



Distributors, generators,
suppliers and other interested
parties

*Promoting choice and value for
all gas and electricity customers*

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Dear colleague

DNO-specific derogation requests relieving individual DNOs of the requirement to comply with certain elements of the common charging methodology at lower voltages from April 2010

The DNOs have a licence requirement to charge on the basis of a new, common, charging methodology at lower voltages from 1 April 2010¹. We approved the new methodology in November subject to a small number of conditions². The approval has effect from 31 December 2009. The new arrangements and associated charges will apply from 1 April 2010. The licence allows a DNO to seek derogations from the common approach, for example where DNOs cannot implement the changes in billing systems in time for implementation in April 2010.

DNOs submitted their derogation requests earlier this autumn which are published on our website³. We have discussed these requests with DNOs, IDNOs and suppliers and considered the impact on customers for each element of each derogation request.

We have now published our decisions on these individual derogation requests, with the exception of a decision on IDNO portfolio billing requests since IDNO billing arrangements are currently being considered by the industry. Our decisions can be viewed on our website⁴. The table in Annex 1 below summarises our decisions regarding derogations for ease of reference.

Whilst we are disappointed that some DNOs have requested more derogations than others, we have analysed the impact of each request and consider that the derogations we have granted do not undermine the benefits being delivered by the introduction of the common methodology. Except for one derogation, all derogations were granted for a period of 6 months to have a uniform expiry date and thereby ensure maximum transparency of the derogation process and minimum cost for suppliers, as well as to tie in with normal charge

¹ See standard licence condition 50 to the electricity distribution licence:
<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20Direction%20and%20Reasons%20for%20Modification2.pdf>.

² Our November decision is published on our website at:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=533&refer=Networks/ElecDist/Policy/DistChrgs>.

³ Derogation requests are published on our website at:
[http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/Cover for CDCM submission and derogations.pdf](http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/Cover%20for%20CDCM%20submission%20and%20derogations.pdf).

⁴ <http://www.ofgem.gov.uk/NETWORKS/ELECDIST/POLICY/DISTCHRGs/Pages/DistChrgs.aspx>.

change processes where it is expected that DNOs change their charges on either 1 April or 1 October each year.

If you have any queries in relation to our derogation letters please contact Ynon Gablinger on 020 7901 7051.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is written over a light grey rectangular background.

Rachel Fletcher
Partner, Distribution

Annex 1

Summary of DNO derogation requests and Authority decisions on these requests

DNO group	Brief description of derogation request(s)	Requested duration	Authority decision	Duration granted
CE Electric	- Reactive power charging	1 July 2010	Granted	30 Sept 2010
	- Excess capacity charging	1 July 2010	Granted	30 Sept 2010
Central Networks	- Request to allow legacy arrangement	Indefinite	Request withdrawn	- n/a
	- Reactive power charging	31 March 2011	Granted	30 Sept 2010
Electricity North West	- Excess capacity charging	30 Sept 2010	Granted	30 Sept 2010
	- Billing on p/day basis	30 Sept 2010	Granted	30 Sept 2010
EDF Energy Networks	- Reactive power charging	30 Sept 2010	Granted	30 Sept 2010
	- Excess capacity charging	30 Sept 2010	Granted ⁵	30 Sept 2010
	- Generator charging	31 March 2011	Not granted	- n/a
	- Billing on p/day basis	30 Sept 2010	Granted	30 Sept 2010
	- Billing in clock time	31 March 2011	Granted	26 March 2011
- IDNO portfolio billing	30 Sept 2010	Decision not yet made	- n/a	
ScottishPower Energy Networks	- Reactive power charging	Apr 2011	Granted	30 Sept 2010
	- Excess capacity charging	Apr 2011	Granted	30 Sept 2010
SSE Power Distribution	- No derogation requests submitted	- n/a	- n/a	- n/a
Western Power Distribution	- IDNO portfolio billing	Oct 2010	Decision not yet made	- n/a
	- De-energised MPANs	Oct 2010	Request withdrawn	- n/a
	- Reactive power charging	Oct 2010	Granted	30 Sept 2010
	- Excess capacity charging	Oct 2010	Granted	30 Sept 2010

⁵ We stipulated in our decision letter that EDF must apply its current charging methodology for the duration of the derogation. EDF had requested to change away from this approach for the duration of the derogation.