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8 October 2009

Electricity distribution use of system charges: update on the combined illustrative impact of the price control and DNOs' common methodology proposals

On 28 September we published our consultation on the DNOs' common distribution charging methodology (CDCM) proposals for customers at lower voltages¹. The publication incorporates an impact assessment, based on illustrative charges, of the potential impacts on customers.

On 5 October we published the letters we have sent to each of the DNO groups updating our view of allowed costs and revenues for the 2010 to 2015 period². In our covering letter we note that if these revised figures were carried through to Final Proposals, with no other changes to the modelling assumptions we used in Initial Proposals, allowed revenues would increase on average by 4.7% a year across the country over the DPCR5 period. This compares with the average X figure of 5.3% set out in Initial Proposals.

We replicate in table 1 below the information set out in our impact assessment regarding the combined impact of the common methodology and our Initial Proposals³ on average customer bills. Table 2 is new and updates table 1 based on the figures contained in our 5 October update letters. For completeness table 3 sets out the difference in modelling assumptions (average X figures) used between our Initial Proposals document and our October update letters.

The tables illustrate that the average effect of this update is to reduce the impact on end customer charges against our Initial Proposals. The update implies a very small change to the percentage impacts published in our impact assessment.

If you have any queries on the tables please contact Ynon Gablinger on 0207 901 7051 or at distributionpolicy@ofgem.gov.uk.

¹ 'Electricity distribution structure of charges project: DNOs' proposals for a common methodology at lower voltages, Consultation, Ref 114/09, September 2009, available on our website at <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=502&refer=NETWORKS/ELECDIST/POLICY/DISTCH>. Our impact assessment can be found in Appendix 3 to this consultation.

² See our update letter and individual DNO letters on our website at <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=323&refer=Networks/ElecDist/PriceCtrls/DPCR5>.

³ Table 1 replicates table 8 to our impact assessment.

Table 1 - Illustrative percentage impact of the CDCM on average customer¹ distribution use of system charge bill taking in to account initial price control proposals³

| | NEDL | YEDL | CNE | CNW | EPN | LPN | SPN |
|--|-------|-------|-------|-------|-------|-------|-------|
| Domestic Unrestricted | -1.5 | -7.5 | 16.0 | 10.9 | 2.5 | 8.2 | 23.8 |
| Domestic Two Rate | -4.9 | -12.0 | 11.3 | -1.3 | 8.7 | 3.0 | 8.9 |
| Domestic Off Peak (related MPAN) | -48.7 | -33.5 | 82.4 | -58.0 | -75.8 | -36.8 | -40.0 |
| Small Non Domestic Unrestricted | -6.6 | -8.1 | -4.5 | -7.4 | -1.8 | -27.7 | -5.7 |
| Small Non Domestic Two Rate | -6.0 | -0.7 | 12.1 | -8.1 | 10.6 | -43.7 | -1.0 |
| Small Non Domestic Off Peak (related MPAN) | -26.2 | 36.8 | -16.2 | -33.6 | -72.6 | -38.8 | -48.9 |
| LV Medium Non-Domestic | 0.7 | 3.8 | -8.4 | -18.9 | -8.9 | -18.9 | -27.6 |
| LV Sub Medium Non-Domestic | 39.5 | | | | | | |
| HV Medium Non-Domestic | 85.9 | 64.9 | -10.8 | -22.8 | | | |
| LV HH Metered | 16.4 | 18.4 | -14.0 | -1.9 | -17.2 | 19.7 | -16.8 |
| LV Sub HH Metered | | 30.3 | | | 23.8 | | |
| HV HH Metered | 73.4 | 61.2 | 5.1 | 16.7 | 30.2 | 33.7 | 45.7 |
| HV Sub HH Metered | | 133.7 | | | | | |
| NHH UMS | 77.8 | 11.8 | 6.1 | 8.7 | 15.0 | 2.4 | -5.3 |
| LV UMS (Pseudo HH Metered) | 65.3 | 3.1 | 6.4 | 0.2 | 7.7 | 44.8 | 47.5 |

