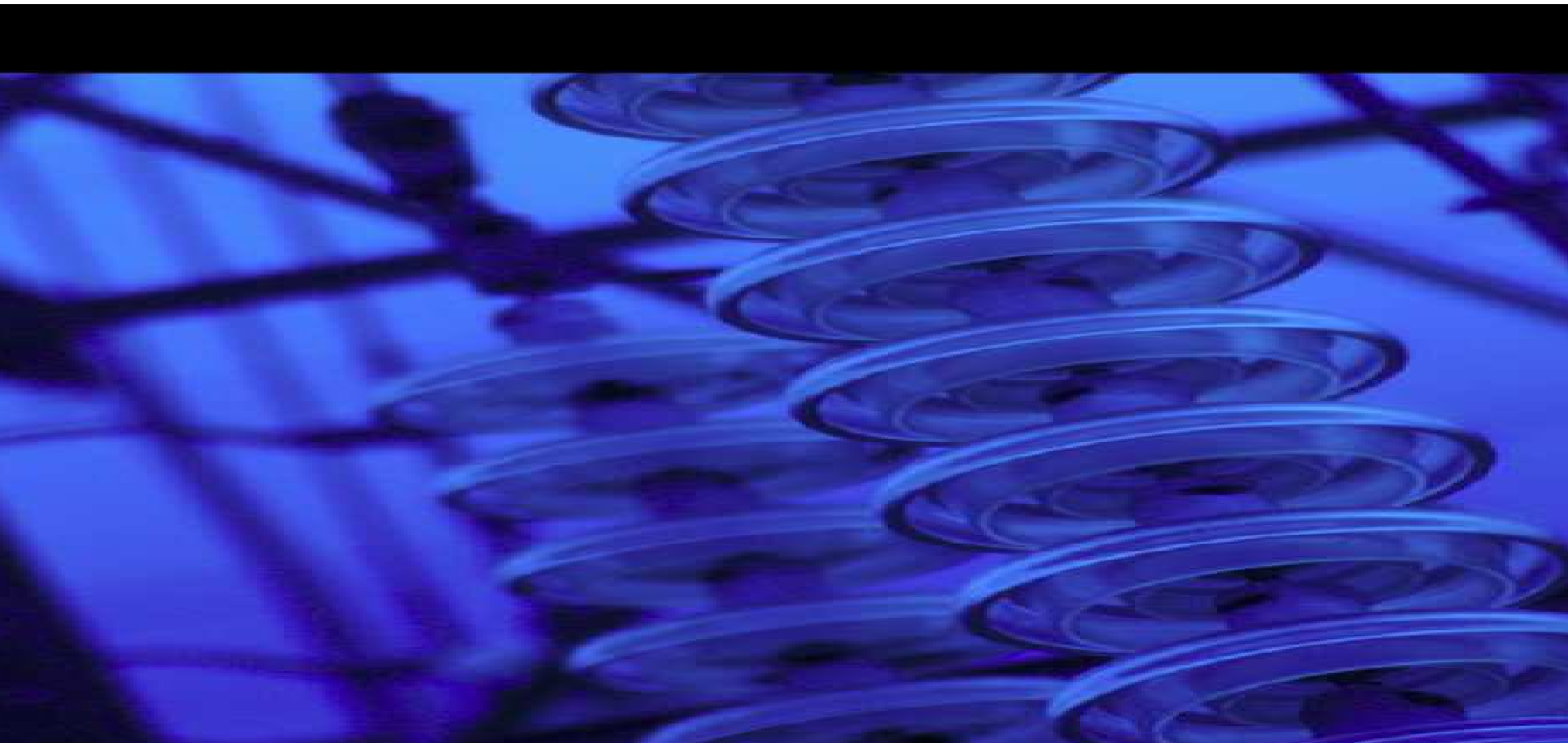


Appendix E
Areas of Risk for Delivery of the Common
Distribution Charging Methodology
August 2009



