CE Electric UK proposals for interim independent distribution network operator (IDNO) charges

Executive summary

1. This paper sets out our proposals for interim tariffs for independent distribution network operators (IDNOs). The tariffs are based on those presented at Ofgem's DNO/IDNO working group meeting in March. The tariffs have been developed further since the meeting, although we have received no specific comments from the IDNOs.

2. In developing our tariffs we believe we have addressed the obligations placed upon us by our distribution licence and the Competition Act 1998. We believe that our proposed tariffs are more cost reflective than our existing arrangements and have particular features aimed at addressing the concerns previously expressed by the IDNOs. We therefore submit that these tariffs better meet the relevant objectives set down in our licence. The tariffs have the following features:

   - The cost allocation that forms the basis of the tariffs are derived from regulatory reporting pack (RRP) cost and network data rather than the distribution reinforcement model;
   - The tariffs are applied at a boundary level rather than on a portfolio basis. We believe that boundary tariffs are inherently more cost reflective, because they take account of the specific site costs albeit within a band;
   - The LV tariffs can be applied using boundary metering data or site-level settlements data provided by the IDNO;
   - The LV tariffs are banded by capacity rather than distance. This reflects reduced costs where less of our LV network is used to convey electricity to the IDNO network;
   - Banding the LV tariffs using capacity means that the IDNO benefits from improved transparency and increased predictability without the need to establish the point of connection prior to knowing which tariff will be applied to the boundary;
   - The high voltage tariffs are also banded by capacity to address the potential effects of the large fixed charge, within the standard half-hourly high voltage tariff, on sites in their early stages of development; and
   - The HV tariffs have an optional capacity reservation facility.

Background

1. Over the past year several distribution network operators (DNOs) have submitted modification proposals to Ofgem with regard to addressing the concerns raised by independent distribution network operators (IDNOs) that existing use of system (UoS) tariffs are not cost-reflective when applied to IDNO connections. They also claim that the current DNO tariffs distort competition by inadvertently foreclosing IDNOs from competing in respect of a large proportion of new developments, potentially in contravention of standard condition 13, paragraphs 13.3(b) and (c) of the electricity distribution licence, which defines the relevant objectives for setting use of system charges.

2. IDNOs and DNOs operating out of area are subject to a price cap under distribution licence condition BA2 and special licence condition G1 (see appendix 1), which caps end-user charges for domestic customers to that of the host DNO. It is therefore appropriate for us to consider the impact of our tariffs on this group of users, whilst taking full account of our licence obligations to ensure cost-reflective tariffs that are set in accordance with an Ofgem-approved charging methodology.

3. We recognises that it is appropriate in setting IDNO boundary charges to consider factors additional to those considered for setting end-user tariffs. We are also mindful of comments made in recent Ofgem consultations on IDNO tariff proposals by Western Power Distribution (WPD)[1]; Scottish Power (SP)[2]; and more recently Central Networks[3] (CN).

4. Ofgem have also advised that all DNOs should be reviewing the application of charges to IDNOs. This document details the proposals that CE Electric UK (CE) intends to introduce in relation to both Northern Electric Distribution Limited (NEDL) and Yorkshire Electricity Distribution plc (YEDL) (subject to non-veto by the Authority) to address these issues.

Licence Requirements

5. CE's respective use of system charging methodologies have been approved by Ofgem, pursuant to standard condition 13, paragraph 13.1 (a) of the electricity distribution licences, as being in accordance with the relevant objectives.

[1] Modification Request on changes to the Use of System Charging Methodology to incorporate IDNO Networks and consequential changes to the form of the Use of System Charging Statement, 21/03/07, WPD

[2] Amendment Proposal COM-07-001 Amendment of Use of System Charging Methodologies for IDNO Networks, 13/04/2007, Scottish Power

[3] CN E Dec 07: modification proposal to use of system charging methodology statement: New IDNO specific tariffs,

6. Licence requirements, as of 1 April 2005, are that DNOs' methodologies must be reviewed at least annually and modifications (if any) should only be introduced as necessary for the purpose of better achieving the relevant objectives set out in standard licence condition 13.3. For the purpose of the methodology, the relevant objectives 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 Act and by this licence;

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

    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 is reasonably practicable, properly takes account of developments in the licensee's distribution business.

7. Having reviewed our current charging methodology we believe we can better meet these objectives in relation to IDNO charges. The purpose of this document is to detail the changes to CE's use of system methodologies, to better reflect the costs associated with IDNOs.

Competition Act requirements

8. Given the position of IDNOs in the electricty distribution market it may be insufficient to simply meet our obligations under our licence and in setting tariffs for IDNOs we also need to pay due regard to the requirements of the Competition Act.

9. Specifically, when setting tariffs for IDNOs, a DNO sets input prices to an IDNOs' business. We recognise that IDNOs are subject to a price cap under distribution licence condition BA2 and special licence condition G1 (see appendix 1), which caps end-user charges for domestic customers to those of the host DNO: it is therefore appropriate for us to consider the impact of our tariffs on this group of customers.

10. We have received advice that we need to ensure sufficient margin to avoid foreclosure of the market, which, in practice means that the available margin ought to ensure an adequate share of the market is open to competition by IDNOs. We have therefore taken steps to address foreclosure including the incorporation of specific features including capacity ramping.

Existing charging arrangements

11. Currently IDNO connections are allocated a tariff based on the connection voltage and the size of the connection. Generally for low voltage (LV) connections the standard LV half-hourly (HH) tariff would be applied and for high voltage (HV) connections the standard HV HH tariff is applied. These tariffs are based on larger commercial and industrial customers' load profiles and therefore may not necessarily best reflect the load profiles of the IDNO sites. It is worth noting that we do not see this being a material issue with HV connections, as these connections have the potential to have a more diverse end-user base and therefore a flatter, less coincident load profile so the current HV HH customer group will generally be appropriate – albeit that the capacity and fixed charge elements of this tariff are still an issue to IDNOs, particularly in the early stages of their sites' development.

12. The current HH tariffs contain capacity charges that, when applied to domestic sites, can cause foreclosure issues for the IDNOs, as they can only recover income on a fixed and unit basis due to the nature/function of the settlements system in that market (i.e. standard HH tariffs do not translate/map easily to a domestic tariff structure as they contain fixed, unit and capacity elements, whereas our domestic tariffs are based on fixed and unit elements only). This results in the potential for an IDNO to be disadvantaged during the period when a site is being developed.

13. Furthermore, we recognise that the costs incurred in distributing energy to the IDNO site may well differ from those to serve the end-user. However, it is appropriate that IDNOs pick up an appropriate share of costs they impose to serve customers in general including themselves. Our proposed arrangements seek to address these issues.

Proposed charging arrangements

LV connections

14. We are proposing to introduce two new customer groups for LV IDNO connections:

- The first for connections with predominantly domestic end-use (i.e. profile class 1-2 customers); and
- The second for connections with predominantly non-domestic end-use (i.e. profile class 3-8 customers).

The allocation between these customer groups is discussed in detail later in the paper. We see using two groups as a pragmatic approach to dealing with end-customer diversity on LV IDNO sites. This provides a balance between cost reflectivity and simplicity, without going all-the-way to a banded-portfolio suite of tariffs.

15. It is appropriate to distinguish between domestic and non-domestic sites due to the average demand per customer at the time of system peak. (For example: in the NEDL area the average domestic customer contributes 1kW of demand to the system. The average non-domestic customer contributes 4.7kW of demand toward the system peak). As charges are proportionate to the level of contribution to system peak it would be inappropriate to levy a charge on sites made up of predominantly non-domestic premises with a tariff designed for domestic customers, and vice versa.

16. Each LV customer group will have five tariffs (bands) that reflect a different proportion of avoided cost[4] (i.e. they are discounted by varying amounts). The tariff structures will contain a fixed charge (pence/day) element and a single unit charge (pence/kWh). The reason for utilising a single unit rate is that it is assumed the predominant load on the IDNO site will be unrestricted – see table 1 below, which shows the percentage of IDNO customers within the proposed new customer groups. Using a single unit rate also insulates the IDNO boundary charge from varying end-user consumption paterns.

Customer group	IDNO predominantly domestic customer group		IDNO predominantly non-domestic customer group	
	NEDL	YEDL	NEDL	YEDL
PC1 – Domestic unrestricted	93%	92%		
PC2 – Domestic restricted	7%	8%		
PC3 – Non-domestic unrestricted			68%	63%
PC4 – Non-domestic restricted			15%	25%

[4] Avoided costs are the capital replacement costs of the displaced network and the asset-related operating costs that are associated with the voltage of connection.

Customer group	IDNO predominantly domestic customer group		IDNO predominantly non-domestic customer group	
	NEDL	YEDL	NEDL	YEDL
PC5-8			17%	12%

Table 1 - IDNO profile – metering system identification (MSID) data proportions

17. The approach described above will result in 10 new LV tariffs, for IDNOs, across two new customer groups - five for predominantly domestic-use connections and five for predominantly non-domestic use.

HV connections

18. We also propose to add two new customer groups for HV IDNO connections. These are designed to address the IDNOs' concerns over capacity charges and large fixed charges.

