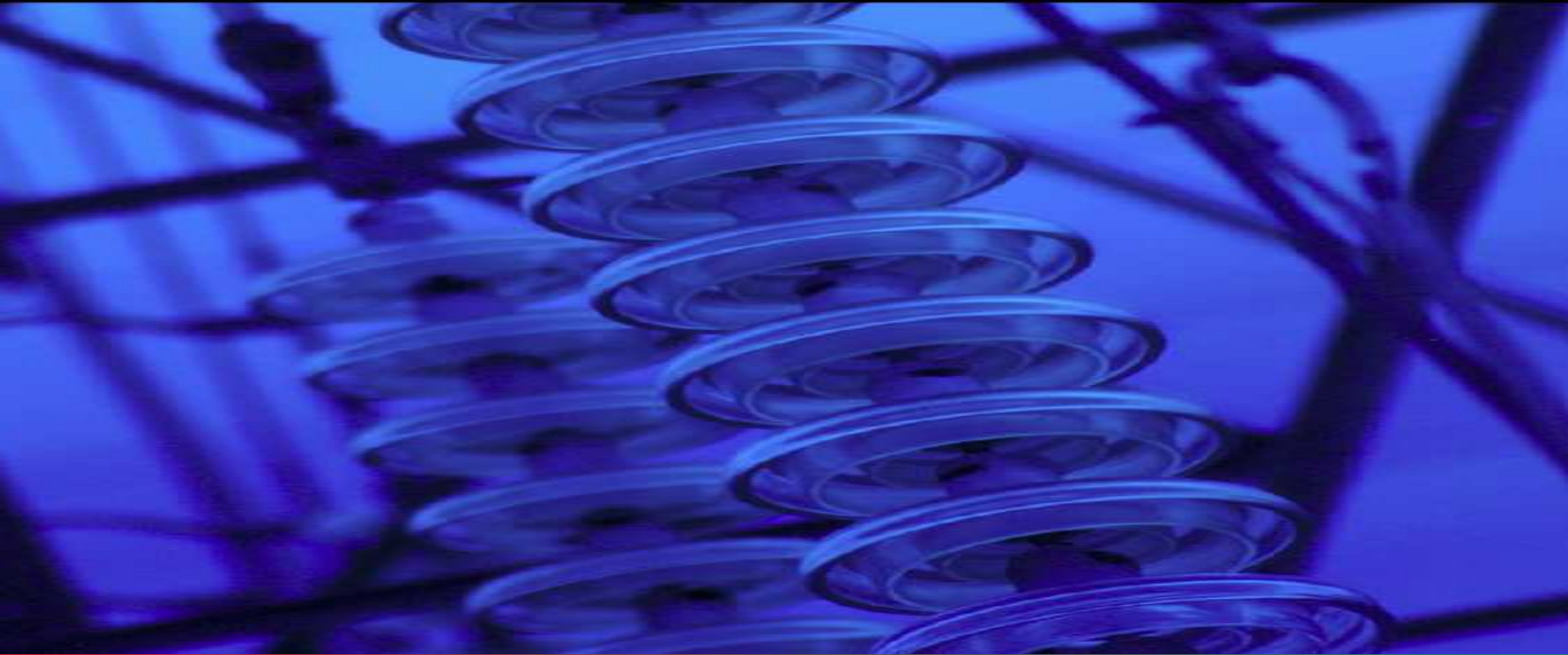


Appendix D
Explanations of Significant Tariff Movements
August 2009



energy**networks**
association



Foreword

The DNOs have agreed to provide commentary on the main reasons for tariff movements.

This commentary is provided for all tariffs where the movement is an increase of 20 per cent or more, or a reduction of 20 per cent or more. Additionally, for tariffs with more than 200,000 MPANs, a commentary is provided even if the disturbance is only of the order of 10 per cent or more.

It has been agreed amongst DNOs that smaller movements will not be commented on as these could be caused by a variety of smaller individual factors such as a combination of revised input data and the implementation of the new CDCM approach.

