

**WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC**  
**WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC**

**Modification Proposal**

**Amendment Proposal: WPD/WALES/WEST/UOS013**

**Title: Amendment of Use of System Charging Methodology to  
revoke the LV/HV DRM Methodology from the Implementation  
Date of the CDCM**

**Date of Issue: 26/08/2009**

**FOR APPROVAL BY THE AUTHORITY**

This Modification Proposal sets out Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc ("WPD") proposals to amend WPD's Use of System Charging Methodologies to revoke the LV/HV DRM methodology from the Implementation Date of the CDCM.

Issue Date	Issue No.	Author	Amendment Details

Western Power Distribution (South Wales) plc  
Registered in England and Wales No. 2366985  
Registered Office:  
Avonbank, Feeder Road, Bristol BS2 0TB

Western Power Distribution (South West) plc  
Registered in England and Wales No. 2366894  
Registered Office:  
Avonbank, Feeder Road, Bristol BS2 0TB

**Western Power Distribution**  
**Proposed changes to the Use Of System Methodology**  
**September 2009**

**INTRODUCTION**

1. Licence condition 50 requires WPD to revoke its current methodology for LV and HV customers once the CDCM has been approved by the Authority. The changes shown in this modification proposal show how WPD intend to make this revocation once the CDCM is approved.
  
2. WPD proposes to modify its Use of System Charging Methodology to adapt to the implementation of the CDCM for HV and LV customers. The approach taken is one of minimum possible change to the current methodology for EHV customers, both in demand and generation. The changes presented in this report are those necessary to make to the Use of System methodology statement as a result of the CDCM.

**HOW THE PROPOSAL BETTER MEETS LICENCE CONDITIONS**

3. The proposal meets the requirements under Licence Condition 50 to allow for a new CDCM to be implemented, as well as the requirements in Licence Condition 13 for the licensee to keep their charging methodologies under review.

**DESCRIPTION OF THE MODIFICATION**

4. The changes in the methodology statement are as follows:
  - Removal of the HV/LV DRM methodology
  - Removal of the HV/LV generation tariff methodology
  - Removal of the 10% cap on generator charge movement resulting from the proposed merger of the allowed revenues for demand and generation
  - Changes to the Reconciliation to Require Revenue part of the statement to reflect the £/kVA scalar the “adder”
  - Updated references to licence conditions
  - References made to DCUSA to replace a large section on the need for UoS agreement and the terms in those agreements
  
5. The EHV target revenue is derived in the same way as the currently implemented method but now uses the revised DRM model from the CDCM for the split of revenue between EHV and HV/LV. The significant differences between the DRM in our existing methodology and that in the CDCM are that it assumes that all LV networks are underground whereas the existing method has the same mix of underground and overhead networks as the existing network. It also assumes that only 1/3rd of trenching and reinstatement costs are included on LV networks. The difference in split is shown in the table below and is the main driver of the price disturbance that results.

	% of revenue at EHV	% of revenue at HV/LV
Existing method – S West	36.3%	63.7%
Proposed method – S West	39.7%	60.3%
Existing method – S Wales	38.1%	61.9%
Proposed method – S Wales	41.7%	58.7%

6. Once approved, the CDCM replaces the methodology for HV and LV tariffs. Consequently, this part of the methodology for both demand and generation connections has been removed from the statement.
  
7. In accordance with Ofgems current position that the demand and generation allowed revenues should be merged for pricing purposes, the £/kVA adder is only applied to demand connections. Consideration was given to applying the adder to both demand and generation equally, however as:
  - the network is currently demand dominated and
  - the fixed adder is applied to winter peak, which for generation is the P2/6 assessed capacity (which for wind farms is assessed as zero)

This option was rejected. Further consideration will be given to this as the levels of generation increase.
  
8. The existing methodology has a cap on the annual change to a generators charge of 10%. This was introduced to prevent excessive volatility in generator changes when they were being scaled to a small allowed generator revenue. With the proposed combining of the demand and generation allowed revenues for pricing purposes, this cap has been removed.
  