19. The new customer groups will be banded to form 10 new tariffs, these new tariffs will be offered with two structures:

- The first with a fixed charge (pence/day) element and a single unit charge (pence/kWh) element only - this tariff will be available to those IDNOs that do not want to reserve capacity beyond their immediate requirements; and
- The second structure will have a fixed (pence/day) element, single unit charge element (pence/kWh) and a capacity charge element (pence/kVA/Day) - this tariff will be available to those IDNOs that opt to reserve capacity beyond their immediate requirements. This would be subject to contract to avoid unreasonable asset sterilisation (connection offer and connection agreement).

Again both structures will use a single unit rate as it is assumed the predominant load will be unrestricted and to insulate the IDNO boundary charge, as previously discussed.

20. The bands will be used to vary the level of fixed charge that the IDNO would face based on the site's agreed capacity. This will increase the cost reflectivity of the tariff particularly for smaller HV sites and those that are yet to reach maturity. The all-the-way HV sites are based on the assumption that an average HV-connected customer has a capacity requirement of around 1,500kW – due to the nature of the IDNO site we will let them move through the bands until they are the size of a typical customer in the relevant customer group.

Calculation of the LV IDNO tariffs

21. The following section describes the methodology governing how we propose to calculate the LV IDNO tariff.

Allocation of an IDNO site to a customer group

22. Due to the uncertainty of determining the relative contribution to the maximum demand of a site from domestic and non-domestic customers, the following assessment ranges are proposed to decide which customer group a site is allocated to:

- Predominantly domestic – greater than 60% of the maximum demand due to domestic connections;
- Predominantly non-domestic – less than 40% of the maximum demand due to domestic connections; and
- Where between 40% and 60% of the site maximum demand is assessed to be due to domestic connections the attribution of the site to either the predominantly domestic or predominantly non-domestic customer group will be made with the agreement of the IDNO after consideration of the characteristics of the connection.

Analysis shows that only 8.1% (NEDL) and 7.6% (YEDL) of all substations fall outside either the predominantly domestic or non-domestic groups (see appendix 2 - Domestic and non-domestic contribution to maximum demand).

The contribution to maximum demand will be based on the forecast of the make-up of the load for the completed IDNO network and will be agreed at the time of making the connection offer.

Tariff banding

23. Tariff banding is a mechanism that supports the introduction of the concept of discounting for avoided costs. It is logical that avoided cost (to the DNO) increases as the proportion of assets installed by the IDNO increases. To reflect this we are proposing to discount the LV IDNO tariffs by implementing a five-band approach based on the capacity utilisation of the average LV main.

24. Analysis has shown that in both NEDL and YEDL the average capacity of a LV main is circa 200kW. Whilst there may be some circumstances in which there is the potential for this to be higher, there are also examples of mains that have spare capacity on

them and hence we believe that the use of the average figure 200kW is a pragmatic position on which to base the analysis.

25. Applying the rationale above results in the following tariff bands and discounts from the LV element of the charges.

Tariff banding	Capacity range	Minimum capacity	Average capacity	Maximum capacity	% discount off LV element of charges
Band one	0kW – <40kW	0kW	20kW	40kW	20%
Band two	40kW – <80kW	40kW	60kW	80kW	40%
Band three	80kW – <120kW	80kW	100kW	120kW	60%
Band four	120kW – <160kW	120kW	140kW	160kW	80%
Band five	160+ kW	160kW	180kW		100%

Table 2 – Customer allocation to tariff banding

26. The advantage of banding on a capacity utilisation basis rather than on a distance basis is that the IDNO will know which band it falls into before it applies for a connection as it will know what capacity it requires.

27. In addition, CE is willing to consider capacity ramping for IDNO sites over a three-year period from the energisation date of the connection. The phasing of any capacity ramping, including the interim agreed capacity to be applied on each anniversary of energisation until the third anniversary, would be mutually agreed at the time of connection. This has the benefit of moving an IDNO site from one band to another as the site grows (over time). The IDNO will apply for the capacity it needs for its site and will therefore have the choice of selecting the starting band for the site: this may be a lower band than its ultimate requirement with ramping (e.g for phase one, two, three etc of its site), or the IDNO may choose the band applicable to its total requirement. We believe this solution to be more cost reflective than our current tariffs and one example of better meeting the relevant objectives.

Calculation of the hybrid all-the-way tariff – excluding discounts

28. The currently approved CE charging methodology generates single unit charges for all tariffs. However, some end-user tariffs have multi-rate charges, which send a time-of-day signal to the end-user. This approach enables us to encourage efficient use of the network at the times of day, or year, when the system is less heavily loaded. We recognise that the IDNOs are not the end-users and therefore cannot adjust their behaviour to react to time-of-day signals. We therefore intend to use the single-rate values generated by the distribution reinforcement model (DRM) to calculate the hybrid

tariffs that will form the foundation of the new LV tariffs. We are also using the hypothesis that an IDNO would have broadly the same customer, demand and consumption mix as the upstream DNO. This will insulate the boundary charge from variations in end-user behaviour.

29. In order to establish the hybrid all-the-way tariffs to be utilised in the calculation of IDNO charges, the following allocation methodologies are applied:

- Fixed charge – The fixed charge is allocated based on the host DNO customer numbers count;
- Unit charge – The unit charge is allocated based on the host DNO consumption patterns;
- Demand – The demand for the new hybrid customer is based on the host DNO demand profiles; and
- Unit consumption – is again based on the host DNO consumption patterns.

The following table identifies the typical ratios that would be utilised in the calculation of the hybrid charges for each of NEDL and YEDL.

LV IDNO tariff	NEDL Customer group	Customer numbers/MSID counts		Consumption		Maximum demand	
		NEDL	YEDL	NEDL	YEDL	NEDL	YEDL
Predominantly domestic	PC1 – Domestic unrestricted	93%	92%	88%	87%	82%	78%
	PC2 – Domestic restricted	7%	8%	12%	13%	18%	22%
Predominantly non-domestic	PC3 – Non-domestic unrestricted	68%	63%	34%	41%	42%	47%
	PC4 – Non-domestic restricted	15%	25%	14%	25%	18%	19%
	PC5-8 – Max demand	17%	12%	52%	34%	40%	34%

Table 3 – Typical allocations to be utilised in the calculation of the all-the-way hybrid tariff

30. The table below details the calculation of the hybrid all-the-way tariffs to be utilised in the calculation of the new predominantly domestic (PC1&2) customer group – the hybrid tariff calculation utilises the allocations in table 3 above. For example the NEDL hybrid predominantly domestic tariff fixed charge component is made up from 93% of the profile class (PC) 1 – domestic unrestricted fixed charge and – 7% of the PC2 – domestic restricted fixed charge. Similarly the unit rate is made up from 88% of the PC1 unit rate and 12% of the PC2 unit rate.

Predominantly domestic customer group	NEDL		YEDL	
	Fixed charge (p/mpan/day)	Unit charge (p/kWh)	Fixed charge (p/mpan/day)	Unit charge (p/kWh)
PC1 – Domestic unrestricted	8.325	1.130	7.434	1.039
PC2 – Domestic restricted	9.382	0.778	8.347	0.701
Hybrid predominantly domestic tariff	**8.404**	**1.086**	**7.505**	**0.995**

Table 4 – Calculation of the predominantly domestic hybrid all-the-way tariff – excluding discounts

31. The table below details the calculation of the hybrid all-the-way tariffs to be utilised in the calculation of the new predominantly non-domestic (PC3-8) customer group – the hybrid tariff calculation utilises the allocations in table 3 above.

Predominantly non-domestic customer group	NEDL		YEDL	
	Fixed charge (p/mpan/day)	Unit charge (p/kWh)	Fixed charge (p/mpan/day)	Unit charge (p/kWh)
PC3 – Non-domestic unrestricted	22.092	1.271	23.111	1.177
PC4 – Non-domestic restricted	25.731	0.854	30.219	0.807
PC5-8 – NHH LV	96.391	0.989	120.398	0.877
Hybrid predominantly non-domestic tariff	**35.567**	**1.067**	**36.143**	**0.984**

Table 5 – Calculation of the predominantly non-domestic hybrid all-the-way tariff – excluding discounts

32. The final step in the process is the calculation of the hybrid all-the-way tariff (excluding discounts) is to calculate the minimum number of customers that could exist within each of the bands 2 to 5. This is achieved by dividing the minimum capacity in each band by the weighted average demand in the respective group to determine the number of customers in the band. Once the number of customers has been established, this is used to calculate the charges for each band within the customer group – this bases the charge on the minimum number of customers in each group as all customers will have reached this level.

33. If the rationale above were applied to band 1, this would result in a unit only charge which we do not believe is appropriate - all our non-half hourly all-the-way tariffs have a fixed and unit charge element because we believe this to be reflective of our costs, which have a fixed and variable element that varies with customer numbers. With this in mind we have analysed new connection projects over a four year period (from January 2003 to December 2006). This shows that on average 16 properties in NEDL and 14 properties in YEDL are energised within one month from the date of connection. These figures equate to approximately 50% of the maximum number of

customers achievable within the first band of the LV predominantly-domestic tariff. As a result of this analysis the band-one tariff will be based on 50% of the band's maximum demand.

34. The table (6) below details the calculation of the hybrid all-the-way tariffs (excluding discounts) to be utilised in the calculation of the new banded tariffs for the predominantly domestic (PC1&2) customer group. For example the fixed charge applied to band one in NEDL is equal to 14.5 times the hybrid fixed charge of 8.404p. There is no need to adjust the unit charge as the number of units (kWh) will increase as the boundary demand does.

