



Electricity distribution customers,  
distributors, generators, suppliers  
and other interested parties

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*Promoting choice and  
value for all customers*

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Dear Colleague

**Update on impact of common distribution charging methodology and DPCR5 on distribution customer charges from 1 April 2010**

On the 4 August we published a letter concerning the impact the combination of the new electricity distribution price control review (DPCR5) and the proposed new charging arrangements are likely to have on the level of distribution use of system charges faced by different customer groups from the 1 April next year. In the letter we set out the key events and Ofgem consultations which will allow you to understand and make representations concerning the changes. The first of these, our consultation<sup>1</sup> on the DNOs' new charging arrangements, will be published imminently and among other things the consultation will provide information, by category of customer, on the impact of the Common Distribution Charging Methodology (CDCM) on each network, based on the allowed revenues published in DPCR5 initial proposals<sup>2</sup>. We also explained in the 4 August letter that we had written to the chief executive of each of the DNOs asking them to do all they can to provide large customers, customer groups and suppliers with timely and clear information about how their distribution charges could change. The DNOs have each responded in writing. The purpose of this letter is to provide information on the undertakings the DNOs have made concerning their communications strategies.

In their responses the DNOs agreed with us that it is important that industry parties are kept fully informed of the changes in charges they are likely to face from next April. The DNOs' letters outline their plans to communicate the projected impacts of the implementation of both the Common Distribution Charging Methodology (CDCM) and the forthcoming price control settlement. As well as posting charging information on their websites, all companies indicate their intention to write to major customers, suppliers and parties to the Distribution Connection and Use of System Agreement (DCUSA) providing tailored information on the specific impacts of these changes. We are also aware that via the Energy Networks Association (ENA) the DNOs intend to ensure that customer groups and trade associations are kept informed of the changes in a coordinated manner. These measures will provide important information concerning the direction and extent of charge changes and in our view are necessary steps for DNOs in fulfilling their customer obligations.

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<sup>1</sup> The consultation on the CDCM will be published at the following location on Ofgem's website:  
<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>.

<sup>2</sup> The impact of forecast revenues published in DPCR5 initial proposals has been modelled for illustrative purposes only. The full extent of the changes in the level of charges from 1 April 2010 will be dependent on final proposals on DPCR5.

A number of DNOs have also indicated their intention to hold a series of regional workshops targeted at different industry groups within their distribution network areas aimed at providing charging information and an explanation of the wider context and reasons for the charging changes. A number have also committed to writing to large customers inviting them to a meeting to discuss charging impacts. One DNO has highlighted a supplier teleconference organised to discuss potential charging impacts following publication of Ofgem's initial proposals on DPCR5, with a further commitment to holding teleconference meetings in light of Ofgem's forthcoming decision on the CDCM and publication of final proposals on DPCR5. Not all DNOs have made the same level of commitment regards communicating the impact of the changes. In our view forums such as workshops, teleconference seminars and one to one meetings may well be appropriate to providing industry parties with the level of information and explanation of the changes that they require, and so we urge DNOs to consider making provision for such events where they have not already done so. We also note that on some networks the impact of the CDCM on the level of charges faced by larger half hourly connected customers is forecast to be higher than average. These customers are often served by small suppliers, and so we would also urge DNOs to ensure that these businesses in particular have appropriate and timely access to the information which will affect them.

We hope that this letter, in combination with the 4 August letter, will provide a clear indication on the ways in which we expect the DNOs to communicate the charging changes likely to take effect on 1 April 2010, but if interested parties do not feel informed or experience difficulties obtaining necessary information then please do not hesitate to contact Lewis Hodgart by e-mail ([lewis.hodgart@ofgem.gov.uk](mailto:lewis.hodgart@ofgem.gov.uk)) or by phone (0141 331 6005).

Yours sincerely

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