.

***Q11. Who should be responsible under DCUSA for appointing the Agent?***

54. A variety of points were raised in responses. We think that this is a matter than needs to be considered in detail by the DCUSA working group.

55. We do not agree with GTC's view that the functions identified for the Agent in the consultation document should be allocated to the host distributor.

***Q12. On what basis should the costs of the Agent be recovered?***

56. This matter needs to be examined as part of the development and implementation of the arrangements under the leadership of the DCUSA working group.

57. We have also asked Ofgem to consider this issue.

***Q13. Is the use of a spreadsheet solution on a temporary basis acceptable?***

58. Only WPD's response rejected the concept of a temporary spreadsheet solution.

59. As noted above, the question of what to do in any interim period before the full portfolio billing solution can be used is to be considered by a DNO/IDNO working subgroup. WPD's proposal of using boundary tariffs during this period will be considered as part of this process.

***Q14. Are any changes other than the use of distribution time band aggregates necessary for a temporary spreadsheet solution?***

60. As noted above, the question of what to do in any interim period before the full portfolio billing solution can be used is to be considered by a DNO/IDNO working subgroup.

***Q15. Have we captured the main risks and issues?***

61. The supplier response proposed an alternative way of mitigating risks associated with changes to the MRA DTC. This is reflected in the risk register now included in section 8 of the draft code of practice.

62. Some responses identified competition law compliance as a risk. This is a wider CDCM risk and we do not think that it should be included in the specific register of risks for portfolio billing arrangements.

***Q16. Should the code be established as a Schedule to the DCUSA, subject to DCUSA governance and dispute resolution processes?***