CDCM – Commentary notes on tariff movements

CE

YEDL

Tariff	% Change (£/Year)	Absolute Change (Av p/kWh)	# customers affected	Main Reasons for Movement
Domestic Unrestricted	- 12.1%	- 0.210	1,914,794	Higher customer contributions at lower network levels reducing costs in comparison with previous models. Exclusion of annuities for customer contributed assets means these costs will not be retained by the LV network. Inclusion of service models offsetting this reduction but only marginally.
Domestic Off Peak	- 35.7%	- 0.146	17,498	Fixed charge removed in accordance with new methodology. Charges now on a unit only basis. Reallocation of overall costs from LV to HV driven by increased customer contributions at LV network level. Result is a reduction in tariffs for this customer group.
Small Non-Domestic Off Peak	+ 30.5%	+ 0.082	3,031	Fixed charge removed in accordance with new methodology. Charges now on a unit only basis. Reallocation of overall costs from LV to HV driven by increased customer contributions at LV network level. Result is a reduction in tariffs for this customer group.
HV Medium Non-Domestic	+ 55.6%	+ 0.365	25	HV cost allocation modified in line with new charging methodology causing redistribution of costs from LV to HV due to higher customer contributions at the LV network level compared with HV. In addition the inclusion of service models has resulted in an overall tariff increase within this customer group.
LV Sub HH Metered	+ 23.8%	+ 0.209	65	Utilisation of peaking probabilities along with load and coincidence factors in cost allocation increase both unit rates and revenue recovered from scaling.

HV HH Metered	+ 51.3%	+ 0.259	1,744	HV cost allocation modified in line with new charging methodology causing redistribution of costs from LV to HV due to higher customer contributions at the LV network level compared with HV. In addition the inclusion of service models has resulted in an overall tariff increase within this customer group.
HV Sub HH Metered	+119.2%	+ 0.350	47	Utilisation of peaking probabilities along with load and coincidence factors in cost allocation increase both unit rates and revenue recovered from scaling. In addition to the redistribution of costs from LV to HV and inclusion of service models resulting in increases in this customer group.

NEDL

Tariff	% Change (£/Year)	Absolute Change (Av p/kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak	- 50.6%	- 0.258	27,375	Fixed charge removed in accordance with new methodology. Charges now on a unit only basis. Reallocation of overall costs from LV to HV driven by increased customer contributions at LV network level. Result is a reduction in tariffs for this customer group.
Small Non-Domestic Off Peak	- 29.9%	- 0.120	933	Fixed charge removed in accordance with new methodology. Charges now on a unit only basis. Reallocation of overall costs from LV to HV driven by increased customer contributions at LV network level. Result is a reduction in tariffs for this customer group.
LV Sub Medium Non-Domestic	+ 30.3%	+ 0.365	299	Utilisation of peaking probabilities along with load and coincidence factors in cost allocation increase both unit rates and revenue recovered from scaling.
HV Medium Non-Domestic	+ 72.8%	+ 0.484	49	HV cost allocation modified in line with new charging methodology causing redistribution of costs from LV to HV due to higher customer contributions at the LV network level compared with HV. In addition the inclusion of service models has resulted in an overall tariff increase within this customer group.

HV HH Metered	+ 60.3%	+ 0.321	704	HV cost allocation modified in line with new charging methodology causing redistribution of costs from LV to HV due to higher customer contributions at the LV network level compared with HV. In addition the inclusion of service models has resulted in an overall tariff increase within this customer group.
NHH UMS	+ 65.5%	+ 0.566	1,482	Changes in application of revised coincidence factors to mitigate the results received from poor settlements have resulted in increases for this customer group.
LV UMS	+ 53.3%	+ 0.449	4	As Above

CDCM – Commentary notes on tariff movements

Central Networks East

Tariff	% change (£/year)	Absolute change (p/ kWh)	# customers affected	Main Reasons for Movement
Domestic Unrestricted	+ 10.9%	+ 0.173	1,312,532	Fixed charges have reduced and unit charges have increased. Our current model sets fixed charges based on non operational expenditure allocated according to customer weighting factors. The CDCM sets fixed charges based on all expenditure (after adjusting for customer contributions) and allocated according to demand. The effect of this has been to reduce fixed charges. However, the new cost allocation approach results in a higher allocation of asset related costs hence increased unit rates.
Domestic Off Peak (related MPAN)	+74.9%	+ 0.199	49,494	Our current charging model is based on the coincidence to peak demand. For off peak tariffs the CDCM calculates tariffs based on the proportion of units occurring in the red, amber and green time bands. For this tariff group a relatively high proportion of units (4.4%) are occurring in red time band relative to their coincidence factor, driving a higher cost. A reduction in the proportion of units in red time band of 1% causes at reduction of c.20% in the tariff.