| | ENW | SP Dist | SP Manweb | SSE Hydro | SSE Southern | WPD Wales | WPD West |
|--|-------|---------|-----------|-----------|--------------|-----------|----------|
| Domestic Unrestricted | 16.6 | -0.9 | 14.5 | 8.2 | 7.2 | 8.1 | 12.1 |
| Domestic Two Rate | 20.2 | -9.7 | -2.4 | 46.4 | 2.7 | 4.6 | 3.7 |
| Domestic Off Peak (related MPAN) | -39.8 | -25.4 | -79.7 | 16.2 | 0.0 | -45.8 | -65.2 |
| Small Non Domestic Unrestricted | -3.5 | -17.2 | -1.7 | -26.9 | -12.8 | 3.3 | 14.6 |
| Small Non Domestic Two Rate | 40.6 | -38.2 | 0.5 | -11.6 | -6.0 | -6.9 | -20.9 |
| Small Non Domestic Off Peak (related MPAN) | | -77.0 | -83.0 | -8.9 | -20.1 | -53.1 | -39.8 |
| LV Medium Non-Domestic | -23.9 | -30.5 | 6.2 | -0.9 | -27.3 | -27.3 | -31.2 |
| LV Sub Medium Non-Domestic | -21.1 | | -1.2 | | | | -15.7 |
| HV Medium Non-Domestic | -61.5 | -64.1 | -41.4 | -4.1 | -48.5 | -47.0 | -54.6 |
| LV HH Metered | -11.0 | 4.6 | 13.3 | -1.3 | 14.0 | -10.3 | -9.2 |
| LV Sub HH Metered | 5.9 | | 24.9 | | | | 10.0 |
| HV HH Metered | -4.6 | 41.1 | -1.4 | 38.7 | 40.4 | 32.0 | 29.3 |
| HV Sub HH Metered | -7.9 | | 10.2 | | | | |
| NHH UMS | 145.7 | -2.9 | -9.7 | 45.8 | 53.6 | 3.2 | -7.2 |
| LV UMS (Pseudo HH Metered) | 66.5 | | -11.1 | | 51.1 | -5.5 | -3.6 |

| | Average impact on DUoS charge | Average impact on end customer bill ² | MPANs |
|--|-------------------------------|--|-----------------|
| Domestic Unrestricted | 8.4 | 1.7 | 1528206 (73.1%) |
| Domestic Two Rate | 5.7 | 1.1 | 351922 (16.8%) |
| Domestic Off Peak (related MPAN) | -32.1 | -6.4 | 34485 (1.7%) |
| Small Non Domestic Unrestricted | -7.6 | -1.5 | 117319 (5.6%) |
| Small Non Domestic Two Rate | -5.7 | -1.1 | 32693 (1.6%) |
| Small Non Domestic Off Peak (related MPAN) | -37.0 | -7.4 | 4320 (0.2%) |
| LV Medium Non-Domestic | -15.2 | -3.0 | 11259 (0.5%) |
| LV Sub Medium Non-Domestic | 0.3 | 0.1 | 987 (0%) |
| HV Medium Non-Domestic | -18.5 | -3.7 | 80 (0%) |
| LV HH Metered | 0.3 | 0.1 | 5323 (0.3%) |
| LV Sub HH Metered | 19.0 | 3.8 | 1172 (0%) |
| HV HH Metered | 31.5 | 6.3 | 1417 (0.1%) |
| HV Sub HH Metered | 45.4 | 9.1 | 99 (0%) |
| NHH UMS | 24.6 | 4.9 | 2384 (0.1%) |
| LV UMS (Pseudo HH Metered) | 22.7 | 4.5 | 18 (0%) |

Notes:

- 1) Assumed average consumption per user group may differ across DNOs.
- 2) We assume that DUoS charge comprises 20 per cent of end customer bill.
- 3) Based on Initial Proposals allowed revenue adjustment estimates. Over/under recovery is not considered.

Table 2- Illustrative percentage impact of the CDCM on average customer distribution use of system charge bill taking in to account October update price control proposals

| | CE NEDL | CE YEDL | CN East | CN West | EDF EPN | EDF LPN | EDF SPN |
|--|---------|---------|---------|---------|---------|---------|---------|
| Domestic Unrestricted | -2.2 | -8.3 | 15.4 | 10.8 | 2.7 | 7.7 | 23.3 |
| Domestic Two Rate | -5.6 | -12.9 | 10.8 | -1.3 | 9 | 2.4 | 8.5 |
| Domestic Off Peak (related MPAN) | -49.1 | -34 | 81.7 | -58 | -75.8 | -36.8 | -40.4 |
| Small Non Domestic Unrestricted | -7.4 | -9 | -5 | -7.5 | -1.6 | -28.1 | -6.1 |
| Small Non Domestic Two Rate | -6.7 | -1.6 | 11.5 | -8.1 | 10.9 | -44.1 | -1.3 |
| Small Non Domestic Off Peak (related MPAN) | -26.7 | 35.7 | -16.5 | -33.6 | -72.6 | -39 | -49.2 |
| LV Medium Non-Domestic | -0.1 | 2.9 | -8.8 | -19 | -8.7 | -19.4 | -27.9 |
| LV Sub Medium Non-Domestic | 38.4 | | | | | | |
| HV Medium Non-Domestic | 84.3 | 63.2 | -11.2 | -22.8 | | | |
| LV HH Metered | 15.4 | 17.4 | -14.4 | -1.9 | -17 | 19.1 | -17.1 |
| LV Sub HH Metered | | 29.1 | | | 24 | | |
| HV HH Metered | 71.8 | 59.4 | 4.5 | 16.6 | 30.5 | 33 | 45.1 |
| HV Sub HH Metered | | 131 | | | | | |
| NHH UMS | 76.3 | 10.6 | 5.6 | 8.7 | 15.2 | 2 | -5.5 |
| LV UMS (Pseudo HH Metered) | 63.8 | 1.9 | 5.8 | 0.1 | 7.9 | 44.2 | 47.1 |