63. No concerns were raised about this proposal

## Appendix. Table of responses.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<b>General comments</b>		
[Ofgem's guidance] stated that Ofgem could see clear benefits to both portfolio billing and the current site specific billing method. However, on balance, it was minded to agree with the majority of CMG members that the arguments for portfolio billing were more persuasive than those for site specific billing of IDNO sites.	Ofgem	Noted
Ofgem wishes to see that in developing these proposals the most proportionate and cost effective arrangements are put in place.	Ofgem	Noted
IPNL has long argued that portfolio billing should be introduced	IPNL	Noted
Further work is needed to justify having reconciliation between portfolio and boundary metered data	IPNL	Noted
Concerns over the lack of reference to a Performance Assurance and Auditing Process.	EDFEN	Code of practice has been updated to include an "embryonic" Performance Assurance process. This is based on the risk register included in the consultation document.
Invoicing Payment Dates	EDFEN	DNO Specific issue. However, some degree of commonality is required.
Broadly support the philosophy, though some of the details need working on.	E.ON UK Supply business	
Extreme concern that the CDCM document shows margins lower than current tariffs	IPNL	This is outside the scope of this particular consultation
Support portfolio approach in principle, but this support is dependent on two principles. Firstly that the structure of the portfolio tariffs must match the all the way tariffs. Secondly that the level of the portfolio tariff must always be less than the equivalent all the way tariff.	IPNL	Qualified support for portfolio approach noted
Believe the general approach is correct, but recognise the need for further work - for example around LV boundary metering	IPNL	LV boundary metering is an important element of the proposal, but the need for it could be less strong in the future, as we gain practical experience with the approach
ESPE agree with the overall philosophy of portfolio tariffs. However, although outside the scope of the consultation, ESPE does not believe reconciliation of portfolio data to boundary metering data is appropriate and in fact over-complicates the whole process. There seems little point in having a central agent appointed to aggregate the data, and the associated costs to industry, only to have that data reconciled to a boundary meter. Also, ESPE are concerned that the portfolio tariffs proposed by DNOs prove more unfavourable to IDNOs than the current boundary tariffs.	ESPE	DNOs welcome the support to the portfolio tariff structures. DNOs believe that boundary metering is necessary and was outside the scope of this consultation. In view of the effort which went during WS2/CDCM workstream, DNOs are concerned with ESPE implied comment about inequality.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<b>Q1. Should boundary tariffs be offered to embedded networks alongside portfolio tariffs? If so, should the applicable tariff be at the option of the embedded network operator or based solely on capability to supply the necessary data?</b>		
<p>We are not directly impacted by the decision, however, it seems counter-intuitive to offer both; being site-specific, boundary tariffs are really only practicable on half hourly connected sites and it is proposed that the portfolio tariff solution accommodates a means for settling IDNO GSP Group demand be that Half Hourly or non half hourly. Additionally, the raison d'etre of the charging methodology work is to bring together a disparate set of approaches to make charging easier, more transparent and to allow input on its development by all interested parties.</p>	E.ON UK Supply business	We agree that it is counter-intuitive to offer both types of tariffs
<p>Boundary tariffs should be offered as well as portfolio tariffs. Data and system needed to deliver portfolio billing will not be available for a considerable time after April 2010. We conclude that the move to portfolio tariffs has been accompanied by a significant and unjustifiable reallocation of costs.</p>	IPNL	The majority of DNOs do not agree with this view.
<p>Yes and then these should be excluded from the portfolio invoicing:</p> <ol style="list-style-type: none"> <li>1. Avoidance of double counting.</li> <li>2. For metered boundaries easier to obtain all the metered data and bill accordingly.</li> <li>3. The LDSO would require the metered data for capacity management and contractual enforcement etc.</li> </ol>	EDFEN	The majority of DNOs do not agree with this view.
<p>ESPE do believe that boundary tariffs should be offered alongside portfolio tariffs as until an enduring solution to portfolio billing has been established, both types of tariff will be required. There should be minimal difference between the two tariffs i.e. the bill produced by portfolio tariff charging should closely match the bill produced by applying the boundary meter tariff.</p>	ESPE	For the interim implementation of the CDCM, it might be at DNO's discretion to offer both type of tariffs but once the enduring solution is approved, it should solely be based on portfolio tariffs.
<p>We fully support the move to portfolio tariffs. However, going forward there may be specific circumstances where boundary tariffs offer a more appropriate solution. If such tariffs are available then criteria for selection of such tariff need to be established.</p>	GTC	No boundary tariffs are proposed within the CDCM. This response confirms support for portfolio tariffs, and does not establish a case for boundary tariffs within the CDCM. We cannot comment at this point in time on what IDNO tariffs might be offered under the EDCM.