Predominantly domestic customer group	NEDL			YEDL		
	Min Cust.	Fixed charge (p/mpan/day)	Unit charge (p/kWh)	Min Cust.	Fixed charge (p/mpan/day)	Unit charge (p/kWh)
Hybrid predominantly domestic tariff		**8.404**	**1.086**		**7.505**	**0.995**
Band one	14.5	121.598	1.086	11.9	89.228	0.995
Band two	28.9	243.196	1.086	23.8	178.456	0.995
Band three	57.9	486.392	1.086	47.6	356.912	0.995
Band four	86.8	729.588	1.086	71.3	535.368	0.995
Band five	115.8	972.784	1.086	95.1	713.823	0.995

Table 6 – Calculation of the banded predominantly domestic hybrid all-the-way tariff – excluding discounts

35. The table (7) below details the calculation of the hybrid all-the-way tariffs (excluding discounts) to be utilised in the calculation of the new banded tariffs for the predominantly non-domestic (PC3-8) customer group.

Predominantly non-domestic customer group	NEDL			YEDL		
	Min cust.	Fixed charge (p/mpan/day)	Unit charge (p/kWh)	Min cust.	Fixed charge (p/mpan/day)	Unit charge (p/kWh)
Hybrid predominantly non-domestic tariff		**35.567**	**1.067**		**36.143**	**0.984**
Band one	2.1	73.501	1.067	1.8	64.801	0.984
Band two	4.1	147.001	1.067	3.6	129.602	0.984
Band three	8.3	294.002	1.067	7.2	259.203	0.984
Band four	12.4	441.003	1.067	10.8	388.805	0.984
Band five	16.5	588.004	1.067	14.3	518.407	0.984

Table 7 – Calculation of the banded predominantly non-domestic hybrid all-the-way tariff – excluding discounts

Opex cost allocation to determine the proportion of LV costs in the fixed charge

36. Operating cost (opex) information within the charging model identifies the costs that are recovered via the fixed charge element of the all-the-way tariffs. The proposed allocation mechanism utilises our annual regulatory reporting pack (RRP) information submissions to Ofgem. These costs offer a reasonable approximation to the average long-run operating costs and the data is readily available.

37. Operating costs can be broken down into four key categories:

- Direct opex – the vast majority of which is already broken down by voltage in the RRP tables. Those categories that are not shown by voltage (a minority) are allocated on a pro-rata basis to the known items. The direct opex information can be found in table 2.3 of the RRP data;
- Indirect costs – this information is not broken down by voltage so it is allocated based on either:
    - the voltage splits in our net forecast capex plans;
    - the voltage splits in our gross forecast capex plans;
    - the number of substations by voltage on the network;
    - the length of the network at each voltage level;
    - the number of customers connected to the network at each voltage; or
    - the incremental increase in demand due to losses (exit charge).

The indirect cost information can be found in table 2.4 of the RRP data and the table (8) below shows the allocations on which the illustrative charges in this paper are based.

Cost item	Driver
Network Policy	Net Capex
Network Design & Engineering	Net Capex
Project Management	Net Capex
Engineering Mgt & Clerical Support	Net Capex
Control Centre	Subs
System Mapping – Cartographical	Length
Customer Call Centre	Customers
Stores	Net Capex
Vehicles & Transport	Length
IT & Telecoms	Customers

Cost item	Driver
Property Mgt	Length
HR & Non-operational Training	Customers
Health & Safety & Operational Training	Length
Finance & Regulation	Customers
CEO etc	Customers

Table 8: Allocation drivers for indirect costs

- Non-op capex - this information is not broken down by voltage level so it is allocated utilising the same categories as were used to allocate the indirect costs (see above). The non-op capex information can be found in table 2.4 of the RRP data. The table (9) below shows the allocations on which the illustrative charges in this paper are based.

Cost item	Driver
Vehicles	Length
Plant	Net Capex
Tools	Net Capex
Equipment	Net Capex
Property	Length
IT	Customers
Telecoms	Customers

Table 9: Allocation drivers for Non-op CAPEX

- Pass-through costs – this information is not broken down by voltage so it is allocated utilising the same categories as were used to allocate the indirect costs and non-op capex (see above). The pass-through cost information can be found in table 2.6 of the RRP data. Again the table (10) below shows the allocations on which the illustrative charges in this paper are based.

Cost item	Driver
Transmission exit charges	Exit charge
Wheeled units imported	Subs
Network rates	Net Capex
Ofgem licence fee	Customers

Table 10: Allocation drivers for pass-through costs

38. The table (11) below shows the resultant typical allocations to voltages for each of NEDL and YEDL for each type of cost. This can be used to calculated the costs associated with the LV network level.

Cost allocation	NEDL			YEDL		
	LV	HV	EHV	LV	HV	EHV
Direct opex	52.17%	31.79%	16.03%	52.17%	31.79%	16.03%
Indirect	64.93%	31.72%	19.02%	64.93%	31.72%	19.02%
Non-op capex	4.29%	2.93%	2.23%	4.29%	2.93%	2.23%
Pass-through	15.20%	16.06%	36.49%	15.20%	16.06%	36.49%
Total Costs	**44.08%**	**32.49%**	**23.43%**	**46.64%**	**28.17%**	**25.19%**

Table 11 – typical operating cost allocations to voltages

39. The net effect of following this opex cost allocation methodology is that up to 44.08% of the NEDL fixed charge costs and 46.64% of the YEDL fixed charge costs will be discounted in the IDNO tariffs as detailed below.

40. The table (12) below details the calculation of the fixed charges discount percentages for the hybrid all-the-way tariffs to be utilised in the calculation of the new banded tariffs for the predominantly domestic (PC1&2) customer group and the new banded tariffs for the predominantly non-domestic (PC3-8) customer group.

Band	NEDL			YEDL		
	LV opex cost discount	Tariff band band discount	Tariff fixed charge discount	LV opex cost discount	Tariff band band discount	Tariff fixed charge discount
Band one	44.08%	20.00%	**8.82%**	46.64%	20.00%	**9.33%**
Band two	44.08%	40.00%	**17.63%**	46.64%	40.00%	**18.66%**
Band three	44.08%	60.00%	**26.45%**	46.64%	60.00%	**27.98%**
Band four	44.08%	80.00%	**35.27%**	46.64%	80.00%	**37.31%**
Band five	44.08%	100.00%	**44.08%**	46.64%	100.00%	**46.64%**

Table 12 – Calculation of fixed charge discount off the all-the-way hybrid tariff

41. Finally, the table (13) below details the calculation of the fixed charges for the hybrid all-the-way tariffs (including discounts) to be utilised in the calculation of the new banded tariffs for the predominantly domestic (PC1&2) customer group.

Predominantly domestic customer group	NEDL			YEDL		
	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band one	121.598	8.82%	**110.877**	89.228	9.33%	**80.905**
Band two	243.196	17.63%	**200.313**	178.456	18.66%	**145.164**

Predominantly domestic customer group	NEDL			YEDL		
	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band three	486.392	26.45%	**357.743**	356.912	27.98%	**257.035**
Band four	729.588	35.27%	**472.290**	535.368	37.31%	**335.614**
Band five	972.784	44.08%	**543.953**	713.823	46.64%	**380.901**

Table 13 – Calculation of the fixed charge for the banded predominantly domestic hybrid all-the-way tariff – including discounts

42. The table (14) below details the calculation of the fixed charges for the hybid all-the-way tariffs (including discounts) to be utilised in the calculation of the new banded tariffs for the predominantly non-domestic (PC3-8) customer group.

Predominantly non-domestic customer group	NEDL			YEDL		
	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)	Hybrid fixed charge (p/mpan/day) No discount	Tariff fixed charge discount	Discounted fixed charge (p/mpan/day)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band one	73.501	8.82%	**67.020**	64.801	9.33%	**58.756**
Band two	147.001	17.63%	**121.080**	129.602	18.66%	**105.424**
Band three	294.002	26.45%	**216.239**	259.203	27.98%	**186.669**
Band four	441.003	35.27%	**285.478**	388.805	37.31%	**243.736**
Band five	588.004	44.08%	**328.795**	518.407	46.64%	**276.625**

Table 14 – Calculation of the fixed charge for the banded predominantly non-domestic hybrid all-the-way tariff – including discounts

Capex cost allocation to determine the proportion of LV costs in the unit charge

43. Capital expenditure (capex) information within the charging model identifies the costs of serving customers that are directly related to network investment. The proposed allocation mechanism utilises our ten-year net capex plan figures, but excludes generation and metering capital. These costs offer a reasonable approximation to the average long-run capital expenditure required to run a network; the data is readily available, and is refreshed on an annual basis. Capital expenditure forms the unit charge element of the NEDL and YEDL all-the-way published tariffs.

44. The table (15) below shows the resultant typical allocations to voltages for each of NEDL and YEDL resulting from the capital expenditiure plans. This can be used to calculate the costs associated with the LV network level.

Cost allocation	NEDL			YEDL		
	LV	HV	EHV	LV	HV	EHV
10-year plans for capital expenditure	24.04%	35.89%	40.06%	27.90%	36.02%	36.08%

Table 15 – typical capital expenditure cost allocations to voltages

45. The net effect of following this opex cost allocation method is that up to 24.04% of the NEDL unit charge costs and 27.90% of the YEDL unit charge costs will be discounted in the IDNO tariffs as detailed below.

46. The table (16) below details the calculation of the unit charge discount percentages for the hybrid all-the-way tariffs to be utilised in the calculation of the new banded tariffs for the predominantly domestic (PC1&2) customer group and the new banded tariffs for the predominantly non-domestic (PC3-8) customer group..

