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Dear Mark

**Consultation on Electricity Distribution Use of System Charging Modification
Proposal: Central Networks – Excess Capacity Charges**

I am pleased to provide comments on the changes to excess capacity charges proposed by Central Networks.

We support Central Networks' aim of encouraging network users to manage their capacity requirements. It is important that DNOs are able to manage network capacity on the basis of commitments made by customers. Where customers exceed their authorised supply capacity, they add to the risk that overall network capacity is insufficient to meet all customers' needs. This will not be in the interest of other customers and we support measures that encourage disciplined use of the available capacity by existing customers.

I have attached as an appendix, responses to the questions raised within the consultation letter.

Yours sincerely,

Simon Brooke
Structure of Charges Project Manager

Appendix 1

In response to your specific questions on page 3 of the consultation letter I have the following comments.

What costs are caused on the network by users exceeding their ASC?

Distribution networks are planned on the basis of forecasts of the maximum power that must be delivered. During the planning stage the forecast of maximum power will include a risk element to take into consideration the extent that some customers will exceed their authorised supply capacity. Thus, a network is developed and constructed that reflects the likelihood of poor capacity management by some customers connected to it, whereas if no customer exceeded its authorised supply capacity then the distribution network could be sized appropriately.

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

Central Networks proposes a mechanism to improve the attribution of costs for the provision of capacity to those that give rise to them through poor capacity management.

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

Annex 1 highlights only the differences in application of excess capacity charges between the distribution businesses. It is likely that the distribution businesses apply the same underlying principles but individually they have chosen different simplifying assumptions to present a complex cost message in charges that can be passed on to customers. United Utilities notes that all are approved approaches and if there is a best approach then this will be defined through the collaborative work (between suppliers and distribution businesses) currently being overseen by the ISG.

Does the proposed modification better achieve the relevant objectives?

There is little doubt that poor capacity management causes incremental costs on the network, and United Utilities believes it is right to encourage the efficient usage of the distribution network by reflecting these costs in charges onto those causing them. Central Networks' proposal appears to better meet this objective.