

Rachel Fletcher
Director Electricity Distribution
Ofgem
9 Millbank
London
SW1P 3GE



5 October 2009

Dear Rachel

REQUEST FOR A DEROGATION UNDER PART J OF STANDARD LICENCE CONDITION 50 OF THE DISTRIBUTION LICENCE

For applicants:

- EDF Energy Networks (EPN) plc
- EDF Energy Networks (LPN) plc
- EDF Energy Networks (SPN) plc

In accordance with Part J of Standard Condition 50 (Development and Implementation of a CDCM), EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc are seeking a time-limited derogation from paragraph 50.13 of Part C of the condition, namely the requirement to implement the CDCM in compliance with the requirements of that condition. The work necessary to resolve the derogations is being delivered in two phases, and details of the end dates for the individual derogations are contained in the Appendix.

We are pleased to confirm that for the vast majority of customers across our three licensed areas, we are able to comply with the changes brought about by the CDCM for the implementation date of 1 April 2010.

The Appendix highlights the areas where we believe system changes are necessary, together with the volumes of customers that are likely to be impacted by any such changes. We are working with our system providers to understand the implications of the suite of changes necessary to comply with paragraph 50.13 of Part C of the condition, and to identify, apply, test and commission these changes. It is our intention to deliver these changes in two phases: the first by 30 September 2010 and the second by 31 March 2011. The first phase includes the simpler changes along with the requirements for IDNO billing, with the remainder being delivered in the second phase. Both dates assume that national agreement of all requirements and Ofgem approval of the CDCM are achieved by 31 December 2009.

The attached derogations are those we are currently aware of. As we work through the development and implementation of system changes, if we identify any other requirements for derogation, we will contact you as soon as practicable to request them.

If you have any questions of a regulatory nature, please contact me on 01293 657853 or by email at paul.measday@edfenergy.com. If you have any questions regarding the technical content, please contact our Pricing Development Manager, Oliver Day, on 01293 577224 or by email at oliver.day@edfenergy.com.

Yours sincerely

Paul Measday
Regulation Manager
EDF Energy Networks

Appendix

Originator Details	
Companies	EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc
Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	39
CDCM Obligation	Billing in clock time
Reason Derogation Sought	
<p>Our half hourly billing system is designed to receive consumption data in GMT and to calculate charges and bill in GMT. The CDCM requires billing in clock time. To handle this request, the resultant data flow alteration, from D275 to D36, will require changes to three of EDF Energy Networks' IT systems, and in the case of the billing system, the functionality also needs to handle clock time from the point of implementation as well as GMT for historic data. For avoidance of doubt, our Supercustomer billing system is not affected in this way.</p>	
End date of Derogation	
31 March 2011	
Nature of impact during Derogation	
<p>DUoS charges for consumption between the last Sunday in March and the last Sunday in October (i.e. during Daylight Saving Time) may not align precisely with those expected by suppliers when comparing day by day.</p>	
Volume of customers impacted	
Affects a maximum of 33,000 half hourly billed customers.	
Action Being Taken	
<p>We do not believe that there will be a material impact on suppliers, as the same data will be used in the calculations whether in GMT or BST. The only change will be the timing of when it has been applied, which will differ by one hour during two points in the year, until the IT change is applied.</p> <p>We looked into the possibility of implementing a manual workaround, but discounted this option as it would involve manual billing of up to 33,000 customers and would result in suppliers receiving bills in different formats for this group.</p> <p>This change also has an impact on other IT systems (our GSP and data management systems). Changing from GMT to clock time would mean a move from industry standard D0275 to D0036 data flows, and changes to these systems to handle them.</p>	

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Companies	EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc
Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	133(d), 145 and 149
CDCM Obligation	Billing capacity charges p/kVA/day
Reason Derogation Sought	
Our billing system is designed to apply capacity charges in p/kVA/month whereas the CDCM requires p/kVA/day.	
End date of Derogation	
30 September 2010	
Nature of impact during Derogation	
No impact over the six month period. Capacity charges would remain constant month by month whereas under the CDCM they will be expected to vary each month depending on the length of each individual month.	
Volume of customers impacted	
Affects a maximum of 33,000 half hourly billed customers.	
Action Being Taken	
There will be no material impact on suppliers. The benefits of conducting an expensive manual workaround in the short term would be outweighed by the costs to suppliers and EDF Energy Networks of implementing the changes as anything other than part of a comprehensive package of IT changes.	

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Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	139 and 141
CDCM Obligation	Half hourly negative unit charges for generation
Reason Derogation Sought	
Our billing systems are designed to apply positive unit charges for generation whereas the CDCM requires negative charges/credits.	
End date of Derogation	
31 March 2011	
Nature of impact during Derogation	
Credits could not be given to suppliers using automated industry flows.	
Volume of customers impacted	
We estimate that this will affect all generation customers.	
Action Being Taken	
<p>There is a further issue affecting generator tariff structures which we are working with the other DNOs to resolve. The issue is that if H.M.R.C. decides that generation is a separate service provided to distributors, then generation would need to be handled separately from charges for demand, thus requiring major changes to our DUoS billing systems, our SAP accounting system and the interfaces between them. This would lead to non-compliance with paragraphs 139 and 141. Without a decision from the H.M.R.C no actions, mitigations or timeframes can be realistically assessed. Once we have this decision we will be able to understand in approximately one month whether a manual workaround is possible and to develop plans to implement the workaround as soon as is reasonably practicable. Any data received would be stored and only processed once the necessary changes to our system had been made, tested, accepted and applied.</p>	