Central Networks West

Tariff	% change (£/year)	Absolute change (p/average kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak (related MPAN)	- 58.7%	- 0.255	16,771	Our current charging model is based on the coincidence to peak demand. For off peak tariffs the CDCM calculates tariffs based on the proportion of units occurring in the red, amber and green time bands. A high proportion of units (79.4%) occurring in the green time band, coupled with a low proportion occurring in the red time band (0.2%) is driving the lower cost.
Small Non Domestic Off Peak (related MPAN)	- 36.1%	- 0.143	1,142	Our current charging model is based on the coincidence to peak demand. For off peak tariffs the CDCM calculates tariffs based on the proportion of units occurring in the red, amber and green time bands. A high proportion of units (80.1%) occurring in the green time band, coupled with a low proportion occurring in the red time band (2.2%) is driving the lower cost. Affects a small number of customers.
LV Medium Non-Domestic	- 22.9%	- 0.325	18,023	Our current model allocates non operational expenditure to fixed charges according to customer weighting factors. The CDCM does not use the concept of customer weighting factors and instead allocates costs according to demand. We believe that this is the main driver of the reduction in charges for all medium non domestic tariffs.

HV Medium Non-Domestic	- 26.6%	- 0.340	354	Our current model allocates non operational expenditure to fixed charges according to customer weighting factors. The CDCM does not use the concept of customer weighting factors and instead allocates costs according to demand. We believe that this is the main driver of the reduction in charges for all medium non domestic tariffs. Affects a small number of customers.
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CDCM – Commentary notes on tariff movements

EDF Energy Networks

EPN

Tariff	% change	Absolute change (p/average kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak (related MPAN)	- 76.3%	- 0.444	14,696	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
Small Non Domestic Off Peak (related MPAN)	- 73.2%	- 0.380	2,748	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
LV HH Metered	- 20.9%	- 0.275	8,949	Possibly effect of customer contributions and revised input data.
HV HH Metered	+ 23.4%	+ 0.131	1,778	500MW costs have tended to increase at higher voltage levels through the remodelling work, generally causing higher HV charges.

LPN

Tariff	% change	Absolute change (p/average kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak (related MPAN)	- 40.1%	- 0.145	15,434	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
Small Non Domestic Unrestricted	- 32.8%	- 0.482	239,093	Movement in coincidence factors associated with GSP peak
Small Non Domestic Two Rate	- 47.9%	- 0.646	20,989	Movement in coincidence factors associated with GSP peak
Small Non Domestic Off Peak (related MPAN)	- 42.2%	- 0.173	18,766	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
LV Medium Non-Domestic	- 24.3%	- 0.333	18,766	Movement in coincidence factors associated with GSP peak (not as significant as PC 3 & 4)
HV HH Metered	+ 25.3%	+ 0.1589	1,042	500MW costs have tended to increase at higher voltage levels through the remodelling work, generally causing higher HV charges.
LV UMS (Pseudo HH Metered)	+ 37.4%	+ 0.370	5	Revised input data, possibly combined with a TOD rather than STOD time bands.

SPN

Tariff	% change	Absolute change (p/average kWh)	# customers affected	Main Reasons for Movement
Domestic Unrestricted	+ 14.2%	+ 0.196	1,391,868	Revised input data and new CDCM approach.
Domestic Off Peak (related MPAN)	- 45.3%	- 0.230	7,749	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
Small Non Domestic Off Peak (related MPAN)	- 52.9%	- 0.213	2,144	Removal of fixed charge element and associated costs. It is also a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the equivalent rates charged under the previous methodology.
LV Medium Non-Domestic	- 34.0%	- 0.399	12,512	Movement in coincidence factors associated with GSP peak
LV HH Metered	- 23.0%	- 0.279	5,521	Updated inputs combined with reduction in network assets within the model from deemed customer contributions reduce fixed charges. Use of deemed customer contributions reduces Capacity charges.
HV HH Metered	+ 33.5%	+ 0.174	745	500MW costs have tended to increase at higher voltage levels through the remodelling work, generally causing higher HV charges.
LV UMS (Pseudo HH Metered)	+ 38.8%	+ 0.418	9	Revised input data, possibly combined with a TOD rather than STOD time bands.