energy**networks**
association



CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

Generic risks

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
Ofgem decision on CDCM	<p>There is a risk that Ofgem may change the distributor submission on the CDCM that may result in a delay to those elements of the tariffs that have been prioritised for delivery by 1 April 2010 should they be impacted by such a decision.</p> <p>May affects customers, suppliers and LDNOs.</p>	<p>Our current plan for system changes are based on CDCM (including Part 2 CDCM tariff structures) formally submitted to Ofgem.</p>	<p>Timelines dependent on nature of changes required.</p>	<p>Any changes to the CDCM (including Part 2 CDCM tariff structures) will be notified to industry stakeholders.</p>
Industry/Ofgem Decisions on EHV Distribution Charging Methodology	<p>There is a risk that decisions made during the development of the EDCM may change the Tariff Application principles with knock on effect to the billing systems and/or CDCM tariff Structures.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>All billing is carried out using a single billing system which, when modified to meet the requirements of EDCM has to ensure that it still meets the requirements of CDCM which may be contradictory.</p>	<p>Unknown as it depends on the resolution of the EDCM review process.</p>	<p>It may be expedient to delay the work for CDCM until the outcome of EDCM is known to avoid un-necessary multiple interruption and change for suppliers and customers.</p>

<p>VAT on Generator tariffs</p>	<p>There is a risk that these tariffs will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>There is uncertainty as to whether this is classed as one or two supplies which may result in either generators or suppliers producing a bill rather than the distributor.</p>	<p>Unknown as any solution may depend on external industry process.</p>	<p>We are currently delivering to the requirements which may result, under certain conditions, negative invoices. Our view is that it is a continuous supply because there is positive and negative charges contained within the tariff and this is one of many tariffs offered to the supplier to their customer. The industry approach is that we bill the supplier for use of the network because it is the supplier that takes title to the electricity being transported across our network. The generator is 'using' the network through a supplier in both directions through one set of connection equipment.</p>
<p>Portfolio Tariffs – Billing</p>	<p>There is a risk that portfolio tariff billing will not be delivered by 1 April 2010.</p>	<p>The approach to LDNO tariffs and the processing of data to support the tariffs are still under development and as such an IT solution cannot be specified to the DNO's service provider.</p>	<p>Unknown. DNOs will work within the Ofgem facilitated IDNO/DNO Steering Group to help delivery of this requirement.</p>	<p>A manual workaround will be considered once the outcome of the tariffs is fully defined until the IT solution is impacted and if deemed appropriate, developed.</p>

<p>Portfolio Tariffs – Data Aggregation</p>	<p>There is a risk that portfolio tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>The need to specify and procure a third party to handle the processing of data. The approach has yet to be agreed.</p>	<p>Unknown. DNOs will work within the Ofgem facilitated IDNO/DNO Steering Group to help delivery of this requirement.</p>	<p>An alternative approach will need to be agreed within the industry or existing use of metered Connection Points may need to continue.</p>
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CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

CE Electric UK (YEDL & NEDL)

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
Ofgem decision on CDCM	<p>There is a risk that Ofgem may change the distributor submission on the CDCM that may result in a delay to those elements of the tariffs that have been prioritised for delivery by 1 April 2010 should they be impacted by such a decision.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	This is because we have already based its requirements on the Tariff Application Paper version 1	Unknown	Handling any changes to the Tariff Application Paper via change control. Any required changes needed to baseline will be circulated to all stakeholders.
Discounted substation tariff, disturbance	CE UK have two substation tariffs (LV and HV) which discount the normal substation tariff rate – to compensate customers for the cost of up-keep of building which house our equipment. Previously we have met with an adverse negative reaction when we have tried to close these tariffs.	DNOs voted against the inclusion of this tariff in the CDCM. Payment outside the tariff structure is not possible as this income will not be able to be recovered.	Implemented on April 01 with the roll-out of the CDCM	Seek specific contractual discussions with the circa 100 affected customers. Need to understand the customers contractual rights (if any). Seek a change request if this becomes a substantial hit on income in DPCR 5.