<p>For an enduring solution only one set of tariffs should be offered. The current proposal of the CDCM is for portfolio tariffs is acceptable providing adequate billing arrangements, which may include reconciliation to boundary flows, are in place. Having alternative methods adds complexity and the possibility price discrimination between users.</p>	WPD	DNOs welcome the support to the portfolio tariff structures. DNOs believe that boundary metering is necessary and was outside the scope of this consultation. When an enduring solution is approved it should only be based on portfolio tariffs.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<b>Q2. Should the “simplified” method first considered by the working group be used for an enduring solution?</b>		
We are not directly impacted by the decision, however, with the continued growth of embedded networks and the added complication of nested networks it seems appropriate to develop a robust solution that meets the needs of both DNOs and IDNOs	E.ON UK Supply business	We agree.
This approach requires all boundaries to be metered. This puts a losses risk on the IDNO and so is the correct enduring solution.	EDFEN	Boundary metering will be considered as part of an Ofgem consultation on this issue, expected in Pctober 09.
Such interim solution [to allow for portfolio billing from 1 April 2010] is likely to use a simpler method to that prescribed by this consultation.	GTC	See comments on Q13 relating to the "simpler approach" advocated by GTC.
If boundary metering is to be fitted then the only purpose for settlement data (adjusted for system losses) is to apportion boundary data to different tariffs in the portfolio. A simpler approach could be used for this. To do otherwise would result in inefficient costs being incurred. We do not accept that boundary metering is required in all cases. We question the need for elaborate processes that use and process settlement consumption data if the enduring IDNO/DNO solution will require boundary metering to be fitted. Adopting such an approach would introduce additional cost for limited and questionable benefits. If metering is to be fitted at IDNO/DNO boundaries then a simpler approach to allocate data recorded by boundary metering to portfolio tariffs should be used.	GTC	See comments on Q13 relating to the "simpler approach" advocated by GTC.
The developments in the CDCM mean that the simplified method has been overtaken as a possible enduring solution	WPD	We agree
<b>Q3. Is it appropriate to develop a “code of practice” as a statement of the rules and data processing requirements before undertaken any further procurement or development work?</b>		
As a supplier we are not directly impacted by the decision, it does appear however, to be a common-sense approach. In drafting a statement of requirements that both DNOs and IDNOs sign on to gives a strong mandate from which to work and makes the respondents to any tendering process more effective.	E.ON UK Supply business	We agree
Development of a code of practice is essential before there is any further procurement or development work.	IPNL	We agree
There is no problem with a Code of Practice (CoP), but it would require due governance. Any CoP should be developed before procurement, so that the goalposts cannot move.	EDFEN	These issues need to be worked through as part of the development process.
ESPE do believe it is appropriate to develop as detailed a ‘code of practice’ as possible prior to any further development or procurement work but without causing an unnecessary delay to the overall solution coming into effect, and the ‘temporary solution’ being in place for April 2010. It is prudent to have a detailed ‘specification’ to send out to	ESPE	It is the DNOs' view that it is appropriate.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
parties for tendering purposes.		
In undertaking a procurement exercise there needs to be a clear specification on what it is that is being procured. Such specification cannot be developed until the data and process requirements are understood along with the obligations of the respective parties.  At present it is not clear which organisation will be carrying out the procurement exercise. We believe significant further work is required before any procurement exercise can be undertaken.	GTC	We agree. This work is to be taken forward by a working group under DCUSA.
An accurate specification of the requirements is essential before progressing procurement.	WPD	It is the DNOs' view that it is appropriate.
<b>Q4. Is DCUSA an appropriate contractual vehicle for this code of practice? If not, what should be the contractual structure?</b>		
Ofgem support the DCUSA process	Ofgem	Noted
We have a vested interest in the development and management of the DCUSA. Though not directly impacted by the code of practice the DCUSA appears to offer one means of governance though reservations exist over the appropriateness of such a development.	E.ON UK Supply business	
The DCUSA is an appropriate contractual vehicle.	IPNL	We agree
DCUSA does not have recognition of CoPs or any associated governance of these, a DCUSA change would need to be made for any CoP to be accepted, possibly as a schedule to DCUSA.	EDFEN	We agree
ESPE believes the DCUSA is an appropriate vehicle for the 'governance' of the solution e.g. Clauses 42 to 44 already cover the issue of providing data, charges and billing methods between DNOs and IDNOs. Section 2B of the DCUSA will need to be revised to account for portfolio billing obligations between IDNOs and DNOs. However, ESPE believes that the procurement of an agent and the Code of Practice sits better under the BSCCo as it is already concerned with calculation and provision of settlement data and procuring agents to support such work.	ESPE	We agree
The obligations between respective distributor parties can and should be prescribed in DCUSA.	GTC	We agree
Under the current scope of DCUSA, we believe the governance, funding and secretariat arrangements of such agency are outside its scope. However, there is nothing to prevent a distributor (or group of distributors) establishing contractual arrangements with an agency. However, such arrangements would be outside the scope of DCUSA and covered by a separate commercial framework.	GTC	We agree with the analysis. The working group under DCUSA is to consider whether the DCUSA should be amended to permit the agency to be integrated within it, or whether a supplier hub type model should be developed.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
