

## UoS Mod 11 – Removal of Transition of EHV Site Specific Charges

<b>Organisation's Name:</b>		EDF Energy Networks on behalf of EDF Energy Networks (EPN) plc EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc	
<b>Details of Proposer:</b>		Name:	Oliver Day Distribution Pricing Manager
		Organisation:	EDF Energy Networks
		Telephone Number:	01293 657920
		Email Address:	oliver.day@edfenergy.com
		Date:	31 May 2007
<b>Description of the Proposed Modification:</b>			
Removal of the section on page 17 entitled “Transition of EHV Site Specific Charges” to provide for the removal of all transitional arrangements with effect from 1 October 2007.			
<b>A clear explanation of how the proposed change better meets the relevant objectives:</b>			
This change does not alter the principles or methods within the approved charging methodology for the modelling and calculation of charges. It simply removes the transitional arrangements currently applied to site specific EHV demand charges.			
It is EDF Energy Networks’ opinion that the proposed change to the statement of UoS charging methodology to remove the transitional arrangements better meets the relevant objectives in terms of cost reflectivity of UoS charges.			
<b>Proposed wording for the methodology statement and (if applicable) the charging statement:</b>			
<b>Delete</b> the section entitled “Transition of EHV Site Specific Charges” on page 17			
Please refer to the marked up draft statement showing the changes.			
<b>Illustrative charge, where the proposal results in changes, and details of which customers will be affected by the change:</b>			
There are a total of 116 sites across our three network areas. The revenue for 2007/08 if the modification were to be made is £20.7m. If the modification is not made the revenue will be £20.7m.			
	EPN	LPN	SPN
No. sites	54	24	38
2007/08 Revenue if modification is not made (£m)	£5.5	£4.8	£10.4
<b>2007/08 Revenue if modification is made (£m)</b>	<b>£5.5</b>	<b>£4.7</b>	<b>£10.5</b>
Variation (£m)	£0.0	-£0.1	£0.1
The effects on individual sites are shown in Appendix I.			

***A timetable for the implementation of the modification and charge changes:***

EDF Energy Networks is required to give at least three months notice of any changes to its use of system charges and, ideally, when consequential to a change in the methodology statement this notice should be given after approval. Allowing 28 days for Ofgem to consider this modification the following minimum timeline is implied:

This modification report to Ofgem	31 May 2007
Expiry of 28 day veto period	28 June 2007
EDF Energy Networks issues notice under SLC4A	30 June 2007
Implementation of full modelled charges	1 October 2007

If Ofgem chooses to consult on the modification then implementation would be the first day of the month three complete months after the expiry of the veto period.

Please note that the publication date and statement of approval are square bracketed, these will be removed if and when the modifications are Not Vetoed.

***Details/copies of any responses received to consultation carried out prior to submission to the Authority:***

A public consultation was undertaken during April and May 2007 on EDF Energy Networks' proposal to bring forward a modification to its use of system methodology to remove all transitional arrangements and implement fully the charges indicated by its current EHV Site Specific charging model.

This consultation set out the disturbance impact for customers of such an implementation and invited views on two questions:

The appropriateness of terminating the transitional arrangements in light of our licence obligations; and

Should EDF Energy Networks aim for implementation at the earliest practical date (October 2007) or defer the change until the next revision to all tariffs?

There were six responses:

- Four from EHV connected demand customers (one confidential)
- One from a 'large' Supplier
- One from Energywatch

There were no responses from:

- Generators (although the Supplier and one of the EHV customers that responded have generation interests)
- Trade Associations
- Academics/Consultants
- Distribution Network Operators or Independent Distribution Network Operators

Copies of the Consultation Letter and all of the non-confidential responses are attached in Appendix II. The following summarises the responses received.

Two EHV customers were supportive of the full implementation of the approved methodology at the earliest possible date (both benefit from a reduction in charges).

Two EHV customers were opposed to the full implementation of the approved methodology (both would be subject to significantly higher charges).

The Supplier, whilst recognised the desire to move to the modelled charges, proposed that the transitional arrangements should be retained on an incremental basis (such as 15%) until a long term methodology had

been developed and implemented.

Energywatch was concerned about the level of disturbance to individual customers and believed that either continued transitional arrangements should continue and no changes made to EHV site specific charges until EDF Energy Networks had determined its proposed methodology for the long term structure of DUoS charges.

