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DP118 'Communications Hubs Finance Charges'

Modification Report Version 0.1

About this document

This document is a draft Modification Report. It currently sets out the background, issue, and progression timetable for this modification, along with any relevant discussions, views and conclusions. This document will be updated as this modification progresses.

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1. Summary

This proposal has been raised by Tim Hammond from the Data Communications Company (DCC).

Currently, the Smart Energy Company (SEC) requires the DCC to send two invoices to SEC Parties. One invoice for its general Charges and a separate invoice for Communications Hub (CH) Finance Charges (CHFC). Providing two invoices every month for SEC Parties and tracking payments has proven troublesome.

The DCC frequently has to reconcile payments which have been made in error, either because they have been made in the wrong amount or into the wrong accounts. The DCC is currently in the process of arranging finance for the next phase of deliveries of CHs, which will amplify the issues with the current system as volumes increase and multiple finance Parties require payment. As DCC implements the next phase of financing of CHs and the number of monthly financing payments increase, this system will become untenable.

2. Issue

What are the current arrangements?

Currently, the SEC requires the DCC to send two invoices to SEC Parties, one for its general Charges and a separate invoice for CHFC. This issue relates to the billing processes under SEC Section J1.2 and J1.7. The current arrangements were put in place in 2013 for the first round of CH financing of Communications Service Provider (CSP) North.

What is the issue?

The DCC are required to produce two invoices for all SEC Parties every month, as a result, tracking payments has proven burdensome. The DCC frequently has to reconcile payments which have been made in error, either because they have been made in the wrong amount or to the wrong accounts (i.e. the DCC's invoices are paid to the Approved Finance Party (AFP) in error, which happens on a regular basis). It can also be confusing for new entrants and difficult to track in the event of Supplier insolvency. The AFP is also required to reconcile payments from multiple SEC Parties every month rather than receiving a single payment, which increases workload and complexity for the AFP.

The DCC is currently in the process of arranging finance for the next phase of deliveries of CHs, which will amplify the issues with the current system as volumes increase and multiple finance parties require payment. The current obligation would require the DCC to issue four invoices a month (two invoices for each CSP North and South), each of which would be payable to a different Party. Consequently, the DCC is proposing that these SEC Sections are amended so that the DCC is no longer obliged to bill CHFC under separate invoices, as these charges form part of the DCC's standard CH pricing.

What is the impact this is having?

At present, the dual-invoicing process is manageable from the DCC's existing resources but takes up to two days a month to complete (this also includes a Senior Finance role due to the complexity of the process), which is not cost effective for the DCC, Suppliers or other SEC parties.

However, as the DCC implements the next phase of financing of CH and the number of monthly financing payments increase, this system will become untenable. It could also present a short-term cash flow issue for the DCC as they require all payments are settled by the due date each month. Changes to the current method of invoicing would be essential to support the mass roll-out and delivery of CHs, which would also promote efficiency between the DCC and its stakeholders.

Appendix 1: Progression timetable

Table title	
Action	Date
CSC initial consideration	31 Mar 2020
CSC recommendation that Panel convert into a Modification Proposal	28 Apr 2020
Panel convert Draft Proposal to Modification Proposal	15 May 2020

Appendix 2: Glossary

This table lists all the acronyms used in this document and the full term they are an abbreviation for.

Glossary	
Acronym	Full term
AFP	Approved Finance Party
CH	Communications Hub
CSC	Change Sub-Committee
CSP	Communications Service Provider
DCC	Data Communications Company
SEC	Smart Energy Code