Breakout group 3

Structure of charges workshop 24 May 2005

These slides were prepared by an industry group, and do not represent Ofgem views

Tariff structures

- Is the current structure and number of tariffs appropriate?
  - No – legacy issues.
  - Require review.
  - Suppliers want simplicity, commonality
- To what extent are these cost-reflective?
  - Zonal may be better and STOD charges for HH market.
  - IDNOs want transparency per voltage level.
  - Methodologies approved (with some conditions)

Tariff structures

- What are the reasons for/effects of inconsistency between DNO application of fixed and standing charges?
  - Arbitrary allocation; cash flow for DNO may be a consideration. Most costs are fixed; revenue moves with volume.
  - Suppliers want commonality. DNOs may want to mirror price control.
- What access rights are granted by the payment of DUoS, and should long or short term access products be offered?
  - Large customers want evergreen rights
  - Law suggests connection capacity is forever? Long term right
  - Not clear what position is for domestic customers re: capacity. No connection agreement.
  - Auctioning not necessary – obligation to connect

Metering

- To what extent might current metering and profiling arrangements act as a constraint on cost-reflective distribution pricing?
  - Not convinced that costs of revamping NHH system and providing meters are justified solely for distribution charging.
  - Metering may be required for energy efficiency reasons. Needs further debate. (Suppliers need to recover new meter costs?).
  - Metering charges are separately price controlled, and DNOs cannot determine meters put in.
  - CVA – import / export metering
  - Profiles are not a constraint, although need to consider number of profile groups (this is a settlement issue). Need more profiles as generators come along if metering not put in.
  - Could drive mass market on MPANs – fixed charge (contentious!)

Scaling

- How appropriate are the different methods to scale prices to DNO allowed revenues?
  - Ramsey – inherently discriminatory.
    - Not fair to domestic customers.
    - Political issues should be considered (social / environmental concerns / industrial competitiveness – undue discrimination considerations).
  - Percentage option simplest and retains differentials.
  - Some DNOs scale only unit charges. Depends how far want to move away from model outputs.
  - Uniform mark up – how would this work? By MPAN?

Line loss factors

- Should the LAF/LLF methodologies be published / common among DNOs / common for demand and generation?
  - Yes should publish
  - Publication will enable them to become more common
  - Should be as consistent as possible unless reasons for differences
  - Methodology should be same for demand and generation, but methodology should be similar for site specific.

Line loss factors

- To what extent are site specific factors appropriate? Should all losses be included, or electrical losses only?
  - Site specific for EHV customers, especially generators at EHV
  - Should not be able to double charge.
  - Undetected theft should be in LLF
  - Technical losses hard to calculate accurately
  - Theft, etc ends up in group correction factor otherwise
  - Detection of theft is currently supplier responsibility
  - If include other factors in LLFs – incentive to reduce losses?

Line loss factors

- What should the next steps in the LLF review be?
  - Not necessarily DNO led - DNOs impartial to level of LLFs?
  - Need working group to consider issues further
  - Consider relationship between power factors and losses. Some DNOs charge specific LLFs for poor power factors.
  - Look at SVA / CVA issue
  - Consider impact on supplier billing systems