

FGO

Outline of transitional issues under UNC and DSC

1 Introduction

- 1.1 This note provides an outline of the transition provisions required in relation to the UNC and the DSC. Separate transition provisions are required for the IGT UNC.
- 1.2 This note assumes that Ofgem approval of 0565 (including the initial DSC) will be followed by the DSC signature.
- 1.3 The 'DSC Implementation Date' (DSCID) is assumed to be 1 April 2017 (the date when the DSC becomes operative). 'FY Budget' means the budget for the CDSP under the DSC for the first year, commencing on DSCID (and assumed to be a full year). The 'Modification Date' is the date when the UNC is modified by modification 0565 (immediately following Ofgem approval of the modification).

2 UNC transition

- 2.1 The Transition Document will include transition provisions in relation to the DSC, in outline as follows. These transitional provisions will be in force from the Modification Date.
- 2.2 The Transition Document will identify the DSC Agreement and the initial versions of the DSC Terms and Conditions and each DSC Service Document, by reference to the version which is included in the final modification report.
- 2.3 The Transition Document will provide for signature of the DSC:
 - (a) each UNC Party must sign the DSC Agreement by a specified date (sufficiently in advance of the DSCID to allow for DSC start-up processes);
 - (b) a User which does not sign the DSC Agreement is in default of the UNC. Termination rights under the UNC may be exercised, with effect from the DSC Implementation Date;
 - (c) a User which does not sign the DSC Agreement shall indemnify each other DSC Party in respect of its share of the DSC costs which the defaulting User would have borne if it had signed;
 - (d) it is for discussion whether any additional sanctions for a non-signing User should be included;
 - (e) it is for discussion whether provision is needed to address the case where an iGT does not sign.
- 2.4 The Transition Document will provide for the basis on which, for UNC purposes, CDSP functions commence:
 - (a) for Agency Services, in effect the CDSP will continue provision of services without interruption. Note that this will include IGTAD services provided under 0440 with effect from 1 October 2016;

- (b) for Direct Services, the CDSP will assume responsibility for all processes with effect from the DSCID^[1]. Processes already in train (such as Supply Point Nominations already made) are transferred to the CDSP. (An alternative would be for the CDSP to assume its functions only for processes which commence on or after the DSCID. That would require the ASA to continue in force and would raise unnecessary complications.)
- (c) Conversely, the Transporters cease to perform those functions which become Direct Services of the CDSP with effect from the DSCID.

2.5 A sub-set of the point in 2.4 concerns the liability of the Transporters under the UNC in respect of actions of Xoserve as Transporter's Agent prior to the DSCID:

- (a) in principle, where anything done by Xoserve as Transporter's Agent prior to the DSC Implementation Date amounts to a breach by a Transporter of the UNC or gives rise to a liability of a Transporter under the UNC, the Transporter would remain liable;
- (b) this would not apply in the case of processes which are in train as of the DSC Implementation Date; it is unlikely to be possible or useful to try to identify whether a breach or failure by the CDSP occurring on or after the DSC Implementation Date was caused prior to that date;
- (c) specific financial compensation provisions will close down based on the last month or other relevant period) prior to the DSC Implementation Date, ie based on relevant processes completed during March 2017, relevant provisions include those in TPD Sections M4 and S4.

2.6 Other things to be covered in UNC transition are:

- (a) close-down of certain TPD Section U rules, eg relating to UK Link access, reflecting the transition to the DSC;
- (b) migration of Code User Pays services to the DSC, and final invoicing of these. The relevant activities will become services of the CDSP under the DSC. Processes in train at DSCID will transfer to the CDSP. For invoicing, where a charge has accrued or become payable by the DSCID (whether or not an invoice has then been issued), the charge will be invoiced (by Xoserve on behalf of the relevant Transporter). If a process is in train but the relevant charge is not yet payable, the relevant charging provisions of the DSC will apply (and the Transporter will not make a charge).^[2]

2.7 It may be convenient to locate some of these transitional provisions in the DSC Transition Document (see below) and have the UNC Transition Document (and INC equivalent) refer to that document. Is it on a monthly basis? If there are single annual it may be more logical to pro rate the charges.

3 DSC transition - general

3.1 There is a need for transitional provisions relating to the commencement of the DSC, and the cessation of the ASA, iASA and Non-Code User-Pays Agreements, as in force immediately before the DSC Implementation Date (**Pre-DSC Agreements**). Because all the parties to those PreDSC Agreements are also party to the DSC, all issues can be covered in transitional provisions in the DSC. The transitional provisions will state that specific termination provisions of the Pre-DSC Agreements do not apply / are not invoked.

- 3.2 These transitional provisions will be contained in a 'DSC Transition Document' which will be a DSC Service Document. It can switch off ASA (and iASA) provisions where required, and it can fall away when all the transitional provisions are exhausted.
- 3.3 The principle should be that the DSC applies to all services provided on or after the DSC Implementation Date. Any service being provided under a Pre-DSC Agreement immediately before the DSC Implementation Date will automatically roll forward into the DSC. This will raise some detailed issues such as:
- (a) the principle assumes that all services under the Pre-DSC Agreement are matched under the DSC Services Description. That seems likely but will need to be validated, e.g to ensure services which a Customer can elect to take at a point in time before the DSCID, but with effect from that date, will be available;
 - (b) it has the effect that where a service is elective, the prevailing election is carried forward;
 - (c) if any data item (for charging or other purposes) needs to be associated with a service under the DSC, it will have to be created or deemed in the transitional arrangements;
- 3.4 Governance processes under the Pre-DSC Agreements should migrate to the DSC – for example in relation to change processes which are under way at the DSCID. Again this assumes a correspondence of the processes under DSC and Pre-DSC Agreements.
- 3.5 The DSC Transition Document may require that each Customer complies with specified start-up requirements (based on the DSC accession requirements):
- (a) this can be either:
 - (i) at the same time as or before it can sign the DSC Agreement; or
 - (ii) after signing but before the DSCID. In this case, compliance will need to be part of the UNC requirement referred to in 2.3(a) above.
 - (b) however in some cases (for example UK link accession) it should be possible to roll-forward compliance (on a deemed basis) from compliance under Section U;
 - (c) the specified start-up requirements will include compliance with applicable DSC credit requirements.
- 3.6 Where an application to become a UNC Party is underway at the Modification Date, the application will be deemed to include an application to become a party to the DSC. The applicant will be required to comply with the specified start-up requirements (as per 3.5 above). This will apply whether the accession date is before or after the DSCID. For applications which are made after the Modification Date, the applicant will be required to comply with the enduring DSC accession provisions as part of its application (even where the requested accession date is before DSCID).

(a)4 [DSC transition – financial^[3]]

[To follow.]