**EDF Energy Networks response:** Whilst we understand the concerns about step changes in prices to EHV site specific customers, we have to balance this against the Licence objective to set cost reflective prices. In approving our initial methodology, and in subsequent correspondence the Authority has made it clear that exceptional reasons are needed to justify transitional arrangements. In January 2007 we proposed to extend the transitional arrangements for EHV site specific customers and this proposal was vetoed by the Authority. Overall the consultation responses have not demonstrated exceptional reasons to continue the transitional arrangements.

One EHV customer asked how their charge compared with other HV customers.

**EDF Energy Networks Response:** The site specific nature of charges means that a direct comparison of charges between customers is inappropriate and potentially misleading. This is because the location of the customer, his distance from the GSP and the quantity and type of assets involved in the network are all variable. However, the methodology used to calculate charges is common for all EHV customers.

Other comments were in relation to the specifics of individual sites and are being addressed on a one to one basis with the customers.

## Appendix I - Effect at individual site level

The table below shows the current (April – September 2007) monthly charges for each EHV customer and the monthly charges that would apply from 1 October 2007 should the modification be implemented.

Seq.	Region	Current Monthly Charge	Monthly Charge from 1 October 2007	Variance	% Variance
1	EPN	£6,969	£6,568	-£401	-6%
2	EPN	£20,539	£18,439	-£2,100	-10%
3	EPN	£33,720	£30,620	-£3,100	-9%
4	EPN	£2,501	£2,367	-£134	-5%
5	EPN	£4,065	£9,411	£5,346	132%
6	EPN	£3,511	£7,425	£3,914	111%
7	EPN	£578	£543	-£35	-6%
8	EPN	£3,765	£3,546	-£219	-6%
9	EPN	£355	£563	£208	59%
10	EPN	£451	£426	-£25	-6%
11	EPN	£2,516	£2,165	-£351	-14%
12	EPN	£5,171	£4,892	-£279	-5%
13	EPN	£1,316	£1,238	-£78	-6%
14	EPN	£7,405	£6,967	-£438	-6%
15	EPN	£57,629	£54,254	-£3,375	-6%
16	EPN	£5,907	£5,692	-£215	-4%
17	EPN	£2,218	£2,031	-£187	-8%
18	EPN	£13,715	£13,622	-£93	-1%
19	EPN	£3,631	£5,080	£1,449	40%
20	EPN	£2,664	£2,600	-£64	-2%
21	EPN	£12,654	£11,892	-£762	-6%
22	EPN	£1,945	£1,901	-£44	-2%
23	EPN	£6,263	£5,900	-£363	-6%
24	EPN	£7,224	£7,819	£595	8%
25	EPN	£6,208	£7,854	£1,646	27%
26	EPN	£3,392	£3,214	-£178	-5%
27	EPN	£7,596	£8,113	£517	7%
28	EPN	£7,377	£6,951	-£426	-6%
29	EPN	£2,890	£4,188	£1,298	45%
30	EPN	£17,107	£15,561	-£1,546	-9%
31	EPN	£2,520	£2,370	-£150	-6%
32	EPN	£13,215	£12,662	-£553	-4%
33	EPN	£5,678	£5,346	-£332	-6%
34	EPN	£8,364	£9,448	£1,084	13%
35	EPN	£2,562	£2,431	-£131	-5%
36	EPN	£7,374	£7,458	£84	1%
37	EPN	£12,178	£13,117	£939	8%
38	EPN	£6,253	£5,964	-£289	-5%
39	EPN	£5,278	£4,978	-£300	-6%
40	EPN	£9,797	£8,684	-£1,113	-11%
41	EPN	£13,348	£12,635	-£713	-5%
42	EPN	£12,213	£11,593	-£620	-5%
43	EPN	£7,137	£6,713	-£424	-6%

