

Our Ref: CN Excess Capacity Charging

Mark Cox,  
Distribution Policy  
Office of Gas and Electricity  
9 Millbank  
London  
SW1P 3GE



26<sup>th</sup> January 2006

Dear Mark,

**Consultation on Electricity DUoS Charging Modification Proposals:  
Central Networks Excess Capacity Charges**

Thank you for the opportunity to comment on this consultation. I can confirm that our response can be published on the Ofgem website.

Central Networks have demonstrated a valid rationale for identifying and calculating tangible costs caused by users who exceed their authorised supply capacity. In addition to these costs there are costs which are less tangible to identify. These costs take the form of inconvenience to other users when overloading causes power cuts and the additional maintenance and premature reinforcement caused by overloaded circuits.

The attached Appendix contains more detail on the specific views sought through the consultation.

EDF Energy supports this modification proposal on the basis that it reflects costs to those users who cause them and additionally provides a signal to encourage users to manage the effect that their actions have on other users. This reflection of costs better achieves the relevant objectives.

Please contact me on 01293 657920 should you require further clarification.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Oliver Day'.

Oliver Day  
Distribution Pricing Manager  
EDF Energy Networks Branch

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## Appendix

*What costs are caused on the network by users exceeding their authorised supply capacity (ASC)?*

The provision of a cost efficient network is supported by the correct planning by users of their capacity requirements. The requirements of larger users can vary considerably and while the 'local' connection may support the variation, upstream assets may become overloaded. This overloading may lead to power cuts which would cause inconvenience and cost to other users. Overloading will increase the frequency of maintenance and may lead to the need to replace equipment prematurely or a need to reinforce elements of the network. These costs may not be identifiable to a specific user and will therefore be met through the charges to all users.

In order to reduce the frequency of equipment failure network planners may make an allowance for unplanned additional capacity based on the user/demand characteristics.

*Does the proposed modification to the charging methodology and the approach proposed by CN for excess capacity charges reflect these costs?*

The proposed modification and approach does reflect the tangible element of these costs. It does not capture the intangible costs which are caused, e.g. the disruption caused to other customers if overloading caused a power cut.

*As noted in Annex 1, there are different approaches taken by the DNOs to excess capacity charging - are these justified? For instance, what are the main drivers for differences between charging for 1 month as compared to 12 months?*

The rationale behind the application of 1 month excess charges as opposed to 12 month charges is different. Excess charges applied for 1 month are designed to recover the extra costs which have been identified of unplanned exceeded capacity. EDF Energy's approach, where charges are applied for 12 months, reflect the 'normal' application of charges for capacity fairly to all users. The normal application of capacity charges is applied to an agreed level of capacity and alterations can only be conducted once in a 12 month period. If charges are not applied to those who exceed their capacity at their exceeded capacity level then they can use this approach to 'game' a lower capacity charge than an equivalent customer.

*Does the proposed modification better achieve the relevant objectives?*

Additional costs have been identified and these can be reflected to those users who cause them. This better achieves the relevant objectives.