

Electricity North West Limited

304 Bridgewater Place, Birchwood Park,
Warrington, Cheshire WA3 6XG

Telephone: +44 (0) 1925 846999

Fax: +44 (0) 1925 846991

Email: enquiries@enwl.co.uk

Web: www.enwl.co.uk

Chris Chow
Senior Policy Analyst
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

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Dear Chris,

Re: EHV Boundary Consultation

Electricity North West has reviewed the EHV boundary consultation issued by Ofgem and have considered further the issue of where the boundary should lie since the DNO consultation on this subject. Previously, we expressed a preference for raising the boundary. However, the Ofgem consultation introduced some new options and we now prefer the new option 5a (new and existing customers who are metered at a substation with a primary voltage of 66kV or above are charged as EHV customers).

Our previous concern with the options that lowered the boundary is that it could be considered discriminatory to apply different charging methodologies to customers that are connected at the same voltage level. However, in the case of option 5a, we believe there is a good reason for applying the EDCM to all B1 and C1 customers and that such an approach would not be discriminatory.

Class B1 and C1 customers are metered at primary substations with a primary voltage over 66KV. These customers connected at HV because of the assets that were available to them within the vicinity of the site. Customers that connected at a 132/HV primary were unlikely to have had the option of connecting at 33kV or 33/HV. Many of these customers connected at HV as this was the only connection available to them and the most efficient engineering solution. Under the previous boundary definition, these customers were EHV and their expectation when they connected is that they would be considered as EHV.

Option 5a would have a low impact on customers and would retain the majority of class B customers on site specific charges. The application of the charging methodology would be non-discriminatory and the application of the boundary would be transparent and easy to understand by customers and suppliers.

We have a number of comments on the other options which are outlined below:

1. No Change Option

The option of making no change to the EHV boundary could be considered discriminatory. Many of the Class B customers are connected to the network at the same level as class C customers, but are priced on a different charging methodology. We believe that there is no good reason for maintaining this inconsistent charging basis and that the option for no change should be dismissed.

2. Inclusion of HVS customers into EDCM

Lowering the boundary to include HVS customers will lead to customers connected at the same level of connection, but on different charging methodologies. This situation could occur where one customer is metered within the substation and a second customer is metered just outside the substation. It would not be appropriate to use a different charging methodology under this circumstance where the physical connection of two customers is very close and this approach could be considered discriminatory

3. Moving Up the Boundary

We see this as a low impact option for Electricity North West, but recognise that it has a much larger impact on some DNOs. We previously favoured this option, but have amended our preference to option 5a for the reasons outlined above.

Under the raised boundary option, class B customers move from the current EHV charging methodology onto the appropriate CDCM tariff. For customers connected at a 132/HV substation, these customers would fall into the HH HV metered tariff within CDCM. However, this is not an appropriate tariff for these customers as it includes costs associated with 33kV and 33/ HV assets and therefore overstates the costs. If this option is chosen, the CDCM should be amended to create a new 132/HV substation tariff to ensure these customers are not disadvantaged.

We would therefore only support the raising of the boundary to 22kV if it were accompanied by the introduction of a new 132/HV substation tariff within CDCM.

4. Customer Choice

We do not believe that customers should be given a choice on which charging methodology they should be priced under. This raises potential discrimination issues that some customers that connect at the same voltage level have the option to cherry pick the cheaper charge while others do not. It also raises the possibility of customers flipping between pricing methodologies rather than incurring the charge that is most appropriate to that customer. Furthermore, a customer that moves between charging methodologies can have a potential impact on other customers charges, particularly within EDCM and it would not be fair for EDCM customers to incur an increase because a customer has decided to move to CDCM for the next year.

5. Capacity based / Hybrid Option

We recognise the principle that the EDCM charging methodology should be applied to customers who can react to locational price signals and that these tend to be larger customers. However, we have a major concern with applying the EDCM based on capacity or any other measure of customer size as, unlike the voltage of connection, the customer size may vary from year to year. The EDCM contains a scaling element which is volatile and can have a significant impact on a customer's charges. If a large customer flips between charging methodologies, this could have

a large impact on other customers within the EDCM who find the scaling element of their charge will become increasingly volatile.

We hope you find these comments useful and are happy to discuss them further if required.

Yours sincerely,



Tony McEntee
Head of Commercial Policy