Seq.	Region	Current Monthly Charge	Monthly Charge from 1 October 2007	Variance	% Variance
44	EPN	£6,456	£5,798	£658	-10%
45	EPN	£6,448	£5,773	£675	-10%
46	EPN	£2,997	£2,591	£406	-14%
47	EPN	£10,753	£10,136	£617	-6%
48	EPN	£14,094	£13,336	£758	-5%
49	EPN	£544	£525	£19	-3%
50	EPN	£32,805	£30,234	£2,571	-8%
51	EPN	£2,483	£2,337	£146	-6%
52	EPN	£9,173	£9,244	£71	1%
53	EPN	£14,163	£22,294	£8,131	57%
54	EPN	£1,673	£1,560	£113	-7%
55	LPN	£15,143	£14,597	£546	-4%
56	LPN	£937	£903	£34	-4%
57	LPN	£7,477	£8,659	£1,182	16%
58	LPN	£1,608	£1,541	£67	-4%
59	LPN	£38,937	£37,521	£1,416	-4%
60	LPN	£41,902	£39,824	£2,078	-5%
61	LPN	£35,466	£32,683	£2,783	-8%
62	LPN	£25,708	£24,534	£1,174	-5%
63	LPN	£24,832	£23,454	£1,378	-6%
64	LPN	£5,576	£5,217	£359	-6%
65	LPN	£43,108	£40,723	£2,385	-6%
66	LPN	£1,361	£1,284	£77	-6%
67	LPN	£1,361	£1,284	£77	-6%
68	LPN	£1,867	£1,771	£96	-5%
69	LPN	£30,655	£28,969	£1,686	-5%
70	LPN	£17,320	£16,116	£1,204	-7%
71	LPN	£11,513	£9,105	£2,408	-21%
72	LPN	£20,275	£19,281	£994	-5%
73	LPN	£17,591	£16,462	£1,129	-6%
74	LPN	£51	£48	£3	-6%
75	LPN	£28,953	£27,363	£1,590	-5%
76	LPN	£7,784	£7,323	£461	-6%
77	LPN	£2,686	£3,127	£441	16%
78	LPN	£20,639	£19,422	£1,217	-6%
79	SPN	£78,423	£73,778	£4,645	-6%
80	SPN	£66,973	£62,501	£4,472	-7%
81	SPN	£37,267	£34,263	£3,004	-8%
82	SPN	£1,114	£1,049	£65	-6%
83	SPN	£828	£778	£50	-6%
84	SPN	£3,415	£3,234	£181	-5%
85	SPN	£129,978	£125,105	£4,873	-4%
86	SPN	£61,579	£58,621	£2,958	-5%
87	SPN	£228	£214	£14	-6%
88	SPN	£2,677	£2,570	£107	-4%
89	SPN	£17,638	£17,006	£632	-4%
90	SPN	£26,019	£24,469	£1,550	-6%
91	SPN	£19,255	£25,788	£6,533	34%
92	SPN	£17,116	£20,300	£3,184	19%

Seq.	Region	Current Monthly Charge	Monthly Charge from 1 October 2007	Variance	% Variance
93	SPN	£20,513	£19,489	-£1,024	-5%
94	SPN	£6,307	£5,982	-£325	-5%
95	SPN	£33,730	£31,698	-£2,032	-6%
96	SPN	£16,206	£17,902	£1,696	10%
97	SPN	£9,549	£11,085	£1,536	16%
98	SPN	£11,437	£14,169	£2,732	24%
99	SPN	£3,906	£3,619	-£287	-7%
100	SPN	£16,067	£15,847	-£220	-1%
101	SPN	£15,571	£19,424	£3,853	25%
102	SPN	£14,186	£13,347	-£839	-6%
103	SPN	£1,042	£1,093	£51	5%
104	SPN	£18,774	£19,401	£627	3%
105	SPN	£10,262	£17,550	£7,288	71%
106	SPN	£25,409	£28,787	£3,378	13%
107	SPN	£22,836	£35,473	£12,637	55%
108	SPN	£385	£414	£29	8%
109	SPN	£19,175	£25,793	£6,618	35%
110	SPN	£27,217	£25,613	-£1,604	-6%
111	SPN	£11,485	£10,480	-£1,005	-9%
112	SPN	£1,506	£1,406	-£100	-7%
113	SPN	£37,457	£35,240	-£2,217	-6%
114	SPN	£46,136	£43,648	-£2,488	-5%
115	SPN	£23,856	£23,317	-£539	-2%
116	SPN	£10,064	£9,705	-£359	-4%

## Appendix II – Consultation Paper and Responses

Attached.

Suppliers, Distributed Generators, DNOs and  
Other Interested Parties

Our Ref: UoS/Cons/01



20 April 2007

Dear Colleague,

**Consultation on EDF Energy Networks' proposed termination of transitional EHV Site Specific Charges under its Use of System Charging Methodology**

This open letter has been issued by EDF Energy Networks and reference to EDF Energy Networks throughout this document is in respect of all three of its licensed distribution businesses, namely EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc.