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Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	144
CDCM Obligation	Embedded/inset networks
Reason Derogation Sought	
Our systems are currently unable to bill on the Portfolio Principle which is required under the CDCM. To implement this solution, the necessary systems and processes for manipulating data and sending data flows must first be delivered by the industry as a whole.	
End date of Derogation	
30 September 2010 – subject to the industry solution being delivered by the end of November 2009 to allow for the specification of building and testing of an IT solution.	
Nature of impact during Derogation	
Inset networks will not benefit from the CDCM portfolio approach to the charging methodology. We will implement the EDF Energy Networks manual approach to portfolio billing as an interim measure.	
Volume of customers impacted	
Affects all embedded/inset network connections to EDF Energy Networks.	
Action Being Taken	
<p>We have considered the possibility of CDCM portfolio manual billing. However, we do not consider it to be appropriate for the following reasons:</p> <ol style="list-style-type: none"> 1. Error prone due to manual processing of complex data. 2. Complexity of reconciliation data makes the process unmanageable for both EDF Energy Networks and the inset/embedded network operator. 3. Dependent on the reliable, timely provision of national data flows. <p>In our interim IDNO methodology change we proposed a partial self billing portfolio approach. This methodology change was vetoed by Ofgem. We are currently preparing a revised methodology which will incorporate the billing portfolio approach. Subject to Ofgem approval, we would expect to apply this until the full CDCM portfolio billing approach (or a nationally agreed manual approach) was available. The use of this approach is subject to reliable and timely data provision by inset network providers.</p>	

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Originator's Name	Paul Measday
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Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	150
CDCM Obligation	Exceeded capacity charge
Reason Derogation Sought	
Our half hourly billing system does not calculate an excess capacity charge as required under the CDCM; it calculates a single "capacity" charge based on the higher of either maximum demand in the billing period, maximum demand in the previous 11 months or agreed capacity. We call this "ratcheting".	
End date of Derogation	
30 September 2010	
Nature of impact during Derogation	
Customers will continue to get a cost message that is consistent with the costs faced by other customers who rightfully apply for an increased connection (who will be charged the capacity for a minimum of one year under the CDCM).	
Volume of customers impacted	
This will affect approximately 10% of our 33,000 half hourly metered customers.	
Action Being Taken	
We will disable "ratcheting" such that the capacity charge is based solely on the agreed capacity for a site irrespective of the capacity used. This gives no cost message for exceeding capacity and may have adverse effects on customer behaviour.	

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Companies	EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc
Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	152/155
CDCM Obligation	Use of reactive power data in import capacity calculations
Reason Derogation Sought	
At present, our half hourly billing system does not use reactive export (RE) data in capacity charge calculations as required by the CDCM.	
End date of Derogation	
30 September 2010	
Nature of impact during Derogation	
This would only impact on suppliers/customers if the RE data were greater than reactive import (RI) data.	
Volume of customers impacted	
Anticipated to affect less than 100 customers.	
Action Being Taken	
There will be no material impact and very few customers affected.	

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Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	156/159
CDCM Obligation	Use of reactive power data in export capacity calculations
Reason Derogation Sought	
At present, our half hourly billing system does not use reactive data in capacity charge calculations as required by the CDCM.	
End date of Derogation	
30 September 2010	
Nature of impact during Derogation	
The information provided to suppliers about maximum export from generation sites may be lower than the actual kVA capacity. This does not affect pricing.	
Volume of customers impacted	
We estimate that this will affect 100 customers.	
Action Being Taken	
There will be no monetary impact and very few customers affected by the change which is in respect of information only.	

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Originator's Name	Paul Measday
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Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	161 to 165
CDCM Obligation	Use of reactive power data in import excess reactive calculations
Reason Derogation Sought	
At present, our half hourly billing system does not use RE data in excess reactive charge calculations as required by the CDCM.	
End date of Derogation	
30 September 2010	
Nature of impact during Derogation	
This would only impact on suppliers/customers if the reactive export (RE) data were greater than reactive import (RI) data.	
Volume of customers impacted	
The formula uses the maximum of RE and RI. As RE is rarely greater than RI, the number of affected customers is likely to be very small.	
Action Being Taken	
There will be no material impact and very few customers affected.	

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Originator's Name	Paul Measday
Email Address	paul.measday@edfenergy.com
Telephone Number	01293 657853
Section of CDCM Appendix B	
CDCM Paragraph	Paragraph on the top of page 27 through to paragraph 169
CDCM Obligation	Use of reactive power data in export excess reactive calculations
Reason Derogation Sought	
At present, our half hourly billing system does not use RE data in excess reactive charge calculations as required by the CDCM. In addition, settlement processes do not currently provide reactive consumption data for export MPANs.	
End date of Derogation	
31 March 2011, assuming that industry agreement is reached within six months.	
Nature of impact during Derogation	
At present, settlement processes do not provide reactive consumption data for export MPANs; all reactive consumption data is associated with import MPANs.	
Volume of customers impacted	
We estimate that 100 customers will be affected.	
Action Being Taken	
There will be no material impact and very few customers affected. We are working with Gareth Evans at Ofgem and other industry parties to resolve the settlement issues.	