The DCUSA is an appropriate vehicle for this COP	WPD	It is the DNOs' views that the DCUSA is the appropriate vehicle for the code of practice.
<b>Q5. Should reconciliation by settlement period for half hourly tariffs be specified in the code of practice?</b>		
As a supplier we are not directly impacted by the decision as to whether the reconciliation process used between DNOs and IDNOs be by half hour, however, the granularity offered can only make for more accurate settlement and the data would be available in any case.	E.ON UK Supply business	Noted.
Don't accept then need for the elaborate system of reconciliation proposed.	IPNL	The decision has been taken by the group to specify an option in the code of practice to "switch on/off" the reconciliation algorithm, to allow for future discussions on this area.
Referring back to our earlier point in Q1, ESPE believes that reconciliation of both NHH and HH data to boundary data is unnecessary.	ESPE	It is the DNOs' view that it is appropriate.
If DNOs are insistent that boundary metering is fitted for the purpose of DUoS billing, a process that utilises reconciliation of settlement data is unnecessary and excessive (for both NHH and HH tariffs).	GTC	We do not agree. With portfolio tariffs, boundary meter data is not sufficient to determine DUoS charges to embedded networks with an acceptable degree of accuracy.
If the data is to be reconciled to boundary metering then the only reconciliation required is in respect of system losses.	GTC	We do not agree. Reconciliation also addresses issues connected with theft and meter registration errors on embedded networks.
We do not support altering HH data to address profiling inaccuracies in NHH data.	GTC	We agree with the objective put forward by GTC. The reconciliation method put forward in the consultation document seeks to achieve this objective by reconciling separately HH and NHH data, and by not relying on any NHH profiling data in the reconciliation process so as to avoid distorting HH data on the basis of NHH profiling inaccuracy.
ENW remains concerned with the competition effects that the proposed reconciliation to boundary metering data may have. It is conceivable that an LDNO could be faced with negative margins due to the actions of Suppliers which a 'downstream DNO business' would not face. To avoid this potential issue, we believe that this adjustment should not be applied to LDNO billing but to the reporting of distribution units by the distributor.	ENW	The majority of DNOs believe that reconciliation should be done if the data is available, as this adds to the accuracy of the billed data. Differences between settlement data and metered flows can be in any direction (DNO-favourable or IDNO/favourable).
Reconciliation by half hour is desirable as outlined in paragraphs 34 and 35 of the consultation	WPD	See comment above.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<b>Q6. Is the migration of most MPANs on embedded networks to new LLFCs by 1 April 2010 feasible? What is the impact on suppliers' systems?</b>		
Thus we are interested in understanding any impact on suppliers of the required change of LLFC's for IDNOs. We are also interested in whether it is proportionate and efficient for adjustments for losses and reconciliation to boundary metering to be undertaken as part of this central process as opposed to being undertaken by DNOs.	Ofgem	Noted
As a supplier we are not in a position to comment on the feasibility of migrating the MPANs to new LLFCs as this process is not dependent upon standard DTC flows; we will, however, be impacted by the MPAS Agents sending us D0171 for processing. These have the effect of updating records across a suite of systems and given the tens of thousands of customers we have on independent networks there is a risk inherent in this.	E.ON UK Supply business	We believe that the volumes involved are unlikely to be significant to cause a system problem. However, this risk will be taken into account for implementation.
Migration to new LLFCs could be done fairly quickly, but only if associated changes to MDD, loss factors in settlements and charging statements are done in advance.	IPNL	Noted
Until a firm solution has been agreed by all parties, this question is difficult to answer. However, even should an agreement be reached in the near future, the timescales for changes to data in the industry also have an effect on meeting the 1st April 2010 deadline. To enable migration of MPANs to new LLFCs by the 1st April 2010, the new LLFCs would need to be established in MDD and included in the April 2010 charging statements. Bearing in mind that this is dependent on the final solution being agreed upon and that the latest date for submission of April 2010 charging statement is 31st January 2010, ESPE believe the deadline will be difficult to achieve by all parties. We would want to see a Code of Practice and the resultant Procurement Working Group proceed with all haste to improve the chance of achieving the deadline. ESPE cannot comment on the impact to all the Supplier's systems; however the basis of the proposal is already facilitated by Suppliers in the DUoS settlements process.	ESPE	DNOs are concerned that the timetable will not allow a timely decision on this matter as well.
In respect of the impact of suppliers systems it should be noted that GTC has always billed supplier on this basis and that the way GTC bills is fully compliant with the BSC and the requirements of DCUSA.		We agree.
The migration of the MPAN's is an issue for the IDNO's	WPD	DNOs are concerned that the timetable will not allow a timely decision on this matter as well.
<b>Q7. Should a common allocation of LLFCs be mandated for IDNO and out-of-area networks?</b>		
As a supplier we are not directly impacted by the decision as to whether a common allocation method should be used but would see this is a welcome development.	E.ON UK Supply business	