EDF Energy Networks is seeking comments on its proposal to terminate the transitional charging arrangements for its Extra High Voltage (EHV)<sup>1</sup> Site Specific Charges which have been operating since April 2005. Such a change requires a modification to EDF Energy Networks' use of system charging methodology statement. Given the potential impact of the change to both network users and individual EHV connected customers EDF Energy Networks believe it is appropriate to consult with interested/affected parties prior to proposing a methodology change to Ofgem.

**Regulatory Information**

EDF Energy Networks has a licence obligation<sup>2</sup> to have in place a use of system charging methodology statement<sup>3</sup>. This statement outlines the method by which distribution Use of System charges are calculated. Further, EDF Energy Networks has a requirement to keep the methodology under review and bring forward proposals to modify the methodology that they consider better achieve the relevant objectives<sup>4</sup>.

---

<sup>1</sup> An EHV customer is one where the premise is connected at a voltage of 22kV or greater, or at a dedicated substation with a primary voltage of 132kV or higher.

<sup>2</sup> Standard Licence Condition (SLC) 4

<sup>3</sup> Copies of EDF Energy Networks use of system charging methodology statement are available from our website [www.edfenergy.com](http://www.edfenergy.com)

<sup>4</sup> The relevant objectives for the use of system charging methodology, as contained in paragraph 3 of SLC4 of the distribution licence are:

(a) that compliance with the use of system charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by this licence;

(b) that compliance with the use of system charging methodology facilitates competition in generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;

Before making modifications to its charging methodology EDF Energy Networks must give Ofgem a report setting out the terms proposed for modification and how the modification would better achieve the relevant objectives. Each licensee then implements the modification unless (within 28 days of receiving the report) Ofgem vetos the modification or notifies the licensee that it intends to consult on the proposal. The consultation process allows Ofgem a further three months to consider the modification.

### **Background to the Transitional Arrangements**

Prior to the integration of EDF Energy Networks the three network areas had different methodologies for the calculation of EHV site specific charges. During 2004 a common methodology applicable to all three network regions was developed and submitted to Ofgem for approval. This methodology was approved by Ofgem.

One of the effects of the changes in methodology from one of the three legacy approaches to the consolidated EDF Energy Networks methodology was a disturbance to the charges paid by most EHV customers. During autumn 2004 there was some industry debate concerning the materiality of these disturbances and whether significant changes should be implemented immediately or whether there should be transitional arrangements to smooth the effect over a number of years.

EDF Energy Networks initially proposed that any charge reductions resulting from the methodology change should be effected immediately and that any upwards changes should be transitioned at 10% per annum commencing April 2005. Ofgem proposed that downward changes should again be implemented from April 2005 and that any upwards changes should be transitioned at 50% per annum commencing April 2005. Ofgem consulted with network users and operators and as a result of the responses issued a decision document on 11 February 2005 retaining the immediate implementation of downwards changes and capping any upwards changes by 15% at April 2005. In addition Ofgem placed a condition on EDF Energy Networks to “review the policy on the transition of demand EHV charges ... for EHV charges effective from 1st April 2006 (by October 2005)”.

In September 2005 EDF Energy Networks proposed to continue to cap any charge increases for EHV demand customers due to methodology change and apply another 15% tranche to the April 2005 prices (i.e. a maximum 30% increase on charges from April 2004). In making our proposals, we were mindful that EHV demand customers had been particularly impacted by rising wholesale energy prices and that it may not be appropriate for them to incur large increases in distribution charges that might only apply in the short term.

Ofgem wrote an open letter on 19 October 2005 to industry parties proposing that in April 2006 “in the absence of robust views on the likely movement of charges from any of the affected companies, EHV charges should be increased in line with the retail price index” and that “we believe it is appropriate to cap the annual increases of EHV charges at this level until the longer term charging arrangements are settled”. At that time there was an expectation that the lack of longer term information would not be repeated for the 2007 charges. Accordingly EDF Energy Networks’ charges to EHV Site Specific Customers were increased across the board by the retail price index (RPI) on 1 April 2006.

---

(c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its distribution business; and

(d) that, so far as is consistent with sub-paragraphs (a), (b), and (c), the use of system charging methodology, as far as reasonably practicable, properly takes account of developments in the licensee's distribution business.

On 1 April 2007 in the absence of a complete long term charging framework or the information about charges aspired to in October 2005 EDF Energy Networks again increased its charges to EHV Site Specific Customers across the board by the retail price index.