<p>Billing the exceeded capacity charge</p> <p>Billing capacity charges on a p/site/day and p/kVA/day</p>	<ol style="list-style-type: none"> 1. There is a risk that we will not be able to bill this element of the tariff by 1 April 2010. Due to the physical time required to make the system changes. 2. There is also a risk of stranding IT development cost (£xxx) if Ofgem are not minded to “not veto” this element of the CDCM. 	<p>The lead time to make changes to the billing system is circa 4 – 6 months (from inception to completion). This will therefore put at risk the delivery of the charges in April 2010.</p> <p>If Ofgem seek to amend or not approve the CDCM in its current form we will incur stranding cost from IT development that is not required.</p>	<p>Expected implementation by earliest April 2010 latest June 2010.</p>	<p>Seek to allow the cost above the de-minimis level onto the price control allowance in DPCR 5.</p>
<p>Billing for excess reactive power</p>	<p>CE’s current billing system does not calculate excess reactive power and hence does not have the ability to charge for it. The development will be based on the agreed approach in the Tariff Recommendation paper, however we are mindful that changes may be incurred post implementation if P224 is re-introduced.</p>	<p>As above</p>	<p>Expected implementation by earliest April 2010 latest June 2010.</p>	<p>We are awaiting a full IT impact assessment, which will include detailed timescales and costs. We expect this in Mid-September.</p>
<p>Billing of unit rates for generators</p>	<p>CE’s current Site Specific billing system makes no provision for unit charging of generation (export). AE and RE data received in D0275s is extracted and retained in the Site Specific database,</p>	<p>As above</p>	<p>Expected implementation by earliest April 2010 latest June 2010.</p>	<p>We are awaiting a full IT impact assessment, which will include timescales and costs. We expect this in Mid-September.</p>

	but this data is not referenced in any of the current billing calculations.			
VAT on Generator tariffs	<p>There is a risk that these tariffs will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>There is uncertainty as to whether this is classed as one or two supplies which may result in either generators or suppliers producing a bill rather than the distributor.</p>	<p>April 2010 if a decision is made within two months.</p>	<p>We are currently delivering to the requirements which may result, under certain conditions, negative invoices. Our view is that it is a continuous supply because there is positive and negative charges contained within the tariff and this is one of many tariffs offered to the supplier to their customer. The industry approach is we bill the supplier for use of the network. The generator is using the network in both directions through one set of connection equipment.</p>
Portfolio Tariffs – Billing	<p>There is a risk that portfolio tariff billing will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>The approach to LDNO tariffs and the processing of data to support the tariffs are still under development and as such an IT solution cannot be specified to our service provider.</p>	<p>Unknown. CE UK will work within the Ofgem facilitated IDNO/DNO Steering Group to help delivery of this requirement.</p>	<p>A manual workaround will be considered once the outcome of the tariffs is fully defined until the IT solution is impacted and if deemed appropriate, developed.</p>

<p>Portfolio Tariffs – Data Aggregation</p>	<p>There is a risk that portfolio tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>The need to specify and procure a third party to handle the processing of data. The approach has yet to be agreed.</p>	<p>Unknown. CE UK will work within the Ofgem facilitated IDNO/DNO Steering Group to help delivery of this requirement.</p>	<p>An alternative approach will need to be agreed within the industry or existing use of metered Connection Points may need to continue.</p>
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CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

Central Networks

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation Measures
Reactive Power Charge – proposed application	<p>There is a risk that the proposed application of this element of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>The complex nature of the required change to the billing system and the potential impact on system performance.</p> <p>Currently reactive power charges are based on a single calculation using the monthly value for kWh and reactive units. The proposal:</p> <ul style="list-style-type: none"> - Changes the formula to be used for excess reactive power and; - Seeks to apply the formula in each and every half hour which may impact system performance to an unacceptable level. 	<p>1 April 2010</p> <p>We continue to aim for full implementation of the CDCM by 1 April 2010 however this is a very tight deadline and there is risk that any unanticipated system issues will cause delay.</p>	<p>Could continue to bill on monthly figures until system performance has been proven.</p>
Capacity Charge Calculation	<p>There is a risk that the proposed application of this element of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>The complex nature of the required change to the billing system.</p> <p>The CDCM changes the formula for calculating kVA. Our current formula is not easily changed as it is deeply embedded in the system.</p>	<p>1 April 2010</p> <p>We continue to aim for full implementation of the CDCM by 1 April 2010 however this is a very tight deadline and there is risk that any unanticipated system issues will cause delay.</p>	<p>In the event that the required system changes can not be delivered by April 2010 we would seek a derogation for delayed implementation of this aspect.</p>