Band	NEDL			YEDL		
	LV capex cost discount	Tariff band Band discount	Tariff unit charge discount	LV capex cost discount	Tariff band Band discount	Tariff unit charge discount
	A	B	C=A*B	A	B	C=A*B
Band one	24.04%	20.00%	**4.81%**	27.90%	20.00%	**5.58%**
Band two	24.04%	40.00%	**9.62%**	27.90%	40.00%	**11.16%**
Band three	24.04%	60.00%	**14.43%**	27.90%	60.00%	**16.74%**
Band four	24.04%	80.00%	**19.23%**	27.90%	80.00%	**22.32%**
Band five	24.04%	100.00%	**24.04%**	27.90%	100.00%	**27.90%**

Table 16 – Calculation of unit charge discount off the all-the-way hybrid tariff

47. Finally, the table (17) below details the calculation of the unit charges for the hybrid all-the-way tariffs (including discounts) to be utilised in the calculation of the new banded tariffs for the predominantly domestic (PC1&2) customer group.

Predominantly domestic customer group	NEDL			YEDL		
	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band one	1.086	4.81%	**1.034**	0.995	5.58%	**0.939**

Predominantly domestic customer group	NEDL			YEDL		
	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band two	1.086	9.62%	**0.982**	0.995	11.16%	**0.884**
Band three	1.086	14.43%	**0.930**	0.995	16.74%	**0.828**
Band four	1.086	19.23%	**0.877**	0.995	22.32%	**0.773**
Band five	1.086	24.04%	**0.825**	0.995	27.90%	**0.717**

Table 17 – Calculation of the unit charge for the banded predominantly domestic hybrid all-the-way tariff – including discounts

48. The table (18) below details the calculation of the unit charge for the hybrid all-the-way tariffs (including discounts) to be utilised in the calculation of the new banded tariffs for the predominently non-domestic (PC3-8) customer group.

Predominantly non-domestic customer group	NEDL			YEDL		
	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)	Hybrid unit charge (p/kWh) No discount	Tariff unit charge discount	Discounted unit charge (p/kWh)
	A	B	C=A*(1-B)	A	B	C=A*(1-B)
Band one	1.067	4.81%	**1.016**	0.984	5.58%	**0.929**
Band two	1.067	9.62%	**0.964**	0.984	11.16%	**0.874**
Band three	1.067	14.43%	**0.913**	0.984	16.74%	**0.819**
Band four	1.067	19.23%	**0.862**	0.984	22.32%	**0.764**
Band five	1.067	24.04%	**0.810**	0.984	27.90%	**0.709**

Table 18 – Calculation of the unit charge for the banded predominantly non-domestic hybrid all-the-way tariff – including discounts

Proposed LV discounted and banded IDNO tariffs

49. The tables (19 and 20) below show the proposed LV discounted and banded IDNO tariffs for the predominantly domestic (PC1&2) and predominantly non-domestic (PC5-8) customer groups, where:

- The tariff band is determined based on the utilisation of an average LV main (200kW);

- The LV element of the fixed charge is discounted based on operating expenditure information from the RRP tables; and
- The LV element of the unit charge is discounted based on our 10-year forecast for capital expenditure.

50. The table (19) below details the proposed IDNO tariffs for the predominantly domestic (PC1&2) customer group.

Predominantly domestic customer group	Capacity range	NEDL		YEDL	
		Discounted fixed charge (p/mpan/day)	Discounted unit charge (p/kWh)	Discounted fixed charge (p/mpan/day)	Discounted unit charge (p/kWh)
Band one	0kW – <40kW	**110.877**	**1.034**	**80.905**	**0.939**
Band two	40kW – <80kW	**200.313**	**0.982**	**145.164**	**0.884**
Band three	80kW – <120kW	**357.743**	**0.930**	**257.035**	**0.828**
Band four	120kW – <160kW	**472.290**	**0.877**	**335.614**	**0.773**
Band five	160+ kW	**543.953**	**0.825**	**380.901**	**0.717**

Table 19 – proposed IDNO tariffs for the predominantly domestic (PC1&2) customer group

51. The table (20) below details the proposed IDNO tariffs for the predominantly non-domestic (PC3-8) customer group.

Predominantly non-domestic (commercial customer group	Capacity range	NEDL		YEDL	
		Discounted fixed charge (p/mpan/day)	Discounted unit charge (p/kWh)	Discounted fixed charge (p/mpan/day)	Discounted unit charge (p/kWh)
Band one	0kW – <40kW	**67.020**	**1.016**	**58.756**	**0.929**
Band two	40kW – <80kW	**121.080**	**0.964**	**105.424**	**0.874**
Band three	80kW – <120kW	**216.239**	**0.913**	**186.669**	**0.819**
Band four	120kW – <160kW	**285.478**	**0.862**	**243.736**	**0.764**
Band five	160+ kW	**328.795**	**0.810**	**276.625**	**0.709**

Table 20 – proposed IDNO tariffs for the predominantly non-domestic (PC3-8) customer group

Calculation of the HV IDNO tariffs

52. Currently IDNO connections are allocated a tariff based on the connection voltage and the size of the connection. Generally for LV connections the standard LV HH tariff would be applied and for HV connections the standard HV HH tariff is applied. These tariffs are based on larger commercial and industrial customers' load profiles and therefore may not necessarily best reflect the load profiles of the IDNO sites. It is worth noting that we do not see this being a material issue with HV connections, as these connections have the potential to have a more diverse end-user base and therefore a flatter, less coincident load profile so the current HV HH customer group

will generally be appropriate – albeit that the capacity-charge and fixed-charge elements of this tariff is still an issue for IDNOs.

53. We have already dealt with LV IDNO charges, but our current HH HV tariffs contain capacity charges which, when applied to domestic sites, can cause issues for the IDNOs, as they can only recover income on a fixed and unit basis due to the nature/function of the settlements system in that market (i.e. standard HH HV tariffs do not translate/map easily to a domestic tariff structure as they contain fixed, unit and capacity elements whereas our domestic tariffs are based on fixed and unit elements only). This results in the potential of foreclosure during the period when a site is being developed.

54. Given the above we propose to add two HH HV groups based on the current standard HH HV customer group, which will be banded to better reflect the costs the IDNOs impose on the business and to address IDNO concerns over the application of capacity charges.

55. The new tariffs will be offered with two structures:

- The first with a fixed charge (pence/day) element and a single unit charge (pence/kWh) element only - this tariff will be available to those IDNOs that do not want to reserve capacity beyond their immediate requirements; and
- The second structure will have a fixed (pence/day) element, single unit charge element (pence/kWh) and a capacity charge element (pence/kVA/day) - this tariff will be available to those IDNOs that opt to reserve capacity beyond their immediate requirements. This would be subject to contract to avoid unreasonable asset sterilisation (connection offer and connection agreement).

Again both structures will use a single unit rate as it is assumed the predominant load will be unrestricted and to insulate the IDNO charge from end-user behavioural changes, as previously discussed.

56. As with the LV IDNO tariffs the banding will be based on capacity. In realtion to both NEDL and YEDL the average HV end-user has a capacity of approximately 1,500kW: therefore the fixed charge is set to recover income based on 1,500kW. We intend to split the standard HH HV tariff fixed charge component into fifths and offer a five-banded high-voltage tariff. In calculation of the all-the-way unit charge the DRM makes no assumption about the volume of units, and it would therefore be inappropriate to split that element.

57. The table (21) below shows the current published multi-rate HH HV tariffs and the conversion to a tariff that contains a single unit rate only, then the subsquent conversion to a tariff excluding the capacity charge element.

HV charges	NEDL				YEDL			
	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Unit charge 2 (p/kWh)	Capacity charge (p/kVA/day)	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Unit charge 2 (p/kWh)	Capacity charge (p/kVA/day)
Current HH HV tariff	**1,867.779**	**0.098**	**0.018**	**2.547**	**1,468.864**	**0.091**	**0.012**	**2.278**
Base single-rate HV tariff (including capacity charges)	**1,867.779**	**0.077**		**2.547**	**1,468.864**	**0.070**		**2.278**
Base single-rate HV tariff (excluding capacity charges)	**1,867.779**	**0.383**			**1,468.864**	**0.351**		

Table 21 – Conversion of the base HV tariffs

58. Detailed below in table (22) are the proposed HV IDNO tariffs including capacity charges.

HV IDNO charges	NEDL			YEDL		
	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Capacity charge (p/kVA/day)	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Capacity charge (p/kVA/day)
Base single-rate HV tariff (including capacity charges)	1,867.779	0.077	2.547	1,468.864	0.070	2.278
Band one	373.556	0.077	2.547	293.773	0.070	2.278
Band two	747.112	0.077	2.547	587.546	0.070	2.278
Band three	1,120.667	0.077	2.547	881.318	0.070	2.278
Band four	1,494.223	0.077	2.547	1,175.091	0.070	2.278
Band five	1,867.779	0.077	2.547	1,468.864	0.070	2.278

Table 22 – HV IDNO tariffs (including capacity charge)

59. Detailed below in table (23) are the proposed HV IDNO tariffs including capacity charges.

HV IDNO charges	NEDL		YEDL	
	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)
Base single-rate HV tariff (including capacity charges)	1,867.779	0.383	1468.864	0.351
Band one	373.556	0.383	293.773	0.351
Band two	747.112	0.383	587.546	0.351
Band three	1,120.667	0.383	881.318	0.351

HV IDNO charges	NEDL		YEDL	
	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)	Fixed charge (p/mpan/day)	Unit charge 1 (p/kWh)
Band four	1,494.223	0.383	1,175.091	0.351
Band five	1,867.779	0.383	1,468.864	0.351

Table 23 – HV IDNO tariffs (excluding capacity charge)

Capacity ramping

60. Where an IDNO wishes to connect an embedded network to CE's distribution system it must state the agreed capacity to accommodate the overall development load. However, due to the construction programme and phased connection of multiple premises, the load realised by the development may ramp up over a period of time, possibly a number of years.