At the same time EDF Energy Networks proposed a change to the methodology statement to clarify the extension to the existing transitional arrangements (implied by the wording) that provide for annual increase of EHV site specific charges in line with the movement in RPI until EDF Energy Networks' longer term charging arrangements were implemented. At that time the results of the new charging model would be fully reflected into charges<sup>5</sup>.

This Modification Proposal was vetoed by Ofgem on the grounds that "the proposed change to the statement of UoS charging methodology does not better meet the relevant objectives in terms of cost reflectivity of UoS charges". It was Ofgem's view that the proposed revised wording of the statement creates scope for continuing the transitional arrangements in future years until the longer-term charging model had been fully developed and that the "continuation of implicit cross-subsidies across customers weakens the cost-reflectivity of the methodology." Ofgem acknowledged that the reference to April 2007 in the wording of the methodology may create confusion and expected EDF Energy Networks to address the issue in the near future.

#### **EDF Energy Networks' Proposed Approach to Transitional Arrangements**

In light of our obligations under the objectives and of Ofgem's opinion on the impact of transitional arrangements on cost reflectivity, EDF Energy Networks proposes to bring forward a Modification to its use of system methodology to remove all transitional arrangements and implement fully the charges indicated by its current EHV Site Specific charging model.

EDF Energy Networks' EHV Site Specific charges are currently applied to over 100 customers. Full implementation of modelled charges will create some disturbance for almost all customers:

- Generally charges will increase where the use of system charge has been capped at below the modelled level by the 2005-07 increases; and
- Generally charges will decrease where the modelled use of system charge has fallen in 2006 and 2007 but the across the board RPI increases (following Ofgem's October 2005 letter) have not reflected this.

Overall 19 customers will see their charges rise by more than 10% and four customers will see their charges fall by more than 10%. The full impact on customers is set out in the Appendix.

For the avoidance of doubt the proposed methodology change has no effect on demand customers connected at high or low voltage (including all domestic customers) nor on generation use of system charges at all voltages for distributed generators.

#### **Implementation**

EDF Energy Networks is required to give at least three months notice of any changes to its use of system charges<sup>6</sup> and, ideally, when consequential to a change in the methodology statement this notice should be given after approval. Allowing 28 days for Ofgem to consider a Modification Report and a four week consultation period for this letter, the following minimum timeline is implied:

---

<sup>5</sup> EDF Energy Networks' target implementation dates for its longer term charging framework are April 2008 for its South East region and April 2009 for its London and East of England regions as described in Ofgem's open letter of 3 April 2007.

<sup>6</sup> Standard Licence Condition 4A

Close of consultation period	16 May 2007
EDF Energy Networks sends Modification Report to Ofgem	Late May 2007
Expiry of 28 day veto period	Late June 2007
EDF Energy Networks issues notice under SLC4A	30 June 2007
Implementation of full modelled charges	1 October 2007

This is the earliest practical date for implementation.

#### Views invited

EDF Energy Networks would welcome any responses or comments on the two questions below and views on any other aspects of this letter.

1. The appropriateness of terminating the transitional arrangements in light of our licence obligations.
2. Should EDF Energy Networks aim for implementation at the earliest practical date (October 2007) or defer the change until the next revision to all tariffs?

Please send your comments to Oliver Day ([oliver.day@edfenergy.com](mailto:oliver.day@edfenergy.com)) by **16 May 2007** at the latest. The covering letters of all respondents will be published on our website. As such, any confidential items should be clearly marked as such and the item to remain confidential set out in an appendix to any response.

If you have any questions or comments on this letter please contact Oliver Day on 01293 657920 or Felix Mutoonono 01293 657925.

Yours faithfully,



Jonathan Purdy  
Income Reporting Manager  
EDF Energy Networks

### Appendix - Effect at individual site level

The table below shows the current (2007/08) monthly charge and the modelled monthly charge (again for 2007/08).

