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Chris Chow
Distribution Policy
Ofgem
9 Millbank
London SW1P 3GE

13th July 2010

Dear Mr Chow,

Consultation Ref: 72/10 - Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages

I write on behalf of Stansted Airport Ltd in connection with your consultation document published on 15 June 2010. Please find below our response to those consultation questions where we have a strong view.

Chapter 2, Question 2 – We seek views on whether ‘sole use’ assets should feature in the definition of the boundary.

Chapter 3, Question 4 – We seek views on the role/treatment of ‘sole use’ assets in defining the CDCM/EDCM charging boundary and on metering and settlement issues that have been raised.

Sole use assets should feature in the definition of the boundary. This should also include assets where the materiality of a connection is such that the use of that connection and its cost need to be discussed between DNO and customer and calculated separately.

In the particular case of Stansted Airport we have a class A connection in addition to the class B2 connection which is impacted by this consultation. To force the B2 connection to be treated differently from the class A connection could lead to a perverse incentive for us to move load between the connections in a manner which is inconsistent with the optimal network design of our DNO (EDFEPN).

Chapter 3, Question 3 – We seek views on option 6 [Authorised Capacity] along with views of any of the hybrid approaches that respondents consider appropriate.

Use of authorised capacity is an appropriate means of identifying the materiality of a customer’s use of a connection and therefore identifying connections which share use of an asset but may still be appropriate to charge under EDCM.

Chapter 3, Question 6 – In view of this chapter and the impact assessment in appendix 3, what is your preferred option for the boundary, and why?

Our preferred option would be option 3 (Optional Raised Boundary), our second option would be Option 2 (No Change), and we strongly oppose Option 2 (Raised Boundary).

The principle reasons for this are:

The connection voltage and boundary determined at the time of connection, along with the comfort that otherwise monopoly charges are subject to price regulation, are fundamental to the investment decision made at that time, which may have involved millions of pounds of investment by the customer to construction and connect its electricity distribution infrastructure, often to an asset with a very long life.

Retrospectively changing the boundary carries an unacceptably high risk of significant adverse impact on those investment decisions and potentially drives behaviour by the customer which may be considered perverse as they attempt to recoup any additional cost.

Changing the boundary carries an unacceptably high risk of a major shock to Use of System charges:


- Your consultation document includes cost estimates that indicate that Stansted Airport's charges could increase by c370%, were Option 2 to be implemented.
- The potential increases to charges for other Class B Customers will be even higher (previous responses have indicated up to eightfold in some cases).

Therefore a relatively small number of Customers would be disproportionately affected by this proposal, rather than it causing minor impacts to many. In the context of generally weak economic circumstances, this is likely to have a dramatic effect on the profitability or even viability of some customers, and one must question therefore if the DNO's recommended option simply minimises the volume of customer complaints rather than implement an objectively equitable solution.

If RB is adopted it is essential that transitional relief is given to allow effective commercial planning within the context of both short-term business plans and long-term financing structures. A five year period would be appropriate as this would align with the regulatory cycle of both the DNOs and Stansted Airport, and many other customers' long-term business planning and financing arrangements.

I thank you for inviting our response to your consultation and trust that you will give due consideration to the views I have expressed.

Yours sincerely,



Simon Richards
Finance Director