61. In some cases the agreed capacity applied to a development has a direct bearing on the capacity charge levied under the DUoS tariff structure. IDNOs have criticized this approach as it may create potential margin issues when the overall agreed capacity is applied to set the charge from the date of energisation and throughout the growth phase of the development.

62. Applying a ramping effect to the agreed capacity over a number of years will reduce the potential for there to be a discrepancy between the agreed capacity and the embedded network load at any time during its development.

63. CE is willing to consider capacity ramping of the agreed capacity requested by an IDNO wishing to connect an embedded network to CE's distribution network. The ramping effect will be allowed over a three-year period from the date of energisation of the connection. CE and the IDNO will mutually agree the interim agreed capacity to be incremented upon each anniversary of energisation until the third anniversary. (For embedded networks connected at low voltage this may have the impact of moving an IDNO site from one band to another over time with the proposed LV tariff described above).

64. Any agreement to capacity ramping will be subject to the terms of a connection offer and connection agreement in order to avoid inappropriate long-term asset sterilisation which would be against the interests of all customers (and potentially a breach of our licence and of the Electricity Act obligation to develop and maintain an efficient, co-ordinated and economical system of electricity distribution).

65. As an example, an IDNO may require a capacity of 4MVA to accommodate the overall development but only require 1MVA at the time of initial energisation. An incremental agreed capacity may be established as shown below in table 24:

NEDL HV IDNO charges	Energisation	1st Anniversary	2nd Anniversary	3rd Anniversary
Agreed capacity	1MVA	2MVA	3MVA	4MVA

Table 24 – example of capacity ramping

66. The incremental arrangement will be captured within the bilateral connection agreement held between CE and the IDNO. On the first and second anniversary of energisation of the connection the agreed capacity will increase automatically unless the IDNO, giving reasonable notice, requests a review of the capacity requirements. In this circumstance CE and the IDNO will mutually agree the revised agreed capacity going forward. On the third anniversary of energisation of the connection CE and the IDNO will review the IDNO's capacity requirements. The IDNO may request:

- a retention of the agreed capacity applied;
- an increase to the agreed capacity; or
- a decrease to the agreed capacity.

67. If the IDNO wished to increase the agreed capacity above that originally requested at the third anniversary the IDNO will be required to reapply for a revised connection capacity in the normal manner.

68. For the avoidance of doubt, availability charges will only be applied to tariiffs that have a capacity element in the tariff structure.

Impact and sensitivity analysis

69. The following section identifies the all-the-way income that an IDNO would recover from its end-user customers and compares that with the proposed boundary tariffs that would be levied on the IDNO.

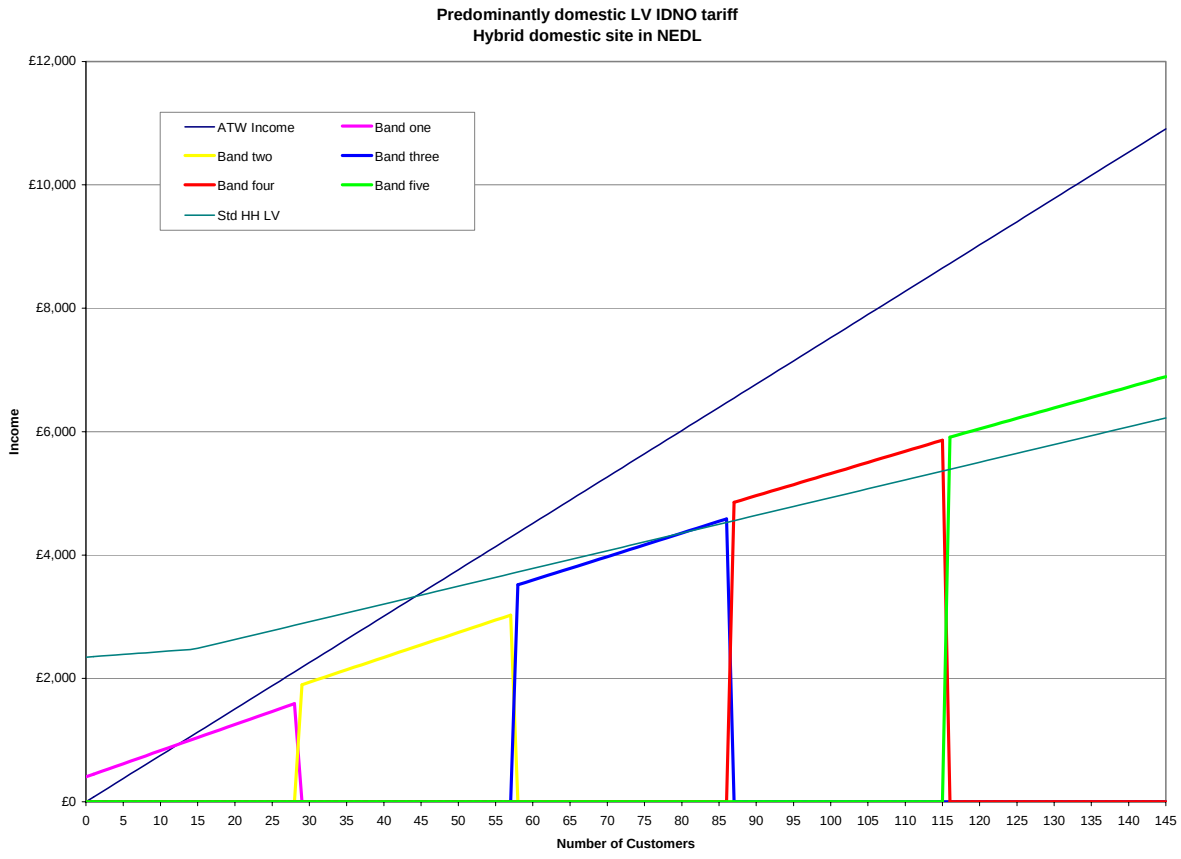
70. All of the representations below show a step-change between the respective bands, to some extent. Whilst we would prefer a smoother transistion between each of the bands the only way to achieve this is reduce the size of each band, effectively increasing the number of bands and tariffs. We believe that 5 bands is a pragmatic balance between greater cost reflectivity, transparency and simplicity.

LV IDNO tariffs - predominantly domestic (PC1&2) customer group

71. The figure below shows the financial impact and associated margins that result from the application of the proposed NEDL LV IDNO tariffs for the predominantly domestic (PC1&2) customer group. The analysis is based on a hybrid tariff annual consumption of 4,100kWh per year. Based on a sample of sites of up to 150 customers where a margin exists:

- the maximum margin is 37% (circa £28 per customer); and
- the average margin is 27% (circa £20 per customer).

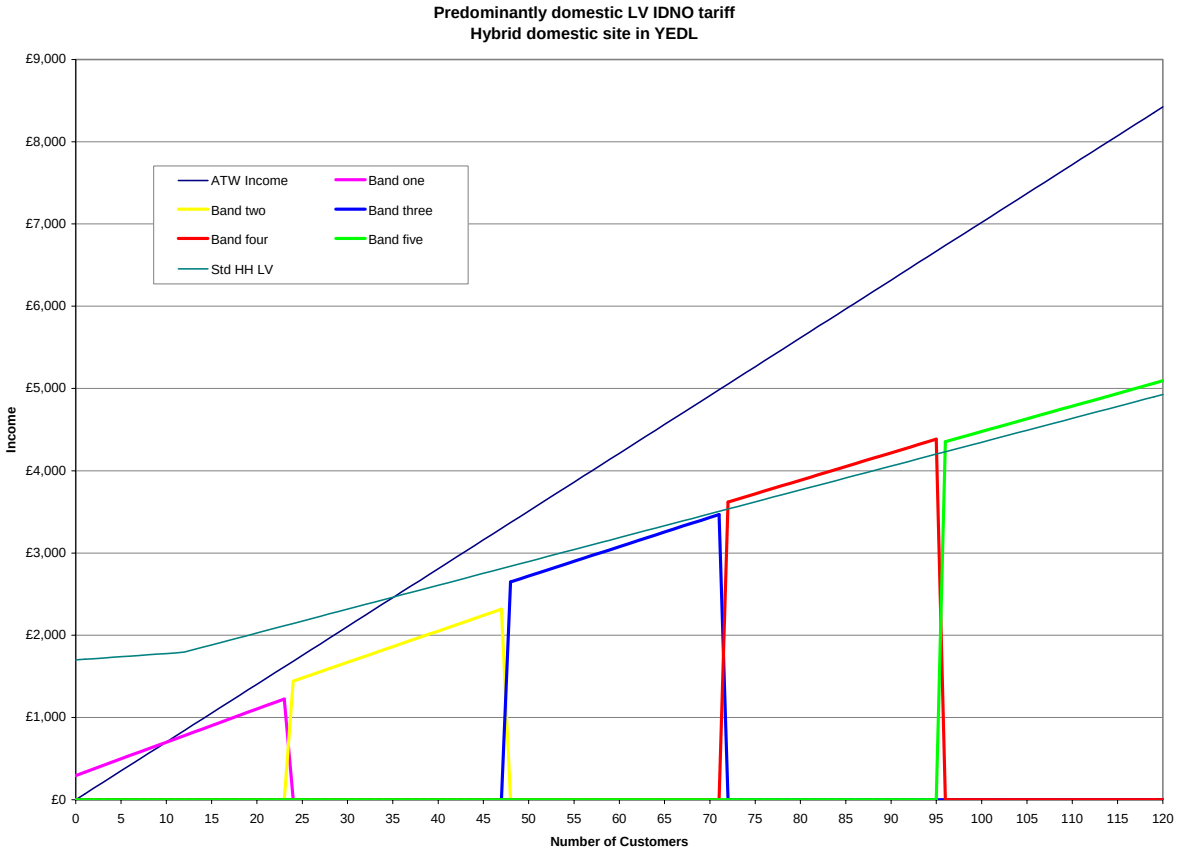
A margin is available for all sites greater than 12 properties and the new proposed tariffs generally provide a greater margin for smaller sites than the current HH LV tariff than an IDNO would typically receive.