Seq.	Region	Current Monthly Charge	Modelled Monthly Charge	Variance	% Variance
1	EPN	£6,969	£6,568	-£401	-6%
2	EPN	£20,539	£18,439	-£2,100	-10%
3	EPN	£33,720	£30,620	-£3,100	-9%
4	EPN	£2,501	£2,367	-£134	-5%
5	EPN	£4,065	£9,411	£5,346	132%
6	EPN	£3,511	£7,425	£3,914	111%
7	EPN	£578	£543	-£35	-6%
8	EPN	£3,765	£3,546	-£219	-6%
9	EPN	£355	£563	£208	59%
10	EPN	£451	£426	-£25	-6%
11	EPN	£2,516	£2,165	-£351	-14%
12	EPN	£5,171	£4,892	-£279	-5%
13	EPN	£1,316	£1,238	-£78	-6%
14	EPN	£7,405	£6,967	-£438	-6%
15	EPN	£57,629	£54,254	-£3,375	-6%
16	EPN	£5,907	£5,692	-£215	-4%
17	EPN	£2,218	£2,031	-£187	-8%
18	EPN	£13,715	£13,622	-£93	-1%
19	EPN	£3,631	£5,080	£1,449	40%
20	EPN	£2,664	£2,600	-£64	-2%
21	EPN	£12,654	£11,892	-£762	-6%
22	EPN	£1,945	£1,901	-£44	-2%
23	EPN	£6,263	£5,900	-£363	-6%
24	EPN	£7,224	£7,819	£595	8%
25	EPN	£6,208	£7,854	£1,646	27%
26	EPN	£3,392	£3,214	-£178	-5%
27	EPN	£7,596	£8,113	£517	7%
28	EPN	£7,377	£6,951	-£426	-6%
29	EPN	£2,890	£4,188	£1,298	45%
30	EPN	£17,107	£15,561	-£1,546	-9%
31	EPN	£2,520	£2,370	-£150	-6%
32	EPN	£13,215	£12,662	-£553	-4%
33	EPN	£5,678	£5,346	-£332	-6%
34	EPN	£8,364	£9,448	£1,084	13%
35	EPN	£2,562	£2,431	-£131	-5%
36	EPN	£7,374	£7,458	£84	1%
37	EPN	£12,178	£13,117	£939	8%
38	EPN	£6,253	£5,964	-£289	-5%
39	EPN	£5,278	£4,978	-£300	-6%
40	EPN	£9,797	£8,684	-£1,113	-11%
41	EPN	£13,348	£12,635	-£713	-5%
42	EPN	£12,213	£11,593	-£620	-5%
43	EPN	£7,137	£6,713	-£424	-6%

Seq.	Region	Current Monthly Charge	Modelled Monthly Charge	Variance	% Variance
44	EPN	£6,456	£5,798	-£658	-10%
45	EPN	£6,448	£5,773	-£675	-10%
46	EPN	£2,997	£2,591	-£406	-14%
47	EPN	£10,753	£10,136	-£617	-6%
48	EPN	£14,094	£13,336	-£758	-5%
49	EPN	£544	£525	-£19	-3%
50	EPN	£32,805	£30,234	-£2,571	-8%
51	EPN	£2,483	£2,337	-£146	-6%
52	EPN	£9,173	£9,244	£71	1%
53	EPN	£14,163	£22,294	£8,131	57%
54	EPN	£1,673	£1,560	-£113	-7%
55	LPN	£15,143	£14,597	-£546	-4%
56	LPN	£937	£903	-£34	-4%
57	LPN	£7,477	£8,659	£1,182	16%
58	LPN	£1,608	£1,541	-£67	-4%
59	LPN	£38,937	£37,521	-£1,416	-4%
60	LPN	£41,902	£39,824	-£2,078	-5%
61	LPN	£35,466	£32,683	-£2,783	-8%
62	LPN	£25,708	£24,534	-£1,174	-5%
63	LPN	£24,832	£23,454	-£1,378	-6%
64	LPN	£5,576	£5,217	-£359	-6%
65	LPN	£43,108	£40,723	-£2,385	-6%
66	LPN	£1,361	£1,284	-£77	-6%
67	LPN	£1,361	£1,284	-£77	-6%
68	LPN	£1,867	£1,771	-£96	-5%
69	LPN	£30,655	£28,969	-£1,686	-5%
70	LPN	£17,320	£16,116	-£1,204	-7%
71	LPN	£11,513	£9,105	-£2,408	-21%
72	LPN	£20,275	£19,281	-£994	-5%
73	LPN	£17,591	£16,462	-£1,129	-6%
74	LPN	£51	£48	-£3	-6%
75	LPN	£28,953	£27,363	-£1,590	-5%
76	LPN	£7,784	£7,323	-£461	-6%
77	LPN	£2,686	£3,127	£441	16%
78	LPN	£20,639	£19,422	-£1,217	-6%
79	SPN	£78,423	£73,778	-£4,645	-6%
80	SPN	£66,973	£62,501	-£4,472	-7%
81	SPN	£37,267	£34,263	-£3,004	-8%
82	SPN	£1,114	£1,049	-£65	-6%
83	SPN	£828	£778	-£50	-6%
84	SPN	£3,415	£3,234	-£181	-5%
85	SPN	£129,978	£125,105	-£4,873	-4%
86	SPN	£61,579	£58,621	-£2,958	-5%
87	SPN	£228	£214	-£14	-6%
88	SPN	£2,677	£2,570	-£107	-4%
89	SPN	£17,638	£17,006	-£632	-4%
90	SPN	£26,019	£24,469	-£1,550	-6%
91	SPN	£19,255	£25,788	£6,533	34%

