

## **EHV Distribution Charging Methodology**

### **Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages – Impact assessment**

Chevron supports the view that cost reflectivity should govern the position of the EDCM/CDCM boundary, with the final charge incurred by the customer governing the grounds for undue discrimination. Each customer should be placed within a pricing tariff or structure which produces charges which are deemed by industry to be the most cost reflective.

The consultation highlights that the EDCM provides a more cost reflective pricing structure than the CDCM, with the level of accuracy of applying CDCM reducing when the level of customer diversity increases (this is understood to be the case when including class B1 customers). Therefore the transfer of customers affected by the boundary issue to a charging structure that is deemed unsuitable would be seen as an unfair movement. Chevron wishes to emphasise its concern at the significant financial and business impact this would have.

Chevron supports the view that further development or modification of the CDCM methodology is necessary to prevent perverse incentives as a result of the price differential between EDCM and CDCM. In addition, the development of the EDCM and CDCM charging structures should seek to produce commonality in the cost reflectivity of the charges to customers connected to the network, as well as a clear and transparent boundary.

It must also be noted that the development of an acceptable solution to ensure commonality in DUoS charges may be impeded by the current deadline.

***Deadline: 13<sup>th</sup> July 2010***