

A Simple Approach to Distribution Network Charging

Background

- Distribution tariffs are complex and difficult to understand
- Since inception of the CDCM (applicable to HV/LV designated sites) in April 2010, half hourly metered customers have faced high RED charges (RED are weekday p/kWh charges typically at 4pm to 7pm time)
- However, this has not led to a decrease in the proportion of units consumed in that time band.
- Suppliers have indicated that RED AMBER GREEN pricing structures are often not passed on to final end users, as they prefer simple to understand tariff structures e.g. day/night
- The EDCM (applicable to EHV designated sites) was introduced in April 2012. The EDCM review concluded that there was no evidence of customers changing their consumption behaviour.
- CDCM/EDCM reviews currently underway are tending to steer to “more of the same” type approaches.
- Fundamental question: Can customer behaviour e.g. working patterns, lighting loads and general lifestyle energy choices be influenced by distribution network charging? If not then what is the requirement for a complex methodology?

Proposals

- Move to an access fee e.g. line rental with broadband, type approach. This would be a fixed charge per annum based on voltage of connection and size (capacity) and would be DNO specific.
- For example – domestic customers would be assigned a notional capacity and HHM would be based on the higher of the connection agreement kVA and actual kVA usage.
- This approach could be extended by for example assigning different fixed charges to larger domestic customers (depending on say fuse size??)
- In addition there would be the crediting (charging?) for ancillary services such as DSR, storage services, constraint payments etc. These charges would be highly locational and customer specific.
- These could be derived from assessment of deferred reinforcement annuitized over a 40 year depreciation period (for example or regulatory depreciation period).
- For example a simple approach could be