72. The figure below shows the financial impact and associated margins that result from the application of the proposed YEDL LV IDNO tariffs for the predominantly domestic (PC1&2) customer group. The analysis is based on a hybrid tariff annual consumption of 4,302kWh per year. Based on a sample of sites of up to 150 customers where a margin exists:

- the maximum margin is 43% (circa £30 per customer);and
- the average margin is 31% (circa £22 per customer).

A margin is available for all sites greater than 9 properties and again the new proposed tariffs generally provide a greater margin for smaller sites than the current HH LV tariff that an IDNO would typically receive.

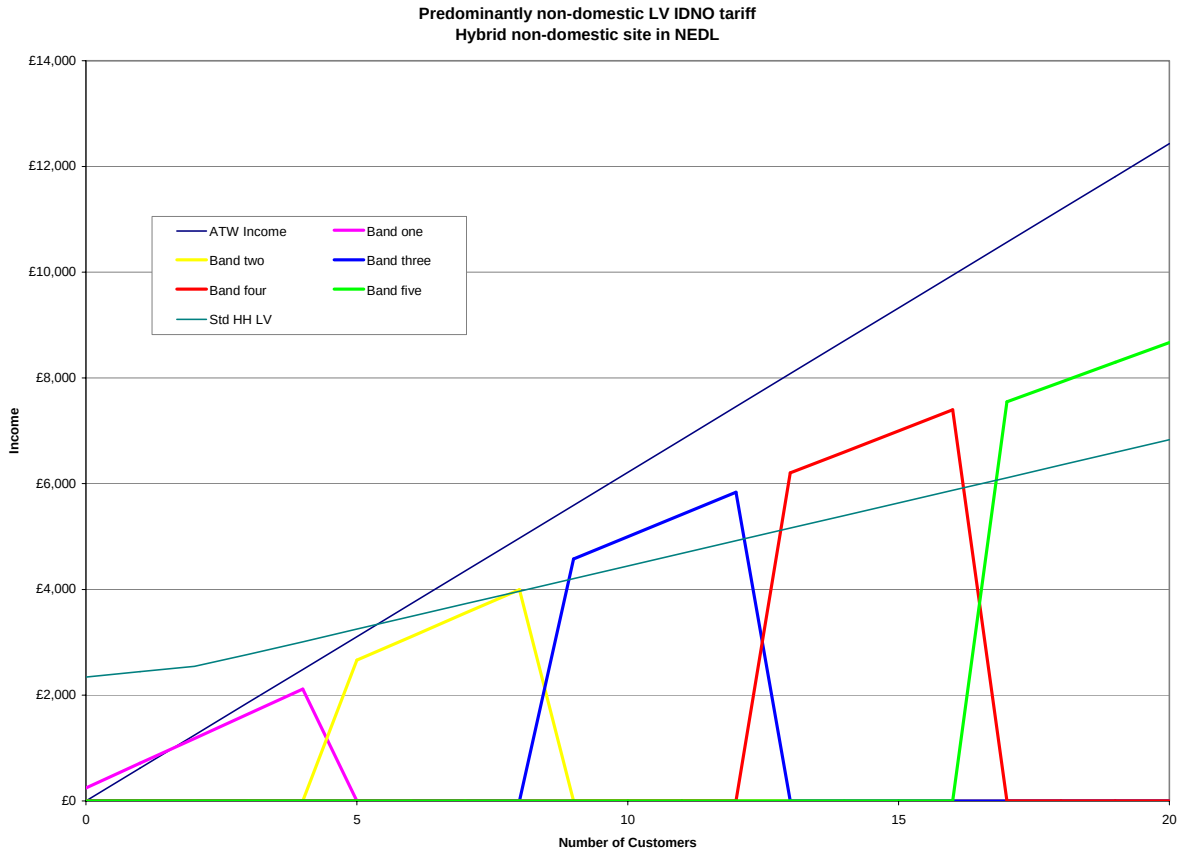


LV IDNO tariffs - predominantly non-domestic (PC3-8) customer group

73. The figure below shows the financial impact and associated margins that result from the application of the proposed NEDL LV IDNO tariffs for the predominantly non-domestic (PC5-8) customer group. The analysis is based on a hybrid tariff annual consumption of 46,080kWh per year. Based on a sample of sites of up to 25 customers where a margin exists:

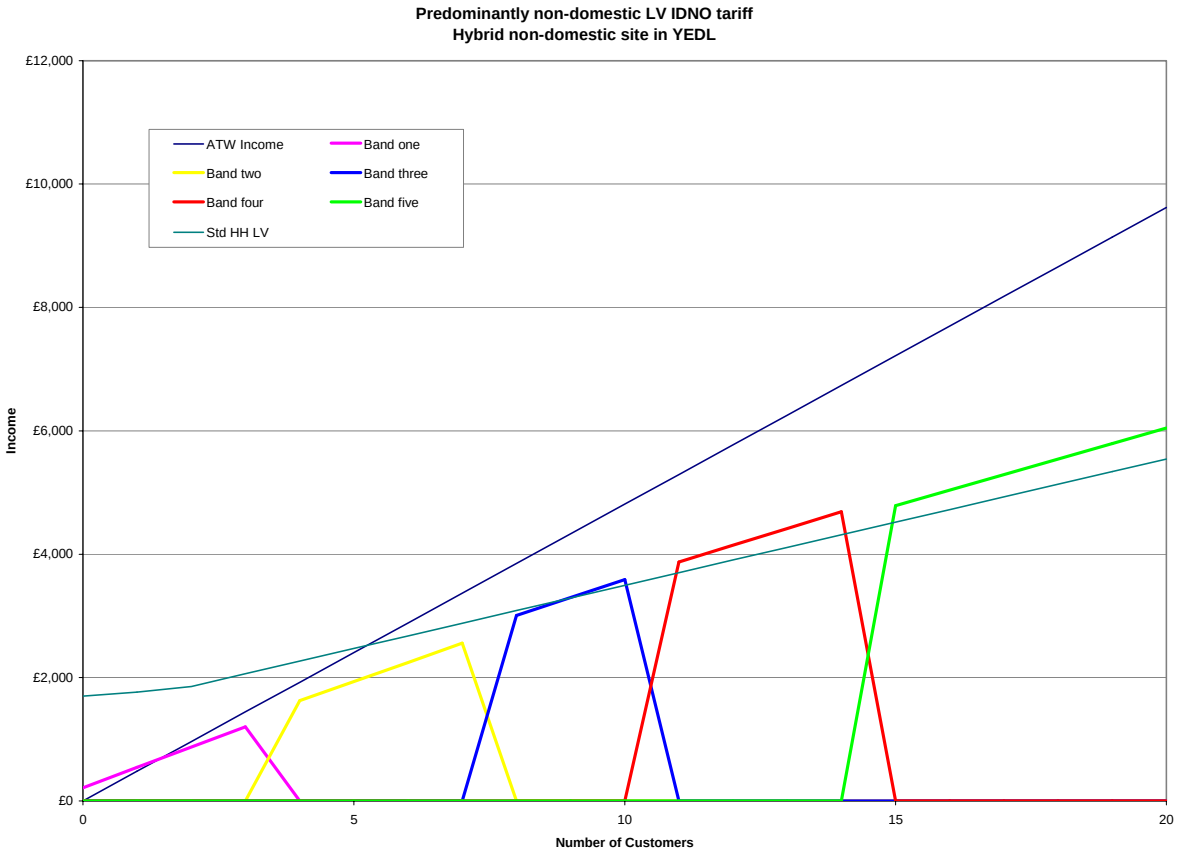
- the maximum margin is 32% (circa £200 per customer);and
- the average margin is 23% (circa £143 per customer).

A margin is available for all sites greater than 1 property.



74. The figures below shows the financial impact and associated margins that result from the application of the proposed YEDL LV IDNO tariffs for the predominantly non-domestic (PC5-8) customer group. The analysis is based on a hybrid tariff annual consumption of 39,493kWh per year. Based on a sample of sites of up to 25 customers where a margin exists:

- the maximum margin is 39% (circa £189 per customer);and
- the average margin is 29% (circa £140 per customer).