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
This is a good approach in principle, but may be made impossible by existing and different MDD combinations.	IPNL	Noted
It is our view that IDNOs would adopt the host LDSO's LLFCs, such that the all the way code is the same as the LLFC.	EDFEN	
ESPE believe it will be impossible to mandate common LLFCs for IDNOs and out-of-area networks. IDNOs have already established LLFCs in MDD and it would be difficult to find a common set of LLFC that have not already been used. The administration of any changes that would be required would be considerable.	ESPE	DNOs do not believe it being feasible either.
No. Outside the vires of WS2, DNOs or DCUSA, and unnecessary.	GTC	We agree.
Common treatment of IDNOs and out of area networks is desirable. There is little or no difference between them from a DNO perspective and therefore common treatment avoids possible discrimination issues.	WPD	Noted
<b>Q8. Are suppliers able to validate distribution use of system charges where the applicable tariff depends on the combination of LLFC, profile class and standard settlement configuration?</b>		
As a supplier we do not depend upon the LLFC as the only means of mapping settlement class combinations to the applicable tariff therefore a development of this nature presents no issues for our systems and processes.	E.ON UK Supply business	Noted
This is currently happening, as when a given LLFCs that have an invalid combination, the rate applied is not the usual tariff for that LLFC.	EDFEN	
ESPE believes that current Supplier systems already support this validation process.	ESPE	It is the DNOs' views that Suppliers are already able to validate DUoS under these arrangements.
This is a supplier issue	WPD	It is the DNOs' views that Suppliers are already able to validate DUoS under these arrangements.
<b>Q9. Would allocating additional distributor IDs to existing distributors to release additional LLFCs cause any problems for existing industry systems?</b>		
As a supplier our comments are only in response to our own systems; with this mind we can confirm that, in the very unlikely circumstance of this happening it would not impact our systems.	E.ON UK Supply business	Noted
This option is too complicated and will prove impossible to administer.	IPNL	Concerns noted
The administration of additional distributor IDs is not feasible and the costs involved would be insupportable for an IDNO: separate licences for the MPRS system would be required for each additional ID and associated with this would be the additional reporting for each MPID, the additional MDD data required, charging statements etc. ESPE reject this proposed resolution to limited LLFCs.	ESPE	DNOs would support a change to MDD to allow for LLFC to be alphanumeric.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
This is primarily a BSC issue. We do not support such an approach. If additional LLFCs are required then we believe a more enduring approach is required such as increasing the number of characters in the LLFC field from 3 to 4 and/or making the characters alphanumeric.	GTC	Expanding the LLFC field would involve much more profound system changes across the industry than issuing additional distributor IDs. But we agree that additional distributor IDs would be a less enduring solution.
Additional distributor ID's are likely to cause problems with the billing system and therefore it would be preferable if no additional ID's were issued.	WPD	Noted
<b>Q10. Given the LLFC conservation measures proposed, is there an immediate need to plan for changes to industry system to allow for more disaggregated tagging of data, e.g. through longer LLFC?</b>		
There is a temptation to say this should start as soon as possible but in reality the scale is so big as to be unrealistic. Analysis shows that the LLFC is included in 14 DTC flows alone and the use of the three digit data item is deeply embedded within our systems and processes. Again, the likelihood of running out of three digit codes remains small and we only need to consider the need for more LLFCs in light of empirical evidence to the contrary.	E.ON UK Supply business	Although we agree that the risk is small, we are recommending to the DCUSA working group to consider options going forward.
More disaggregated tagging is not needed or justifiable.	IPNL	Noted
ESPE would prefer an amendment to the LLFC data but with as minimum impact as possible to industry-wide systems. A more suitable solution would be to allow the logical format to be alphanumeric.	ESPE	DNOs think it would be prudent to consult Elexon on the time frame restriction.
[Longer LLFCs] may become necessary because of other industry requirements (e.g. active network management, regional power zones).	GTC	Noted.
A move to 4 figures would have very extensive implications for industry systems that are likely to require expensive solutions. Other options should be fully explored before pursuing this solution	WPD	Noted
<b>Q11. Who should be responsible under DCUSA for appointing the Agent?</b>		
As no clause currently exists under DCUSA for allocating responsibility to signatories for this activity the agreement itself would have to undergo change. It would be more appropriate for the governance and contractual arrangements to exist outside DCUSA and wholly within the control and funding of both DNOs and IDNOs; should DCUSA be used it should be through some appended schedule.	E.ON UK Supply business	
The agent should be appointed by a central body.	IPNL	We are not clear about who IPNL proposes to be the central body, if different from DCUSA.
All parties who have an interaction with the Agent, (as one central agent which would provide greater control and the responsibility of dealing with performance and audit).	EDFEN	We agree
See ESPE response to [Q4] above. We believe the appointment of an Agent sits better with the BSC than DCUSA.	ESPE	It is the DNOs' views to manage the process under the DCUSA arena to ensure proper control of the whole process.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<p>We do not accept that an agent as prescribed by this consultation is necessarily required.</p> <p>We question the use of a central independent agent. In particular, we believe significant further work is required to determine the scope and governance arrangements for such a role.</p>	GTC	We agree that the single agent is not an absolute requirement. In discussions at WS2, strong support was expressed for a single agent. Further work on scope and governance is to be taken forward by a working group under DCUSA.
We do not believe that such agency role falls within the current scope of DCUSA. Significant changes to DCUSA and to the nature and scope of the administrative framework for DCUSA will be required to facilitate such arrangements. If this is to be the way forward the relevant benefits need to be clearly identified	GTC	We agree that changes to DCUSA would be necessary; this is for consideration by the DCUSA working group. We do not agree that benefits need to be identified: if the decision to move to portfolio tariffs has been made, then the relevant question is whether amending the DCUSA is the most efficient way of delivering it, and benefits to various industry parties are immaterial.
The role of the agent is essentially a data processing role for DUoS billing. Therefore, we believe that such activity lies with the upstream distributor.	GTC	We do not agree. It could just as well be argued that the responsibility to provide data necessary for billing lies with the User.
We believe the appointment and governance of such agent is currently outside the scope and vires of DCUSA. There may be some scope for some of the agent activities to fall under the vires of the BSC (either as a central agency role performed by Elexon or as obligations specified by the BSC). However, our view is that uplifting data for system losses and reconciliation to boundary metering are out of scope of the BSC.	GTC	We agree with the analysis. The working group under DCUSA is to consider these issues.
The Users should be responsible for the appointment of the Agent. Users of the distribution network are responsible for the cost of delivery of data to allow billing to take place	WPD	Noted
<b>Q12. On what basis should the costs of the Agent be recovered?</b>		
It is Ofgem's intention to provide some feedback in relation to funding, within their forthcoming consultation on boundary metering which we hope to publish in early October.	Ofgem	Noted
As a supplier we are not directly impacted by the decision as to how the costs of the agent should be recovered.	E.ON UK Supply business	
The cost should be recovered from all customers by adjusting allowed revenue in the DNO price control.	IPNL	This would require Ofgem's agreement and inclusion into the DPCR5 settlement.
Any costs needs to be paid for collectively by IDNOs, as they have suggested this to be cheaper than the current practice of using boundary metering for which IDNO's bear the cost of under DCUSA.	EDFEN	
The costs of procuring an agent should be recovered through the DNO and its price control mechanism. If IDNOs are also to be charged for the costs involved, this should be apportioned on a MPAN volume basis and any costs reflected in the margins offered to IDNOs.	ESPE	It is the DNO's views that the cost should be borne by all LDSOs.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
We would consider any agency costs that an IDNO incurs in respect of agency services and boundary metering as an essential upstream input costs. Therefore, if IDNOs have to pay such costs then the margins made available to IDNOs through DNO charging methodologies need to allow for such costs.	GTC	This is a comment about the charging methodology, out of the scope of this consultation.
As a general rule DTS costs are recovered from the data sending party. This principle could be applied for the recovery of Agent costs.	WPD	Noted
<b>Q13. Is the use of a spreadsheet solution on a temporary basis acceptable?</b>		
As a supplier we are not directly impacted by the decision as to whether it is acceptable to use a spreadsheet solution on a temporary basis .	E.ON UK Supply business	
A temporary spreadsheet solution is acceptable.	IPNL	Noted
Only as a short term plan.	EDFEN	Interim implementation of CDCM to be further discussed under "specialist" sub-group.
The temporary solution has not been agreed upon. However, if the solution agreed upon is that outlined in Appendix A, then a spreadsheet solution would be acceptable and achievable.	ESPE	As above
It depends on the form of a temporary solution. If a simplified approach is taken then a spreadsheet solution may be acceptable. Given that all boundaries are currently metered a simplified approach may be to agree a percentage split of metered boundary data to allocate consumption to different portfolio tariffs.	GTC	GTC does not specify the process by which agreement on percentage splits would be reached, or even the level of disaggregation at which the percentages would be defined (for each site, for each type of site within a GSP Group, etc.?). Arguably the only robust way of ensuring agreement on these percentages is for the embedded network operator to provide all its settlement metering data to be processed, reproducing the full arrangements envisaged in the draft code of practice. We do not believe that GTC has actually put forward a workable "simpler" alternative, and we doubt that such an alternative that would work for all HV/LV embedded networks in all DNO areas actually exists.
ENW has offered portfolio billing as part of its Modification Proposal for the introduction of an Interim LDNO charging methodology as we see that it could be implemented in the short term if the LDNO is able to provide the data, in an agreed format, on a monthly basis. We intend to process this information manually and submit a monthly invoice to the LDNO.	ENW	It is the DNOs' view that it is acceptable as Elexon has access to the data.
The use of a temporary spreadsheet solution is not acceptable. The current WPD method can be used until an enduring solution is operational. The use of a temporary solution will generate unnecessary work, add complexity and need extensive testing to ensure a reasonable answer is being produced.	WPD	Noted