CDCM – Commentary notes on tariff movements

Electricity North West Limited

Tariff	% change (£/year)	Absolute change (p/average kWh)	# customers affected	Main Reasons for movement
Domestic Unrestricted	+ 9.5%	+ 0.163	1,954,037	Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions reduce fixed charges. New cost allocation approach using updated coincidence factors and revised revenue scaling results in higher allocation of costs hence increased unit rates. Overall average bill increases from increase in unit rates.
Domestic Two Rate	+ 12.6%	+ 0.124	214,036	Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions reduce fixed charges. New cost allocation approach using updated coincidence factors and revised revenue scaling results in higher allocation of costs hence increased unit rates. Overall average bill increases from increase in unit rates.

Domestic Off Peak (related MPAN)	- 41.2%	- 0.116	11,895	ENW currently has an Off Peak (related MPAN) tariff but this is combined with both Domestic and Non Domestic tariffs. The percentage reduction of -41.2% results as it incorporates the movement of both domestic off peak and non domestic off peak. There is very little overall change when the Domestic Off Peak (related MPAN) absolute change is considered with the absolute change for the Non Domestic Off Peak (related MPAN).
Small Non Domestic Off Peak (related MPAN)		+ 0.165	6,587	
Small Non Domestic Two Rate	+ 31.7%	+ 0.282	30,927	Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions reduce fixed charges. New cost allocation approach using updated coincidence factors and revised revenue scaling results in higher allocation of costs hence increased unit rates. Overall average bill increases from increase in unit rates.
LV Medium Non-Domestic	- 29.0%	- 0.371	11,192	ENW currently levies capacity charges with its Profile 5 to 8 tariffs through site specific billing engine. The move to Supercustomer billing means that capacity charges have now been removed from this tariff, which was a major component in the current average bill. Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions also reduce fixed charges.
LV Sub Medium Non-Domestic	- 26.8%	- 0.295	404	ENW currently levies capacity charges with its Profile 5 to 8 tariffs through site specific billing engine. The move to Supercustomer billing means that capacity charges have now been removed from this tariff, which was a major component in the current average bill. Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions also reduce fixed charges.

HV Medium Non-Domestic	- 64.7%	- 1.393	74	ENW currently levies capacity charges with its Profile 5 to 8 tariffs through site specific billing engine. The move to Supercustomer billing means that capacity charges have now been removed from this tariff, which was a major component in the current average bill. Updated service model and its costs combined with reduction in network assets within the model from deemed customer contributions also reduce fixed charges.
HV Sub HH Metered	- 21.7%	- 0.113	39	Updated service model and costs combined with reduction in network assets within the model from deemed customer contributions reduce fixed charges. New costs allocation approach using peaking probabilities and time banding results in increased unit rates with a move from two to three unit rates. Use of deemed customer contributions reduces capacity charges. Overall average bill decreases from reduction in capacity charges.
NHH UMS	+138.6%	+ 1.505	649	There is a change in tariff structure for this tariff from charging by demand (kW) and applying a fixed charge to charging only using a single rate unit. New cost allocation approach using updated coincidence factors and revised revenue scaling results in higher allocation of costs hence increased unit rates. Overall average bill increases from increase in unit rates.
LV UMS (Pseudo HH Metered)	+ 61.8%	+ 1.001	24	The changes to tariff structure from moving from charging by demand (kW) to using a three rate unit charging and the transfer of fixed charge means that overall average bill increase. The new cost allocation approach using peaking probabilities and time banding results in decreased charges with the majority of units consumed outside the red band.

