

WPD Long Term Methodology work

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Summary of progress

- Work undertaken with the University of Bath from March 2005 to May 2006 to establish core methodology
- Presentations made to ISG on work with University of Bath
- Consultation undertaken in January 2006 to inform users about our work
- Further consultation issued 14th July proposing significant change to our UoS Methodology
- Consultation closed 26th August

Divergence of views

- One distributor response stated

‘We do not believe that the process and assumptions detailed produce long run incremental costs’

They preceded this view with:

‘.. Our comments are primarily prepared, as part of this review, to determine whether the approach you are adopting should be adopted by ourselves.’

- Whereas one large demand customer stated

‘we believe that it is an appropriate, forward looking, cost reflective methodology that considers locational aspects’

Overall position

- Consultation sent to 161 interested parties as follows:

Category	No. sent to	No. of responses
Trade Associations	5	1
Large Demand Customers	33	6
Suppliers	20	3
Generators	64	0
Distributor	9	2
Other	30	1
Total	161	13

Summary of responses to consultation questions

- Treatment of historic contributions
 - *1 response (supplier) – disagreeing with proposal*
- Growth rate assumptions
 - *6 responses (1 supplier, 3 large customers and 2 distributors) – mainly commenting on whether they should be higher or lower with 1 preferring varying by location*
- Revenue reconciliation
 - *4 responses – 1 (1 supplier) agreeing with method, 1 (1 supplier) unsure about the MEA split and 2 (1 supplier and 1 distributor) disagreeing with method*

Summary of responses to consultation questions

- Treatment of NGC Exit Charges
 - *2 responses (1 supplier and 1 distributor) – both disagree with proposed treatment as part of revenue reconciliation*
- Draft methodology statement reflecting method ?
 - *1 (supplier) yes, 1 (supplier) no, but then saying it provides a description at an appropriate level. Concern appears to be disagreement with the method*
- Better meeting the licence objectives
 - *10 responses – 3 (2 Large customers and 1 trade association) yes although TA qualified with insufficient generator credit, 4 (1 large customer, 1 supplier, 1 distributor and 1 other) no, 2 (1 supplier and 1 large customer) yes in terms of cost reflectivity but not other objectives and 1 (distributor) LRIC likely to give too strong a cost signal*

Summary of responses to consultation questions

- Transitional arrangements
 - *7 responses (3 suppliers, 2 large customers, 1 distributor and 1 other) – all in favour of some transitional arrangements, most but not all concerning price increases. 1 large customer and 1 distributor stated that their price increase would be unacceptable. A large customer stated that negative demand charges would be unfair and a distributor said that consideration should be given to applying negative demand charges*

Summary of other responses

- 4 responses (2 suppliers, 1 trade association and 1 other) prefer a standard solution across all DNOs and 1 (trade association) of these suggests delay to allow comparison with other methods
- 1 (trade association) response was seeking more locational signals at HV/LV
- 5 (2 suppliers, 2 large customers and 1 distributor) responses expressing concern over the stability of future prices/ability to predict them
- 2 (1 supplier and 1 distributor) responses that it is wrong to have different method at EHV to that used at HV/LV whilst another distributor agreed with the continued use of the DRM at lower voltages
- 1 (other) response that there is nothing wrong with the DRM

Large Demand Customers responding

- The 33 large demand customers connected to WPD's network have 41 sites
- 16 of these sites would see a price increase – some very significant
- Of the 6 large demand customers that responded, 5 would see price reductions
- 4 of the large demand customer responses were confidential

Next steps

- Consider responses
- Decide what methodology changes to put forward

Any Questions

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