Seq.	Region	Current Monthly Charge	Modelled Monthly Charge	Variance	% Variance
92	SPN	£17,116	£20,300	£3,184	19%
93	SPN	£20,513	£19,489	-£1,024	-5%
94	SPN	£6,307	£5,982	-£325	-5%
95	SPN	£33,730	£31,698	-£2,032	-6%
96	SPN	£16,206	£17,902	£1,696	10%
97	SPN	£9,549	£11,085	£1,536	16%
98	SPN	£11,437	£14,169	£2,732	24%
99	SPN	£3,906	£3,619	-£287	-7%
100	SPN	£16,067	£15,847	-£220	-1%
101	SPN	£15,571	£19,424	£3,853	25%
102	SPN	£14,186	£13,347	-£839	-6%
103	SPN	£1,042	£1,093	£51	5%
104	SPN	£18,774	£19,401	£627	3%
105	SPN	£10,262	£17,550	£7,288	71%
106	SPN	£25,409	£28,787	£3,378	13%
107	SPN	£22,836	£35,473	£12,637	55%
108	SPN	£385	£414	£29	8%
109	SPN	£19,175	£25,793	£6,618	35%
110	SPN	£27,217	£25,613	-£1,604	-6%
111	SPN	£11,485	£10,480	-£1,005	-9%
112	SPN	£1,506	£1,406	-£100	-7%
113	SPN	£37,457	£35,240	-£2,217	-6%
114	SPN	£46,136	£43,648	-£2,488	-5%
115	SPN	£23,856	£23,317	-£539	-2%
116	SPN	£10,064	£9,705	-£359	-4%

Oliver Day  
EDF Energy Networks  
Energy House  
Hazelwick Avenue  
Crawley  
West Sussex  
RH10 1EX  
[oliver.day@edfenergy.com](mailto:oliver.day@edfenergy.com)  
May 2007

23

Your Ref: UoS/Cons/01

Dear Oliver

**Consultation on EDF Energy Networks' proposed termination of transitional EHV Site Specific Charges under its Use of System Charging Methodology**

energywatch welcomes the opportunity to respond to the issues raised by this consultation. This response is non-confidential and we are happy for it to be published on your website.

We note Ofgem's view that distribution use of system (DUoS) charges should be more cost reflective to allow EdF Energy Networks to meet its licence obligations and that EdF Energy Networks intends to establish more cost reflective charging for EHV users from 1 October 2007 as a result. However, the variability in charges highlighted in the consultation letter indicates quite a significant tariff disturbance for some users – more than doubling the DUoS charges in two cases and with increases over 20% in 11 cases in total. This appears to be on top of RPI-related increases in charges from 1 April 2007. We are very concerned about whether these users are able to respond in any way to the charging signals provided as they are largely passive recipients of the service who decided to connect to your networks for a variety of reasons.

The transitional arrangements in place since 2005 were partly aimed to keep DUoS charges low at a time of high wholesale energy costs. This was a sensible approach at the time, seeking to mitigate the effects of even higher energy costs if the full cost reflective DUoS charges had also been passed through. However, even with wholesale costs now falling, the full impact of which has not yet fed through to consumers' bills, we do not believe that the burden of higher DUoS charges should be placed on large consumers in the way being proposed. At the very

least, there is a strong case for further phasing of charges, particularly as even EHV users have limited ability to take mitigating action to shelter from the impact of these increases.

We believe that network operators need to adopt a balanced approach when meeting their licence obligations and that full cost reflectivity, although in line with those obligations, does not provide certainty to users about the impact of cost reflective charging. Users will connect for a variety of reasons and DUoS charging will not have been a major consideration for existing users, certainly since charging has been based on averaging in the past. We also believe that network operators need to develop an enduring framework for DUoS charging, provide users with sufficient notice of any resulting changes, and ensure that significant tariff disturbance can be phased in. We would prefer EdF Energy Networks to make changes to EHV site specific charges once it has determined its proposed methodology for the longer-term structure of DUoS charging and provide better communication with affected users over a longer period of time about the proposed changes which may arise.