CDCM – Commentary notes on tariff movements

SP Manweb

Tariff	% change	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak (related MPAN)	- 80.3%	- 0.640	7,690	Current method assigns the same night rate as the domestic heating tariff. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand, in a more cost reflective way. Charges reflect consumption at a time where the probability of assets peaking is low.
Small Non Domestic Off Peak (related MPAN)	- 83.4%	- 0.731	827	Current method uses a weighted average approach for this customer group, in relation to the amount of hours used at the day rate and the night rate. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand, in a more cost reflective way. Charges reflect consumption at a time where the probability of assets peaking is low.
HV Medium Non-Domestic	- 47.0%	- 0.920	2	Charges are currently derived from the generic HV yardstick. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand than the HH HV customer group, in a more cost reflective way.

SP Distribution

Tariff	% change	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Domestic Off Peak (related MPAN)	- 22.3%	- 0.051	146,520	Current method assigns the same night rate as the domestic heating tariff. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand, in a more cost reflective way. Charges reflect consumption at a time where the probability of assets peaking is low.
Small Non Domestic Two Rate	- 35.4%	- 0.944	17,556	This decrease is probably explained by the combination of an updated set of data from settlement and including the probability of consumption at a time where the probability of assets peaking is low. It is possible that some rebalancing effect has contributed to the overall decrease in this tariff (as the same allowed revenue must be recovered).
Small Non Domestic Off Peak (related MPAN)	- 76.1%	- 0.824	6,645	Current method uses a weighted average approach for this customer group, in relation to the amount of hours used at the day rate and the night rate. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand, in a more cost reflective way. Charges reflect consumption at a time where the probability of assets peaking is low.

LV Medium Non-Domestic	-27.2%	-0.570	8,518	The percentage of customer contribution is typically higher for LV customers therefore, less revenue is recovered from this LV tariff.
HV Medium Non-Domestic	- 62.3%	- 2.286	20	Charges are currently derived from the generic HV yardstick. The CDCM models this customer group explicitly, with a lower coincidence factor to system maximum demand than the HH HV customer group, in a more cost reflective way.
HV HH Metered	+ 47.7%	+ 0.396	921	The CDCM modelling excludes the percentage of customer contributed assets from the annuities to be charged from the 500 MW model. The percentage of customer contribution is typically higher for LV customers than HV customers, reflecting the reinforcement plans in the licensee. Therefore more revenue is recovered from this HV tariff.

CDCM – Commentary notes on tariff movements

SSE Power Distribution

SEPD

Tariff	% change	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Small Non Domestic Off Peak (related MPAN)	- 24.5%	- 0.095	9,059	The CDCM uses new profiling data from settlements, and a method based on peaking probabilities to attribute costs. The unit rates are low on this tariff to reflect the fact that most usage is at a time where assets are not fully loaded.
LV Medium Non-Domestic	- 32.2%	- 0.588	15,440	The CDCM uses new profiling data from settlements, reflecting the extent to which loads are coincident with system peak. Legacy charges have been removed.
HV Medium Non-Domestic	- 51.5%	- 1.416	37	The CDCM uses new profiling data from settlements, reflecting the extent to which loads are coincident with system peak. Legacy charges have been removed.
HV HH Metered	+ 31.8%	+ 0.244	1,571	Rebalancing of tariffs. The CDCM excludes customer contributed assets, which are mostly at LV, and therefore the costs attributed to LV users are less. To match with allowed revenue this means that HV charges have to increase.
NHH UMS	+ 44.6%	+ 0.591	3,558	The CDCM uses new profiling data from pseudo half hourly unmetered supplies. The price increase might also be explained by a later peak (more coincident with lighting loads).
LV UMS (Pseudo HH Metered)	+ 42.0%	+ 0.521	24	The CDCM uses new profiling data from pseudo half hourly unmetered supplies. The price increase might also be explained by a later peak (more coincident with lighting loads).

SHEPD

Tariff	% change	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Domestic Two Rate	+ 39.4%	+ 0.691	65,045	The CDCM uses new profiling data from settlements, coupled with peaking probabilities for GSPs and primary substations. The effect of these new data is to attribute a lower contribution to network capacity for several categories of non-domestic users, and a higher contribution to network capacity for Domestic Two Rate users, leading to a rebalancing of tariffs. The effect is particularly large on the Domestic Two Rate tariff due to the high proportion of GSPs peaking in the green distribution time band, which raises the night rate.
Small Non Domestic Unrestricted	- 30.3%	- 1.128	55,703	The CDCM uses new profiling data from settlements, which attribute a lower coincidence to system peak for this category of users than the assumptions in the current model.
HV HH Metered	+ 33.5%	+ 0.399	443	Rebalancing of tariffs. The CDCM excludes customer contributed assets, which are mostly at LV, and therefore the costs attributed to LV users are less. To match with allowed revenue this means that HV charges have to increase.
NHH UMS	+ 40.3%	+ 0.822	8,361	Use of new profiling data from pseudo half hourly unmetered supplies in the SEPD area (as a proxy in the absence of other reliable data), which appear to be more coincident to system peak than the assumptions in the current model.