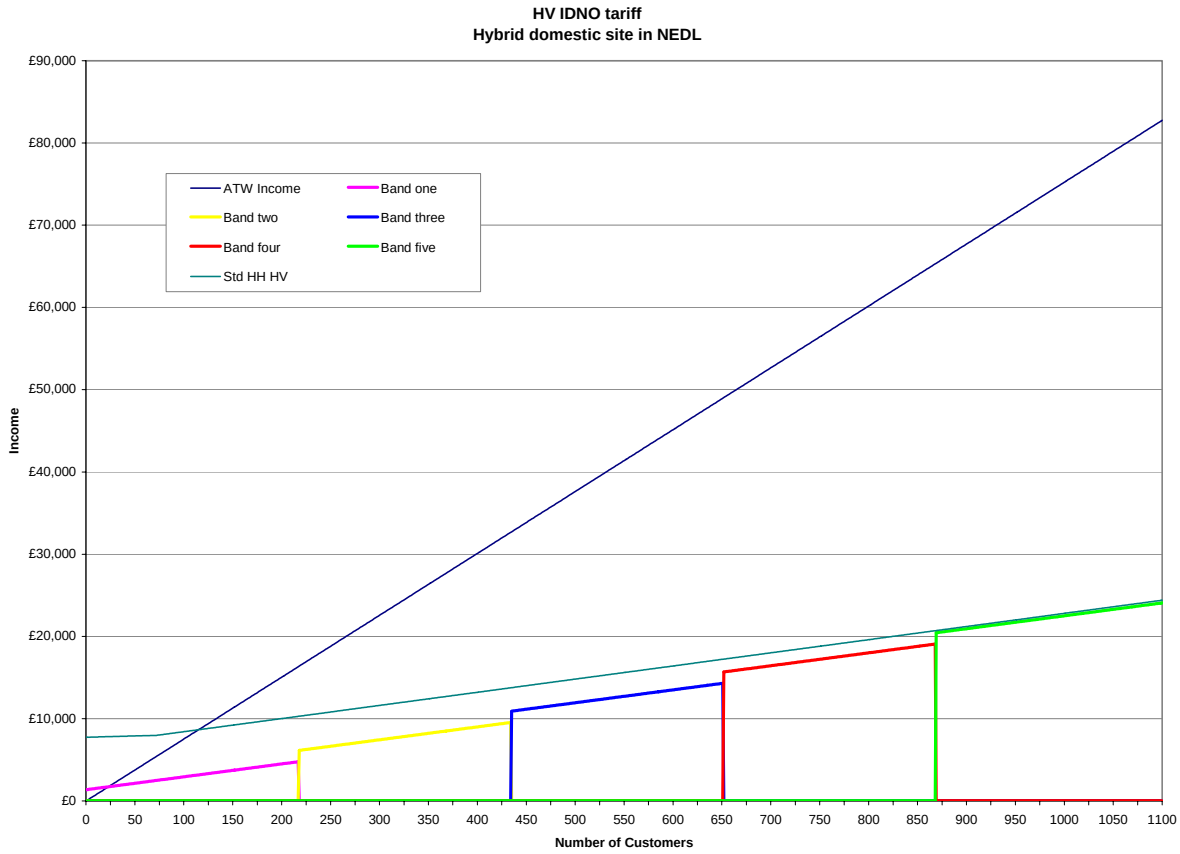


HV IDNO tariffs - domestic (PC1&2) customer base

75. The figure below shows the financial impact and associated margins that result from the application of the proposed NEDL HV IDNO tariffs (excluding capacity charges[5]) on a domestic (PC1&2) customer base. The analysis is based on a hybrid tariff annual consumption of 4,100kWh per year. Based on a 1000 customer sample where a margin exists:

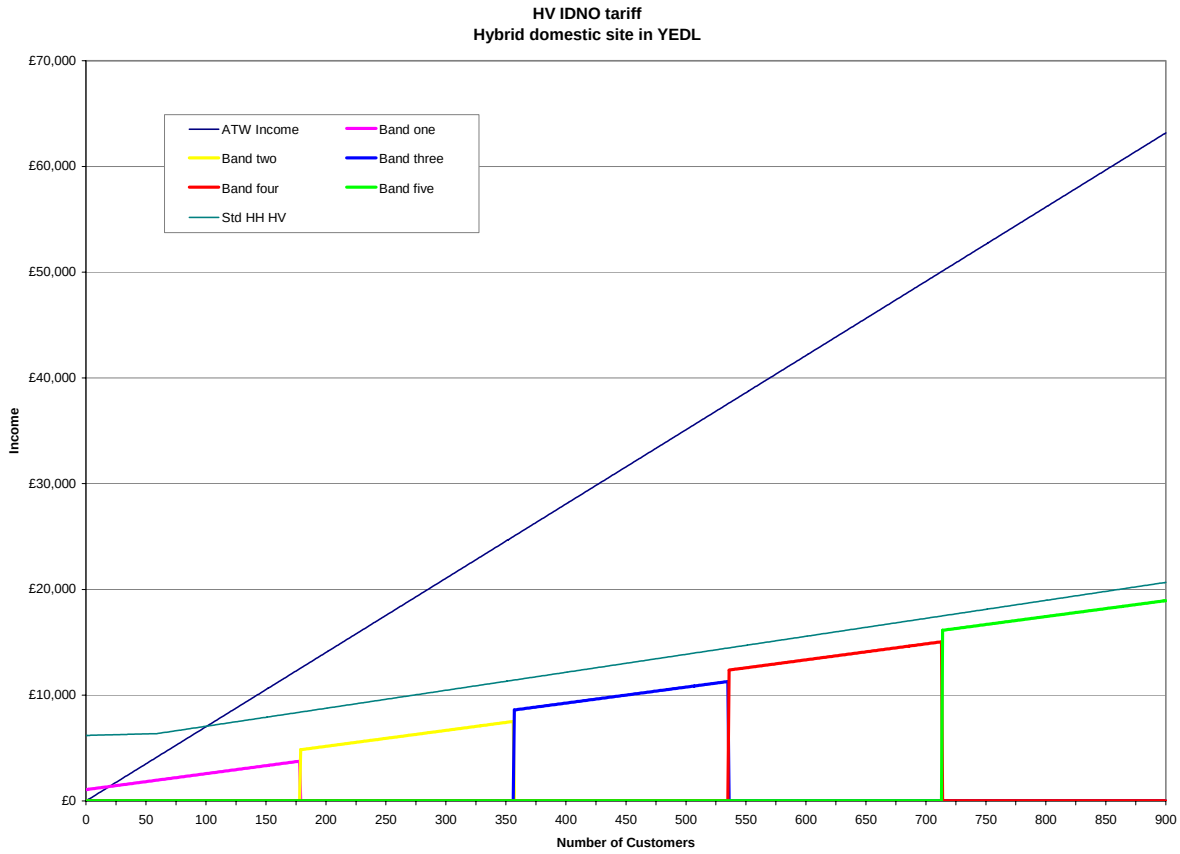
- the maximum margin is 70% (circa £53 per customer); and
- the average margin is 67% (circa £50 per customer).

[5] Analysis has only been undertaken on the HV IDNO tariffs excluding capacity charges as we have no way of accurately knowing what capacity an IDNO would request



76. The figure below shows the financial impact and associated margins that result from the application of the proposed YEDL HV IDNO tariffs on a domestic (PC1&2) customer base. The analysis is based on a hybrid tariff annual consumption of 4,302kWh per year. Based on a 1000 customer sample where a margin exists:

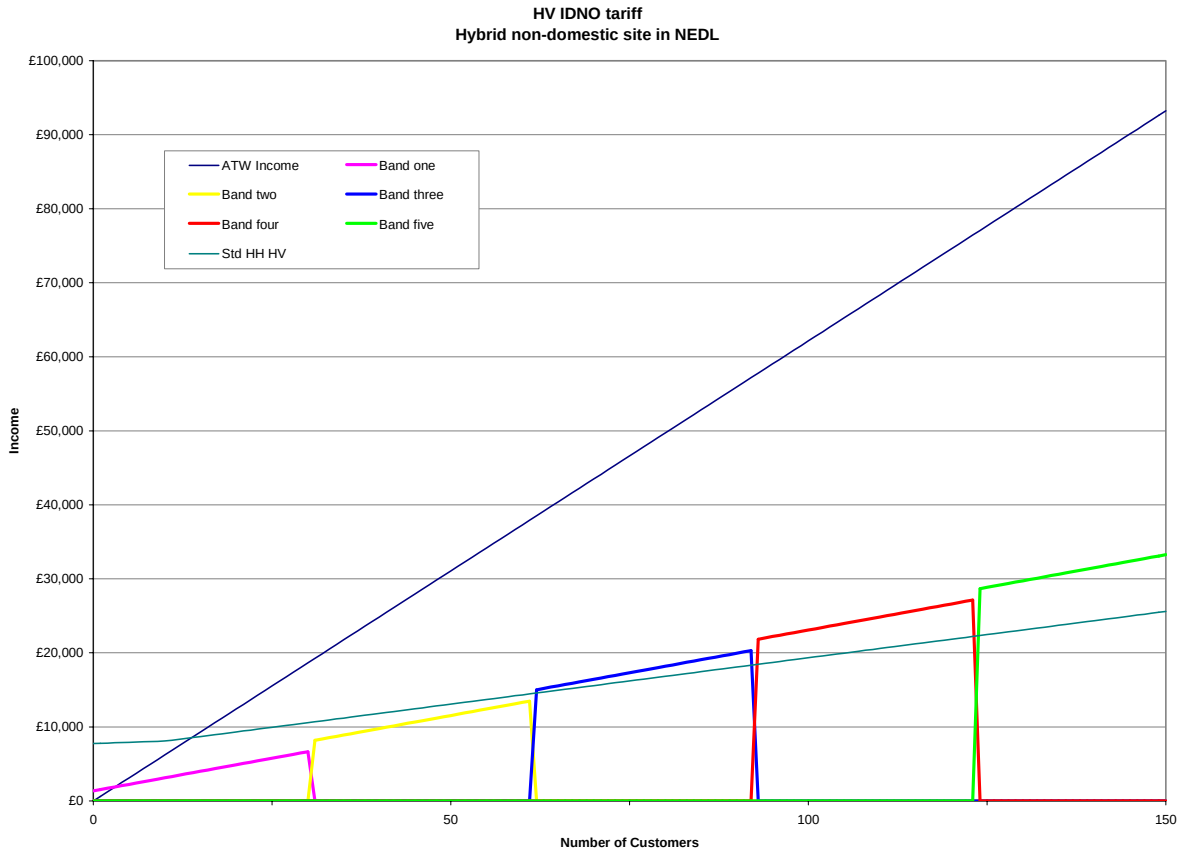
- the maximum margin is 71% (circa £50 per customer); and
- the average margin is 67% (circa £47 per customer).