9. Our Amendment Proposal: “WPD/WALES/WEST/UOS012 - Modification Request on changes to the Use of System Charging Methodology to base IDNO charges on a discount derived from price control data”, as non-vetoed by Ofgem on 5 June 2009 highlighted the problems relating to the implementation of portfolio billing in Section 4. We propose to retain the WPD IDNO charging methodology until we have resolved the billing difficulties resulting from the portfolio approach described in the CDCM.
  
10. The existing requirement for generators to be restricted in reducing their agreed export capacity for the first 5 years after connection has been amended to only refer to EHV generators as HV and LV generators are covered by the CDCM.
  
11. The existing arrangements for the incentive for Network Access have been retained in the statement for both HV and EHV generators as these arrangements are not within the CDCM.

## PROPOSED WORDING OF THE USE OF SYSTEM METHODOLOGY STATEMENT

12. The proposed tracked changed version is attached to this proposal as a separate document together with change accepted versions.

## REVISED USE OF SYSTEM CHARGES

13. The impact of the proposed changes on charges if the proposal had been used to set charges in 09/10 is shown in the following tables.

14. In accordance with the methodology, each connection is subject to a locational marginal charge and a £/KVA adder. The differing ratio of these elements for different connections results in differing price disturbances.

15. Should Ofgem decide that pre April 2005 generators will be liable for UoS charges then the charges that would result are also shown in the tables. In this circumstance, the extra revenue derived from these generators would have a small beneficial impact on the EHV demand charges.

### South West

EHV Designated Sites	2009/10	2009/10	%
	Actual charge	proposed charge	Increase
Demand Sites	£s	£s	
SWW Tamar	6,950	7,077	1.8%
SWW Roadford	16,410	17,909	9.1%
ROF Puriton	10,306	12,541	21.7%
Caberboard	166,499	179,716	7.9%
St Regis, Watchet	133,242	161,655	21.3%
Tarmac, Stancombe Quarry	51,484	53,184	3.3%
IMERYS	392,504	447,054	13.9%
British Aerospace	216,857	243,160	12.1%
Rolls Royce TT	33,241	33,158	-0.2%
Rolls Royce	131,376	139,219	6.0%
Langage	56,448	61,433	8.8%
Devonport	494,295	544,087	10.1%
<b>Total</b>	<b>1,709,611</b>	<b>1,900,194</b>	<b>11.1%</b>

<b>EHV Designated Sites</b>	2009/10 Actual charge	2009/10 proposed charge	% Increase
<b>Generation Sites</b>	£s	£s	
Connon Bridge Landfill 33kV	£9,626	8,248	-14%
Chelson Generator 33kV	-£11,514	1,974	-117%
Darracott	£12,255	2,119	-83%
St Day	£1,504	2,751	83%
Shooters Bottom	£11,642	-13,712	-218%
Heathfield	-£39,389	1,919	-105%
Goonhilly	£101,706	225,631	122%
<b>Sub Total</b>	<b>£85,830</b>	<b>228,929</b>	<b>167%</b>
British Cellophane 6.6kV	Pre Apr 2005	-28,003	
St Breock 33kV	Pre Apr 2005	18,091	
Carland Cross 33kV	Pre Apr 2005	1,745	
Cold Northcott 33kV	Pre Apr 2005	4,343	
Four Burrows 33kV	Pre Apr 2005	3,370	
Isles of Scilly	Pre Apr 2005	-198,786	
Lynton	Pre Apr 2005	-3,158	
Bradon Farm 33kV	Pre Apr 2005	153,147	
Huntworth Generator 33kV	Pre Apr 2005	145,488	
Bears Down Windfarm 33kV	Pre Apr 2005	5,826	
St Day Landfill 33kV (United Mines)	Pre Apr 2005	2,751	
Marsh Barton 132kV Power Stn	Pre Apr 2005	-73,660	
Rolls Royce Filton 132kV	Pre Apr 2005	59,524	
Forestmoor Windfarm	Pre Apr 2005	4	