| | ENW | SP Dist | SP Manweb | SSE Hydro | SSE Southern | WPD Wales | WPD West |
|--|-------|---------|-----------|-----------|--------------|-----------|----------|
| Domestic Unrestricted | 14.1 | 2.1 | 13.6 | 8.9 | 3.3 | 7.4 | 11.8 |
| Domestic Two Rate | 17.5 | -6.8 | -3.1 | 47.5 | -1.3 | 3.9 | 3.4 |
| Domestic Off Peak (related MPAN) | -40.5 | -23.2 | -79.7 | 17.2 | -2.2 | -46 | -65.2 |
| Small Non Domestic Unrestricted | -5.9 | -14.4 | -2.5 | -26.4 | -16.1 | 2.6 | 14.3 |
| Small Non Domestic Two Rate | 37.4 | -36.2 | -0.3 | -10.9 | -9.6 | -7.4 | -21.2 |
| Small Non Domestic Off Peak (related MPAN) | | -76.4 | -83 | -8.2 | -22.4 | -53.3 | -39.8 |
| LV Medium Non-Domestic | -25.7 | -28.2 | 5.4 | -0.2 | -30.1 | -27.8 | -31.4 |
| LV Sub Medium Non-Domestic | -23.2 | | -2.1 | | | | -16 |
| HV Medium Non-Domestic | -62.6 | -62.8 | -42 | -3.4 | -50.2 | -47.4 | -54.8 |
| LV HH Metered | -12.6 | 7.8 | 12.5 | -0.7 | 10.3 | -10.9 | -9.4 |
| LV Sub HH Metered | 3.6 | | 24 | | | | 9.6 |
| HV HH Metered | -7.9 | 45.8 | -2.3 | 39.6 | 35.7 | 31 | 28.8 |
| HV Sub HH Metered | -12.8 | | 9 | | | | |
| NHH UMS | 143.1 | -0.1 | -10.3 | 46.8 | 48.6 | 2.6 | -7.5 |
| LV UMS (Pseudo HH Metered) | 64.8 | | -11.7 | | 46.1 | -6.1 | -3.9 |

| | Average impact on DUoS charge | Max impact | Average impact on end customer bill | MPANs |
|--|-------------------------------|------------|-------------------------------------|----------------|
| Domestic Unrestricted | 7.9 | 23.3 | 1.6 | 1528206 (73.1) |
| Domestic Two Rate | 5.1 | 47.5 | 1.0 | 351922 (16.8) |
| Domestic Off Peak (related MPAN) | -32.3 | 81.7 | -6.5 | 34485 (1.6) |
| Small Non Domestic Unrestricted | -8.1 | 14.3 | -1.6 | 117319 (5.6) |
| Small Non Domestic Two Rate | -6.3 | 37.4 | -1.3 | 32693 (1.6) |
| Small Non Domestic Off Peak (related MPAN) | -37.3 | 35.7 | -7.5 | 4320 (0.2) |
| LV Medium Non-Domestic | -15.6 | 5.4 | -3.1 | 11259 (0.5) |
| LV Sub Medium Non-Domestic | -0.7 | 38.4 | -0.1 | 987 (0) |
| HV Medium Non-Domestic | -19.1 | 84.3 | -3.8 | 80 (0) |
| LV HH Metered | -0.1 | 19.1 | 0.0 | 5323 (0.3) |
| LV Sub HH Metered | 18.1 | 29.1 | 3.6 | 1172 (0.1) |
| HV HH Metered | 30.8 | 71.8 | 6.2 | 1417 (0.1) |
| HV Sub HH Metered | 42.4 | 131.0 | 8.5 | 99 (0) |
| NHH UMS | 24.0 | 143.1 | 4.8 | 2384 (0.1) |
| LV UMS (Pseudo HH Metered) | 21.7 | 64.8 | 4.3 | 18 (0) |

Table 3 –Initial Proposals vs. October update: average X figures by DNO

| DNO | X¹ | X² | Change |
|--------------|----------------------|----------------------|---------------|
| CE NEDL | 7.0% | 6.1% | -0.9% |
| CE YEDL | 5.6% | 4.6% | -1.0% |
| CN East | 4.9% | 4.4% | -0.5% |
| CN West | 4.8% | 4.7% | -0.1% |
| EDF EPN | 5.1% | 5.3% | 0.2% |
| EDF LPN | 7.0% | 6.5% | -0.6% |
| EDF SPN | 8.6% | 8.2% | -0.4% |
| ENW | 7.2% | 4.6% | -2.6% |
| SP Dist | -4.3% | -1.2% | 3.0% |
| SP Manweb | 8.6% | 7.7% | -0.9% |
| SSE Hydro | 4.5% | 5.2% | 0.7% |
| SSE Southern | 6.9% | 3.1% | -3.8% |
| WPD Wales | 5.0% | 4.3% | -0.7% |
| WPD West | 6.3% | 5.9% | -0.3% |

¹ Average X figures - Initial Proposals, 3 August 2009.

² Average X figures - October update, 5 October 2009.