

Andy Burgess
Deputy Director
Electricity Charging and Access
Ofgem
10 South Colonnade
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Your ref

Our Ref

Date

25th September 2019

Contact / Extension

Claire Campbell
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Dear Andy,

Future Charging and Access programme – Consultation on Refined Residual Charging Banding in the Targeted Charging Review

I am writing on behalf of SP Energy Networks (SPEN), representing the distribution licensees of SP Distribution plc and SP Manweb plc. We welcome the opportunity to respond to the Ofgem consultation, of 3rd September 2019, on “Refined Residual Charging Banding in the Targeted Charging Review” and would like to provide the following comments.

With regards to the refined bands, DNOs currently only have access to individual customer’s consumption and capacities for the HH Low Voltage, High Voltage and Extra-High Voltage banding. Consumption data for the NHH Low Voltage refined bands is only available to DNOs on an aggregate basis not on an individual customer basis. If the refined kWh banding for NHH Low Voltage is implemented consideration needs to be given to how the individual customer data can be obtained.

Additional issues identified around implementation:

- The initial process of allocating customers to the refined bands for HH LV and HV customers will require considerable administration. As mentioned above DNOs do not have access to individual NHH consumption data, therefore will be unable to allocate customers to the NHH Low Voltage refined bands easily.
- Additional LLFCs will be required to accommodate the refined bands for both Low Voltage and High Voltage.
- Consideration needs to be given to allocating new NHH LV customers to the correct bandings as no historic consumption data will be available for these customers.
- Change of tenancy will also need to be considered given the proposal is to only review bandings at the start of a new price control.

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Figure three in the annex provided details of the illustrative residual charges for the proposed non-domestic bandings. There are considerable differences between the top two bandings for both the HV and EHV categories, for example an EHV customer with a capacity of 12,000 kVA would attract a residual charge of £174,092, whereas an EHV customer with an additional 1kVA would see a residual charge of £846,545. This appears to be in conflict with the guiding principle of ensuring costs are shared fairly.

Whilst we recognise that the recovery of residual charges should be borne by all customers and should not be based on use of the network, the charge must be proportionate and take account of the type of customer. We consider that using tariff groups to set customer segments remains the most practical and easiest option to implement. DCP 268 (DUoS Charging Using HH Settlement Data) has also now been approved which will reduce the number of tariff groups i.e. LV Network Domestic and Domestic Unrestricted tariffs would be treated as a single segment, this could mitigate the risk of customers moving between the broader segments. We believe a mix of applying residual to fixed charges to those without an MIC and capacity charges for sites with a declared MIC is more appropriate than the revised banding option.

Please do not hesitate to contact me if you wish to discuss further.

Yours sincerely,

C. F. Campbell

Claire Campbell
Pricing Manager