<p>Portfolio tariffs</p> <p>Calculation of network usage proportion.</p>	<p>The CDCM proposes the following approach for host DNOs to determine the proportion of the LV network which LV-connected embedded networks are deemed to use:</p> <ol style="list-style-type: none"> 1. determining the total length of its LV mains used by LV-connected licensed embedded networks; 2. dividing that total length by the number of end users on LV-connected licensed embedded networks; and 3. dividing the result by the average length of LV network by LV end user on the licensee's own LV network. <p>CN currently use the following approach to determine this proportion:</p> <ul style="list-style-type: none"> • Determine the average length of LV mains to 	<p>CN do not have data on the number of end users on LV-connected licensed embedded networks and so cannot undertake the proposed calculation.</p>	<p>1 April 2010</p>	<p>We will request the required data from embedded network operators.</p> <p>We believe that our currently applied calculation should provide an appropriate value until such time as data is available to calculate on the proposed basis.</p>
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	<p>IDNO sites</p> <ul style="list-style-type: none"> • Divide this by the average length of LV circuit main 			
Special modified demand tariffs not part of the CDCM common list	CN have approximately 50 customers on special modified demand tariffs. This tariff is not part of the common CDCM tariff list but we would prefer to continue this tariff arrangement.	CN have approximately 50 customers on special 'modified demand' tariffs. The nature of these tariffs is to agree a higher authorised capacity at night time for a customer than during the day. The customer pays only for the daytime agreed capacity. The extra authorised capacity at night is not charged for. This tariff benefits the network by managing demand to occur during the night time period rather than during the daytime when it will place more strain on assets.	N/A	We believe we should seek a derogation for these customers. They are few in number (50) and so there would be little knock on affect to other customers. The customers on these tariffs value their authorised capacity arrangements and more importantly they behave in a way that the tariff encourages by using considerably more capacity during the night than during the day which provides benefits to the network.

CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

EDF Energy Networks (each element of risk applies to each of our three licensed distribution companies EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc.)

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation Measures
Billing in clock time, not GMT	There is a risk that these elements of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety	This is due to the time needed to assess, design, test and implement the necessary changes to our HH DUoS Billing Systems	Estimated 18 months from receipt of approved Common Methodology and tariff Applications paper	Continue to bill in GMT (A possible manual work around is being explored but the current likelihood of this being achievable is low).
Billing capacity charges p/kVA/day	There is a risk that these elements of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	This is due to: <ul style="list-style-type: none"> - the time needed to assess, design, test and implement the necessary to our HH DUoS Billing Systems and - the time needed to assess, design, test and implement the necessary changes to our SAP accounting systems and its interfaces and - changes needed to industry standard DUoS Invoice flow (D2021) 	Estimated 6 – 9 months from receipt of approved Common Methodology and tariff Applications paper, also dependent upon implementation of D2021 changes D2021 implementation will need to be common across all parties which may alter the timescales from a pure EDF Energy Networks implementation.	Current method of billing in p/kVA/month will have the same result over a year's billing
Excess Capacity charge	There is a risk that this element of the tariff will not be delivered by 1 April 2010.	This is due to: <ul style="list-style-type: none"> - the time needed to assess, design, test and implement 	Estimated 6 – 9 months from receipt of approved Common Methodology and tariff	Disable current system of excess charge calculation.

	Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	<p>the necessary to our HH DUoS Billing Systems and</p> <ul style="list-style-type: none"> - the time needed to assess, design, test and implement the necessary changes to our SAP accounting systems and its interfaces and - changes needed to industry standard DUoS Invoice flow (D2021) 	<p>Applications paper, also dependent upon implementation of D2021 changes.</p> <p>D2021 implementation will need to be common across all parties which may alter the timescales from a pure EDF Energy Networks implementation.</p>	
Negative generation unit charges (HH DUoS billing)	<p>There is a risk that these elements of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety</p>	<p>This is due to:</p> <ul style="list-style-type: none"> - the time needed to assess, design, test and implement the necessary to our HH DUoS Billing Systems and - the time needed to assess, design, test and implement the necessary changes to our SAP accounting systems and its interfaces (see also risk below regarding VAT on generator export tariffs) 	Estimated 6 – 9 months from receipt of approved Common Methodology and tariff Applications paper	Depending upon the outcome of the VAT solution it may be possible for a manual calculation and 'billing' of Suppliers for the DG components of DUoS
Non-Half Hourly Negative generation unit charges (Super Customer DUoS billing)	<p>There is a risk that these elements of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety</p>	If H.M.R.C. decision is that this is a separate service then SC charges for generation would have to be invoiced separately from charges for demand thus requiring major changes to SC DUoS billing system, SC DUoS – SAP interface and SAP accounting system.	Estimated 6 – 9 months from receipt of definitive H.M.R.C decision being published.	Depending upon the outcome of the VAT solution it may be possible for a manual calculation and 'billing' of Suppliers for the DG components of DUoS
Use of Reactive Power data in Excess Reactive	There is a risk that these elements of the tariff will not be delivered by 1 April 2010.	This is due to the time needed to assess, design, test and implement the necessary	Estimated 6 – 9 months from receipt of approved Common Methodology and tariff	Investigation shows no cases identified where current charges would be

calculations	Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety	changes to our HH DUoS Billing Systems	Applications paper	higher than those calculated using the proposed charging calculation but some where it would be lower.
Use of Reactive Power data in Capacity calculations	There is a risk that these elements of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety	This is due to the time needed to assess, design, test and implement the necessary changes to our HH DUoS Billing Systems	Estimated 6 – 9 months from receipt of approved Common Methodology and tariff Applications paper	Owing to the very low number of MPANs for which RE data is received, the effect on invoiced charges is likely to be between minimal and zero
Use of Reactive power data in generator billing calculations	There is a risk that these elements of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety	This is due to: <ul style="list-style-type: none"> - the uncertainty regarding what reactive data will be available. This is to be decided by the re-submission of P224. - the time needed to assess, design, test and implement the necessary changes to our HH DUoS Billing Systems and - the time needed to assess, design, test and implement the necessary to our SAP accounting systems and its interfaces 	Unknown as it is dependent upon the outcome of the re-submitted P224	Not bill reactive charges for generator export MPANs At present capacity prices for generation sites are zero so this will have no effect on the values billed.
Data availability for reactive power data in	There is a risk that these elements of the tariff will not be delivered by 1 April 2010.	If P224 does not get re-submitted and agreed, DNOs would have to carry out	Unknown as until nationally agreed rules are available regarding how this should be	Not bill reactive charges for generator export MPANs

generator billing	Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety	<p>identification and apportionment of reactive consumption to the correct party at generation sites.</p> <p>This would also involve using billing data from an MPAN supplied by Supplier A to bill an MPAN supplied by Supplier B who would not have access to the source data used for calculating their invoiced charges.</p>	done, change assessment and design cannot be finalised and commenced	
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CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

Electricity North West Limited

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
Exceeded Capacity charge	<p>There is a risk that this element of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>This is due to:</p> <ul style="list-style-type: none"> - the delay in the final decision (post consultation and tariff application document v1); and - the prioritisation applied by ENW due to the significant amount of IT system changes that are required. 	Expected implementation by 30 September 2010	<p>We are currently undertaking an impact assessment that such a derogation will have on suppliers and their customers based on the last twelve months data. We will then assess the options available to us which may include a code change to minimise the impact</p>
p/site/day and p/kVA/day	<p>There is a risk that these elements of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>This is due to the prioritisation applied by ENW due to the significant amount of IT system changes that are required.</p>	Expected implementation by 30 September 2010	<p>The only impacted area is that it will charge based on 30.4 days (365/12) for the normal monthly bill rather than, 28, 29, 30 or 31 dependant upon the month in question e.g.</p> <p>April – 30 days May – 31 days June -30 days July -31 days Aug – 31 days Sept - 30 days. Over the six months the</p>

