

Calculation of IDNO charges

The following tariffs are calculated using the method described below:

Licensed Distributor Tariff – Predominantly Domestic LV connected

Licensed Distributor Tariff – Predominantly Domestic HV connected

Licensed Distributor Tariff – Predominately Non-Domestic LV connected

Licensed Distributor Tariff – Predominately Non-Domestic HV connected

These tariffs are calculated as a discount from our standard tariffs, the predominately domestic ones as a discount from the domestic profile 2 tariff and the predominately non-domestic ones from the large non domestic supplies half hourly metered LV network supplies and the large non domestic supplies half hourly metered HV supplies respectively.

The discount is calculated by using three sources of information:

1. The DPCR4 final settlement which gives the split of allowed revenue for the DPCR4 period between operating costs, depreciation and return on regulated asset base.
2. 07/08 RRP data is used to allocate reported costs across voltage levels and is used to apportion operating costs. Many direct costs are allocated in the RRP data with indirect costs apportioned on the basis of the gross modern equivalent asset value of the network.
3. Current DPCR5 forecasts contain forecasts of capital investment split by voltage level. This is used to apportion both depreciation and return.

The proportion of the allowed revenue that is to be split between WPD and the licenced distribution network operator is then determined by taking the in year allowed revenue (excluding any k factor adjustments) and excluding incentive revenue and the pension deficit payment allowance. The remaining allowed revenue is split across voltage levels using the percentages derived from the data detailed above and this revenue is converted to a p/kWh figure at each voltage level. The proportion of the overall price that is attributable to the LV system is then allocated between WPD and the licenced distribution network operator (LDNO). The entire indirect cost element is attributed to the LDNO.

For the LV predominately domestic and non-domestic tariffs the direct cost element is split depending on the distance between the source substation and the LDNO

connection. The band lengths and proportions allowed to the LDNO are the same for both predominantly domestic and predominately non-domestic tariffs.

For the predominately domestic HV tariff a single split is used which also includes the costs apportioned to the HV/LV substation.

For the predominately non-domestic HV tariff a single split is used containing the costs apportioned to the HV/LV substation and part of the HV circuit based on average circuit length and average expected LDNO HV circuit length.