## South Wales

<b>EHV Designated Sites</b>	2009/10	2009/10	%
	Actual	proposed	Increase
	Price	charge	
<b>Load Sites</b>	£s	£s	
AES	24,043	26,627	10.7%
Alcoa	114,812	127,442	11.0%
Alpha Steel	65,882	72,732	10.4%
ASW 33/11	391,414	421,219	7.6%
ASW Rod Mill	331,284	354,511	7.0%
Blagden	38,500	55,670	44.6%
Blue Circle Cement	84,362	100,139	18.7%
Boc Margam	1,211,230	1,344,611	11.0%
BP Llandarcy	33,270	35,835	7.7%
British Alcan	369,415	401,141	8.6%
Corus Margam	1,033,985	1,146,183	10.9%
Corus Orb	413,208	457,382	10.7%
Corus Trostre	650,717	714,269	9.8%
DCWW Nantgaredig	9,431	9,576	1.5%
DCWW Rover Way	312,817	322,367	3.1%
Dow Corning	77,788	86,380	11.0%
Elf Oil	868,636	919,382	5.8%
Ford Bridgend	417,206	461,265	10.6%
Ford Swansea	66,196	72,314	9.2%
Fort James	163,219	180,769	10.8%
Inco (Europe)	122,298	134,844	10.3%
Mainline Pipelines	46,942	49,789	6.1%
Monsanto	129,368	141,733	9.6%
PCC Texaco	1,324,873	1,450,547	9.5%
Simms	22,705	24,825	9.3%
Swansea University	47,810	51,545	7.8%
Tower	82,151	90,149	9.7%
Whitbread Magor	43,179	47,665	10.4%
Dragon	521,071	552,925	6.1%
South Hook	1,232,380	1,304,609	5.9%
Cardiff Sports Village	300,069	326,730	8.9%
Aberystwyth - Manweb	1,321,395	1,443,605	9.2%
Velindre	420,632	465,659	10.7%
Timet	93,133	103,355	11.0%
Valleywood	159,883	170,885	6.9%
Whiteheads Works	36,715	38,433	4.7%
<b>Total</b>	<b>12,582,019</b>	<b>13,707,113</b>	<b>8.9%</b>

<b>EHV Designated Sites</b>	2009/10 Actual charge	2009/10 proposed charge	% Increase
<b>Generation Sites</b>	£s	£s	
Parc Cynog Pendine	£6,945	1,592	-77%
Trecatti	-£18,813	-5,799	-69%
Withy Hedges	-£34,087	-16,410	-52%
BOC Biomass	£95,988	68,947	-28%
Blaen Bowi additional	£23,188	2,754	-88%
<b>Sub total</b>	<b>£73,220</b>	<b>51,084</b>	<b>-30%</b>
Aberaman Park 33kV	Pre Apr 2005	-16,137	
Blaen Bowi 33KV	Pre Apr 2005	2,754	
Blaen Cregan 66KV	Pre Apr 2005	22,258	
British Energy 33kV	Pre Apr 2005	855	
Bryn Titli Windfarm 66KV	Pre Apr 2005	6,655	
Cornelly 33kV	Pre Apr 2005	47,880	
Crymlyn Burrows 33KV	Pre Apr 2005	-6,001	
Dyffryn Brodyn 33 KV	Pre Apr 2005	67,834	
Llandovery 33kV	Pre Apr 2005	5,699	
Parc Cynog 33KV	Pre Apr 2005	47,208	
Pwllfa Gwatkin 33 kV	Pre Apr 2005	-725	
Sully 132kV	Pre Apr 2005	4,232,595	
Taff Ely Windfarm 33KV	Pre Apr 2005	4,032	
Mynydd y Gwair	Pre Apr 2005	2,259	
Trecatti	Pre Apr 2005	-5,799	
Glyncorrwg	Pre Apr 2005	4,138	
Bettws	Pre Apr 2005	2,259	
Ferndale	Pre Apr 2005	2,444	
Fforchnest	Pre Apr 2005	5,075	
Trane	Pre Apr 2005	4,600	
Withy Hedges	Pre Apr 2005	-16,410	
BOC Biomass	Pre Apr 2005	68,947	