				average is 30.5 which is less than the charge that will be applied during the period in question. Overall this will be a minimal impact to the supplier and their customer since the system correctly allocates a daily charge for the likes of energisation, change of supplier, de-energisation and disconnection.
MAP charges	<p>There is a risk that this tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	This is due to resources fully committed to delivering the tariff changes contained within the tariff application paper	Expected implementation by 31 December 2010?	No impact on the supplier since the current method 'piggy backs' on the current tariffs e.g. Domestic Unmetered without MAP, Domestic Unmetered with MAP using different LLF's.

CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

SPEN

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
Application of the excess capacity charges for a month only	There is a risk that this element of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	Our billing system currently charges exceeded capacity for a year, backdated to the previous April. We understand the new method is a significant departure from this approach and this change will be given priority.	April 2010	This change will be given priority. If necessary, we will look into the possibility of issuing credit notes back to April 2010 if the change is not in place on time.
Application of revised capacity calculation	There is a risk that this element of the tariff will not be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	The system currently uses a slightly different formula. If prioritisation is needed, due to resources constrains, this change might not be implemented on time for April 2010.	Unknown if delayed.	The current billing system follows the general principle of this change. It correctly links the export and import MPAN and assigns the RI and RE values to the appropriate MPAN (what the industry is trying to achieve with P224). The only changes needed are about taking the Max(RI, RE) instead of either RI or RE depending on the active import. The impact in the calculation is thought to be not material.
Application of revised reactive	There is a risk that this element of the tariff will not	The system currently uses a slightly different formula. If	Unknown if delayed.	The current billing system follows the general

chargeable unit calculation	be delivered by 1 April 2010. Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	prioritisation is needed, due to resources constrains, this change might not be implemented on time for April 2010.		principle of this change. It correctly links the export and import MPAN and assigns the RI and RE values to the appropriate MPAN (what the industry is trying to achieve with P224). The only changes needed are about taking the Max(RI, RE) instead of either RI or RE depending on the active import. The impact in the calculation is thought to be not material.
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CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

SSE Power Distribution

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
We anticipate no additional risks to those identified in Table of Generic risks .				

CDCM – areas of risk for delivery of the Common Distribution Charging Methodology

Western Power Distribution

Area or element at risk	Nature of the risk	Reason	Timelines for implementation (indicative)	Mitigation measures
Application of revised capacity calculation	<p>There is a risk that this element of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>This is due to the complex nature of the change to the HHM billing system.</p> <p>Any billing system changes will require a detailed specification, consultation with the billing system provider, development of the new billing module and testing to include parallel running.</p>	Expected implementation for settlement dates from 1 st October 2010.	<p>The current billing system follows the general principle of this change. However it does not currently deal correctly with the treatment of RE units and the link to AE values. We anticipate the impact on the charges to be small. Note the re-introduction of P224 may have an impact on how this change is achieved.</p>
Application of revised excess reactive power calculation	<p>There is a risk that this element of the tariff will not be delivered by 1 April 2010.</p> <p>Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.</p>	<p>This is due to the complex nature of the change to the HHM billing system.</p> <p>Any billing system changes will require a detailed specification, consultation with the billing system provider, development of the new billing module and testing to include parallel running.</p>	Expected implementation for settlement dates from 1 st October 2010.	<p>Note the re-introduction of P224 may have an impact on how this change is achieved.</p>
Half hourly billing - suppression of invoices for de-energised sites	<p>There is a risk that this element of the tariff will not be delivered by 1 April 2010.</p>	<p>This is due to the complex nature of the change to the HHM billing system.</p> <p>Any billing system changes will</p>	Expected implementation for settlement dates from 1 st October 2010.	

	Affects consumers and suppliers: It does not impact on competition, sustainable development or health & safety.	require a detailed specification, consultation with the billing system provider, development of the new billing module and testing to include parallel running.		
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