HV IDNO tariffs - non-domestic (PC3-8) customer base

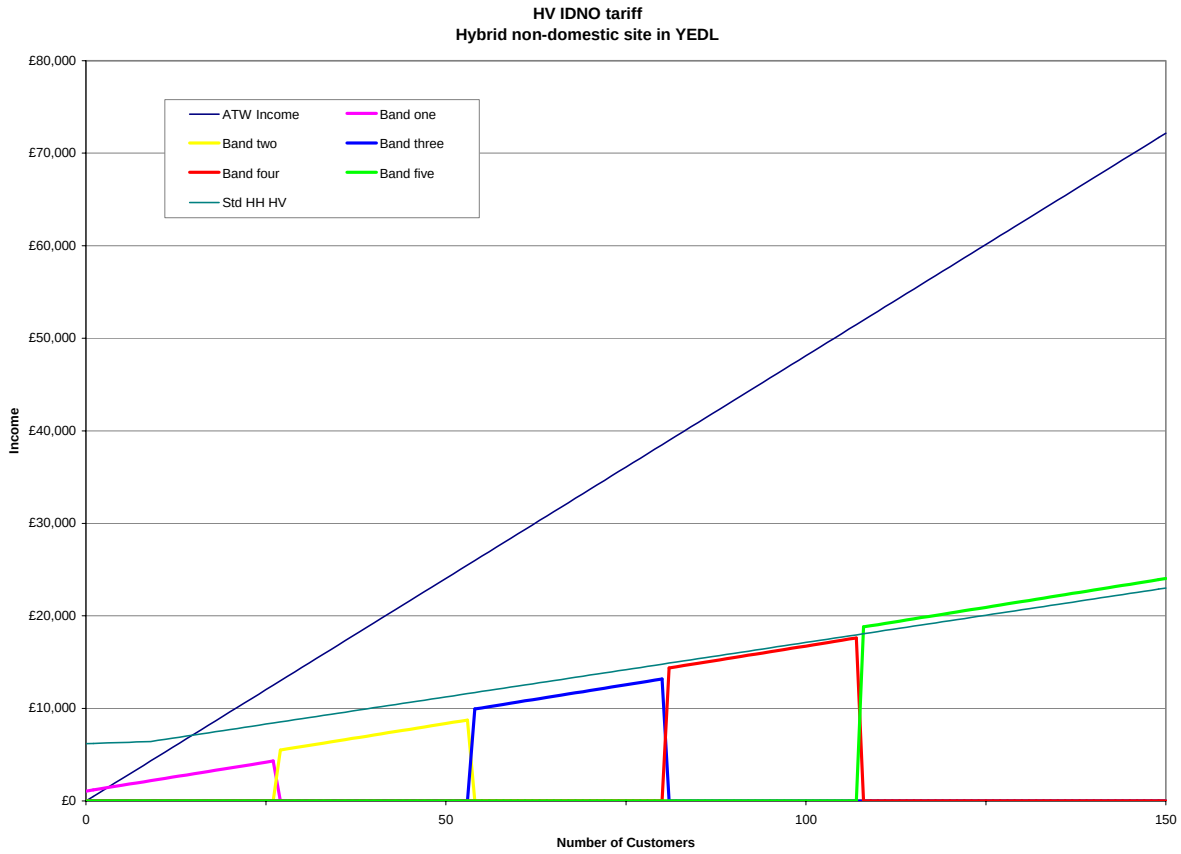
77. The figure below shows the financial impact and associated margins that result from the application of the proposed NEDL HV IDNO tariffs on a non-domestic (PC3-8) customer base. The analysis is based on a hybrid tariff annual consumption of 46,080kWh per year. Based on a 150 customer sample where a margin exists:

- the maximum margin is 64% (circa £400 per customer); and
- the average margin is 61% (circa £381 per customer).



78. The figure below shows the financial impact and associated margins that result from the application of the proposed YEDL HV IDNO tariffs on a non-domestic (PC3-8) customer base. The analysis is based on a hybrid tariff annual consumption of 35,493kWh per year. Based on a 150 customer sample where a margin exists:

- the maximum margin is 67% (circa £321 per customer); and
- the average margin is 63% (circa £302 per customer).


HV IDNO tariff
Hybrid non-domestic site in YEDL
ATW Income
Band one
Band two
Band three
Band four
Band five
Std HH HV
£80,000
£70,000
£60,000
£50,000
£40,000
£30,000
£20,000
£10,000
£0
Income
0
50
100
150
Number of Customers

Conclusions and licence obligation assessment

79. We believe this proposal better meets our licence objectives for the following reasons:

- Removal of capacity charges aligns the tariff structures between the boundary and all-the-way charge, hence removing the situtation where an IDNO is seen to be disadvantaged during the period when a site is being developed. However, IDNOs requesting these tariffs would not be able to “reserve” capacity, thereby avoiding some of the risks of asset sterilisation through IDNOs “reserving” capacity that was not reflected in a cost signal;
- Recognition of avoided costs, both capital and operational, ensures that the new tariffs reflect the cost differences faced by the upstream DNO in distributing energy to an IDNO development rather than directly to the end-users;
- The use of a banded approach further increases cost reflectivity by recognising that different IDNO sites will, based on capacity requirements, create different levels of cost for the upstream DNO; and
- When compared with the standard LV HH tariffs the illustrative tariffs, in the main, produce increased margins and hence meet our obligation to facilitate competition.

Appendix 1 – IDNO price cap licence conditions

Standard Condition BA2. Charging Arrangements

1. The licensee shall make available and continue to make available charges for the provision of use of system to any authorised supplier using the licensee's network to supply domestic customers.

2. The licensee's distribution use of system charges to domestic customers may vary according to the distribution services area of the licensed distributor within which domestic premises are connected to the licensee's distribution system.

3. The licensee shall set these charges so that, except with the prior written consent of the Authority, the standing charge, unit rate and any other component of charges shall not exceed the distribution use of system charges to equivalent domestic customers.

4. For the purposes of this condition, distribution use of system charges to equivalent domestic customers are the distribution use of system charges made by the licensed distributor that has a Distribution Services Direction specifying the distribution services area where the domestic premises connected to the licensee's system are located.

5. The Authority may specify by direction which of the distribution use of system charges made by the licensed distributor with Distribution Services Obligations for the distribution services area are relevant for the purposes of determining distribution use of system charges to equivalent domestic customers.

6. These charging arrangements shall have effect within this licence until such time and in such circumstances as are described in paragraphs 7 to 12 of this standard condition.

7. This condition shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 8 of this standard condition or notice is given to the Authority by the licensee in accordance with either paragraph 11 or paragraph 12 of this standard condition.

8. A disapplication request shall:

   (a) be in writing addressed to the Authority;

   (b) specify the paragraph or paragraphs of this standard condition to which the request relates; and

(c) state the date (being not earlier than the date specified in paragraph 10 of this standard condition) from which the licensee wishes the Authority to agree that the conditions shall cease to have effect (the disapplication date).

9. The licensee may withdraw a disapplication request at any time.

10. Save where the Authority otherwise consents in writing, no disapplication following delivery of a disapplication request pursuant to paragraph 8 of this standard condition shall have effect until a date being the later of:

(a) not less than 18 months after delivery of the disapplication request; and

(b) 31 March 2007.

11. If the Authority has not made a reference to the Competition Commission under section 12 of the Act relating to the modification of this standard condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn this disapplication request, the licensee may deliver a written notice to the Authority terminating the application of this standard condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or such earlier date to which the Authority has given its consent under paragraph 10.

12. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of this standard condition or the part or parts thereof specified in the disapplication request and such report does not include a conclusion that the cessation of such revenue restrictions in this standard condition, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 13 of the Act deliver to the Authority written notice terminating the application of this standard condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date.

Appendix 2 - Analysis of transformers – Domestic and non-domestic contribution to maximum demand