We will continue to keep these issues under review as and when they are raised, always considering the possible impact on consumers. We would appreciate being kept informed of the progress of the consultation and any related issues to enable us to comment as the need arises.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley  
Head of Regulatory Affairs



Mr O Day  
Distribution Pricing Manager  
EDF Energy Networks  
Energy House  
Hazelwick Avenue  
Crawley  
West Sussex  
RH10 1EX

Tel: 020 7257 1804  
Fax: 020 7257 0101  
Gary.Cotton@shell.com

17th May 2007

Dear Oliver,

**Consultation on EDF Energy Networks' proposed termination of transitional EHV Site Specific Charges under its Use of System Charging Methodology**

Thank you for your letter and attachments of 24<sup>th</sup> April 2007 regarding the above.

I refer to the large increase in charges due at Shell Haven (you refer to this site as Shell UK Ltd – Coryton), MPAN 1014573023334, where the monthly distribution charges are due to increase from £14,163 to £22,294. Shell UK strongly objects to this 57% increase.

Please could you clarify why the costs are going up by such a large increment? Is there a specific piece of equipment that only Shell Haven uses?

Also, please can you confirm the basis of the new charge in relation to Shell Haven's usage of EDF's assets and how this compares to other EHV customers? For example the new charge equates to £0.722/month/kva, is this the same for all EDF's EHV customers?

I look forward to hearing from you in due course.

Yours sincerely

Gary Cotton  
UK Energy Procurement Manager  
Shell Energy Europe

## **Consultation Response from Scottish & Southern Energy**

Dear Oliver,

### **Consultation on EDF Energy Networks' proposed termination of transitional EHV Site Specific Charges under its Use of System Charging Methodology**

SSE welcomes the opportunity to comment on EDF Energy Networks' proposal to terminate the transitional arrangements for its EHV site specific charges which have been operating since April 2005. Please accept our apologies for the slight delay in replying. We address the two questions raised in your letter of 20th April 2007 as follows:

1. Whilst we fully understand EDF Energy Networks' desire to ensure that its charging structure meets its licence obligations, given that Ofgem initially sought to mitigate the impact on EHV customers of the move to a common charging methodology across the three network businesses, by proposing the current transitional arrangements, we are not convinced that they should now be terminated in one step. In our view, if any increase above RPI is appropriate (and it is by no means clear that any is) then the transitional arrangements should be reinstated, e.g. incremental 15% increases per year until the longer-term charging model has been fully developed and implemented. Our understanding is that this is currently expected to be April 2008 for SPN and April 2009 for EPN and LPN.

2. Given that implementation of the enduring solution is planned to be rolled out across the three networks from April 2008, we do not believe that it is appropriate for EDF to implement any changes to its EHV charges before then.

Finally, EDF Energy Networks has stated that "... the proposed methodology change has no effect on demand customers connected at high or low voltage ..." but it is not clear how this can be the case. Is it because the proposed increases and decreases at EHV have an overall neutral effect?

We hope these comments are useful, please feel free to phone if you wish us to expand upon them. They are non-confidential and can be published on your website.

Regards

Katherine Marshall  
Regulation Manager

## **Consultation Response from Eurotunnel**

Dear Oliver,

### **Consultation on EDF Energy Network's proposed termination of transitional EHV Site specific charges under its use of system charging methodology.**

By letter on 24th April 2007 you informed me about your proposal regarding EDF Energy Networks' proposed termination of transitional EHV site specific charges under its use of system charging methodology.

I had noticed a direct financial benefit for Eurotunnel. As such there is a clear incentive for Eurotunnel to support this modification to Edf Energy Network's charging methodology statement.

Eurotunnel would prefer that EDF implement this modification from the earliest practical date of October 2007.

Best Regards

P.Etienne  
Purchasing Director.

### **Consultation Response from Fords**

Oliver,

#### **Proposed Termination of EHV Transitional Site Specific Charges.**

I write in response to your consultation letter of 20 April 2007, Ref UoS/Cons/01.

Given that the impact on our main site at Dagenham is relatively small, in fact according to your letter it is a decrease, then Ford have no objection to implementation at the earliest possible date.

We have no views as to whether this move is appropriate given your license conditions. However, it does seem that the change does not greatly impact competition in the supply or transmission or distribution of electricity.

Regards,

Simon Russell  
Supervisor, Energy Programs, UK.