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
<b>Q14. Are any changes other than the use of distribution time band aggregates necessary for a temporary spreadsheet solution?</b>		
As a supplier we are not directly impacted by the decision as to whether any necessary changes exist to implement the temporary spreadsheet solution.	E.ON UK Supply business	
Would need to engage agents to extract the necessary data. Can't at this stage identify cost and time needed to do this.	IPNL	Noted
See answer to [Q13]. A temporary solution has yet to be agreed.	ESPE	
See answer to Q13	WPD	
<b>Q15. Have we captured the main risks and issues?</b>		
Agents' Role: What happens if the Agent's role fails to function.	EDFEN	This is a general risk which should be mitigated during the implementation process.
Item 8 in the Issues and Risks Register alludes to the use of the DTN and the MRA Data Transfer Catalogue as a means of transferring information between parties. The development of new data flows would require an extensive amount of work and be subject to the existing change and modification processes; the development of new flows could take eighteen months and use resources of suppliers who derive no direct value in doing so. The parties subject to the data exchange could utilise the DTN and the services of Electralink without recourse to developing the MRA DTC; Electralink currently offer similar services to suppliers. The flows are premised on the DTC and are transmitted over the DTN with Electralink invoicing parties direct based on a pre-agreed charging methodology.	E.ON UK Supply business	Point noted and risk register updated to reflect this comment.
Portfolio billing will only go ahead if the associated tariffs result in IDNO margins that comply with competition law. The circumstances and who pays for boundary metering must be satisfactorily resolved if portfolio billing is to be implemented.	IPNL	Noted
ESPE believes that until the issue of the need for boundary metering has been resolved, all the risks and issues will not have been fully captured.	ESPE	To be covered under Ofgem's consultation on boundary metering.
The main risks and issues have been captured although there is no reference to an overall cost justification for the proposal	WPD	Portfolio billing was justified as part of the work of the CDCM. The rationale was that portfolio billing would lower the risk to IDNOs in relation to discrepancies between metered flows and settlement data. Ofgem provided guidance indicating that they agreed with this view.
<b>Q16. Should the code be established as a Schedule to the DCUSA, subject to DCUSA governance and dispute resolution processes?</b>		
If DCUSA is to be made use of then it should be through the mechanism of a new schedule.	E.ON UK Supply business	
Yes.	IPNL	Noted
Preference to change DCUSA to accommodate CoPs, but have CoPs be subject to the same change governance as DCUSA.	EDFEN	Preference to change DCUSA to accommodate CoPs.