CDCM - Commentary notes on tariff movements

WPD South Wales

Tariff	% change (£/year)	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Domestic Unrestricted	+3.1%	+0.077	932,273	
Domestic Two Rate	-0.3%	-0.005	67,691	
Domestic Off Peak (related MPAN)	-47.6%	-0.214	2,041	Only unit rates are levied on this tariff. It is a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the night rates charged under the previous methodology.
Small Non-Domestic Unrestricted	-1.7%	-0.037	64,195	
Small Non-Domestic Two Rate	-11.4%	-0.221	11,968	Although the proposed tariffs include fixed charges the change in charge here is attributable to the lower unit rates being proposed.
Small Non-Domestic Off Peak (related MPAN)	-54.6%	-0.284	707	Only unit rates are levied on this tariff. It is a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the night rates charged under the previous methodology.
LV Medium Non-Domestic	-30.8%	-0.753	4,527	The main element driving the reduction in charges is the lower fixed charge that is derived in the proposed methodology. The methodology recognises a high proportion of customer contributions to the cost of network assets.

LV Sub Medium Non-Domestic				
HV Medium Non-Domestic	-49.8%	-1.658	11	See LV Medium non-Domestic
LV HH Metered	-14.3%	-0.268	2,755	
LV Sub HH Metered				
HV HH Metered	+24.7%	+0.221	637	This tariff category has attracted higher unit charges than in the existing methodology. The red unit rate charges are particularly significant. These charge increases have exceeded the reductions from lower capacity charges.
HV Sub HH Metered				
NHH UMS	- 1.4%	-0.036	1,411	
LV UMS (Pseudo HH Metered)	-10.0%	-0.251	21	

CDCM - Commentary notes on tariff movements

WPD South West

Tariff	% change (£/year)	Absolute change (average p/kWh)	# customers affected	Main Reasons for Movement
Domestic Unrestricted	+5.8%	+0.133	1,129,654	
Domestic Two Rate	-2.3%	-0.035	223,192	
Domestic Off Peak (related MPAN)	-66.0%	-0.409	25,016	Only unit rates are levied on this tariff. It is a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the night rates charged under the previous methodology.
Small Non-Domestic Unrestricted	+7.7%	+0.149	105,993	
Small Non-Domestic Two Rate	-25.7%	-0.476	20,909	Although the proposed tariffs include fixed charges the change in charge here is attributable to the lower unit rates being proposed.
Small Non-Domestic Off Peak (related MPAN)	-42.1%	-0.202	5,472	Only unit rates are levied on this tariff. It is a feature of the model, associated with the peaking probability and coincidence calculations that unit rates in the green time band are lower than the night rates charged under the previous methodology.
LV Medium Non-Domestic	-35.3%	-0.800	9,400	The main element driving the reduction in charges is the lower fixed charge that is derived in the proposed methodology. The methodology recognises a high proportion of customer contributions to the cost of network assets.

LV Sub Medium Non-Domestic	-21.1%	-0.348	871	See LV Medium non-Domestic
HV Medium Non-Domestic	-57.2%	-1.771	35	See LV Medium non-Domestic
LV HH Metered	-14.3%	-0.261	2,257	
LV Sub HH Metered	+3.5%	+0.044	1,384	
HV HH Metered	+20.8%	+0.175	1,028	This tariff category has attracted higher unit charges than in the existing methodology. The red unit rate charges are particularly significant. These charge increases have exceeded the reductions from lower capacity charges.
HV Sub HH Metered				
NHH UMS	-12.5%	-0.299	1,660	
LV UMS (Pseudo HH Metered)	-8.9%	-0.213	13	