<u>Issue / comment</u>	<u>Raised by</u>	<u>Our response</u>
Please refer to Q6 and Q13 above.	ESPE	It is the DNOs' views that the DCUSA is the appropriate vehicle for governance and dispute resolution processes.
<b>Other comments</b>		
Issue of boundary meter data being sent to the LDSO as well as to the agent: We would require the D0275s and D0010 - Our current IT Systems do not support D0036s	EDFEN	It is necessary to include D0275s and D0010 as part of the required data provision. Code of practice has been modified accordingly.
Reactive Charges: No specific measures on how to deal with reactive charges.	EDFEN	The CDCM does not propose reactive charges to portfolio customers.
Generation and Embedded Sites  No reference	EDFEN	The CDCM proposal deals with all types of end customers.
Boundary Network Level Code.  Does not differentiate between LV Sub and LV Network.	EDFEN	The CDCM does not differentiate between these network levels for IDNOs.
Boundary Meter Indicator. No reference to non-metered boundaries.	EDFEN	Sites with non-metered boundaries are not reconciled. Code of practice has been updated to clarify this.
Reconciliation to boundary flow data.  Is like to result in a requirement for I.T. system changes. 1. Problems accepting foreign MPANs 2. Issues with handling changes to capacity. 3. Summing UMS Capacity? 4. Accounting for diversity?	EDFEN	These issues need to be worked through as part of the development process.
Invoicing Payment Dates  The point at when DNOs decide to invoice is a company specific issue.	EDFEN	DNO Specific issue. However, some degree of commonality is required.