

To: Ofgem
FAO: Chris Chow
chris.chow@ofgem.gov.uk

14 July 2010

Dear Chris

Consultation on the EDCM/CDCM boundary; Ref: 72/10

We are writing on behalf of our client Morgan Stanley and in response to the afore-mentioned consultation, which was published on 15th June 2010.

We are Morgan Stanley's appointed energy consultants and act as their agents in energy matters.

The contents of this consultation affect our client's Data Centre at Unit D, Heathrow Corporate Park, Green Lane, Hounslow (MPAN 2000051336018, LLF 851). The site mentioned is connected to the electricity network at 66 kV, which is then stepped down to 11 kV.

Having read and considered the consultation document and having also considered the potential implications of the options for potential changes to the boundary between the CDCM and the EDCM, we would like to respond to the following questions raised:

CHAPTER TWO

Q1. We welcome views on any aspect of the options presented in this chapter, and seek to understand whether any additional options or issues should be considered.

We are satisfied that the options and issues outlined provide a balanced view on potential options for the treatment of existing EHV premises (Class B Customers), which is aided further by the consideration of the additional options developed in response to the recent Energy Networks Association (ENA) consultation.

Q2. We seek views on whether 'sole use' assets should feature in the definition of the boundary.

We recognise the consideration of including 'sole use' assets in the CDCM/EDCM boundary definition as a reasonable and appropriate approach and therefore support the inclusion of 'sole use' assets in the definition of the boundary.

Whilst we recognise that the definition of 'sole use' assets and the potential for changes to the utilisation status of a 'sole use' asset may represent issues in terms of providing a clear and long term boundary indicator, we believe that considering 'sole use' assets when defining the charging boundary represents a key means for acknowledging a site's connection arrangements and resultant cost implications.

On this basis, we believe that the consideration of 'sole use' assets as part of determining the charging boundary will aid in achieving the baseline aim of cost reflectivity.

CHAPTER THREE

Q1. What are your views on our suggested factors for considering the boundary options, and are any other factors relevant?

We believe that the suggested factors for considering the boundary options are relevant and appropriate.

We are in agreement with the view expressed in this section of the consultation document that a greater number of customers subject to the EDCM regime will provide a positive contribution to the cost reflectivity factor.

In addition to the suggested factors, we believe that legacy arrangements, i.e. the individual circumstances involved in the connection of existing Class B Customer sites, including but not limited to the financing and ownership of the required infrastructure, the rationale behind the original infrastructure investment decisions made by the site owners as well as the site-specific arrangements between the site owners and the Distribution Network Operators, should also be taken into consideration.

As one of the around 80 customers that would be affected by a potential re-classification of Class B Customers and a potential transfer to the CDCM regime, we are concerned that the potentially large impact on distribution charges for these sites, which has been recognised by both the ENA and Ofgem consultation documents, is not included as a relevant factor.

We believe that the protection of these customers' interests represents an important aspect.

Q2. What are your views on the grounds and issues that should be taken into account in determining whether any potential discrimination can be objectively justified? What

are your views as to whether discrimination occurs in respect of the options under consideration?

We believe that any potential discrimination should be avoided, where possible and where no objective justification exists.

We do not believe that Option 1 (No Change) and the resultant application of different tariffs based on the connection date (i.e. up to and including 01 April 2010 / post 01 April 2010) may be seen as discriminatory due to the existence of an objective justification. We believe that this option provides the necessary protection for and recognition of investment decisions made for sites connected prior to the EDCM whilst providing adequate cost and planning signals to new connections.

We are not in agreement with the view expressed for Option 2 (Raised Boundary) that it minimises the scope for discrimination. We believe that a universal raising of the EDCM charging boundary and the resultant non-consideration of legacy connection arrangements at existing Class B Customer sites represents an unbalanced and unjust approach.

We agree with the view expressed for Option 3 (Optional Raised Boundary) that it could appear to be discriminatory. However, we believe that a one-time only basis choice for existing (legacy) customers – as mentioned in this section of the consultation document - would be appropriate due to the existence of an objective justification for such policy.

We are in agreement with the views expressed for Option 4 (Lowered Boundary) in terms of its resultant level of potential discrimination.

Q3. We seek views on option 6 along with views on any of the hybrid approaches that respondents consider appropriate.

We believe that the consideration of authorised capacity in conjunction with other options may be appropriate. However, we share the concerns expressed around the implications arising from changes to the authorised capacity level at a site and the resultant potential for sites to move from the EDCM regime to the CDCM regime and vice versa.

Q4. 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.

Please refer to the views expressed in our response to Q2 in Chapter 2.

Q5. What issues are there around charging impacts? In relation to these are any specific measures required?

We are highly concerned by the potential impact on distribution charges – as evidenced by the initial cost calculations provided by the DNOs - should the EDCM charging boundary for existing customers be raised as proposed by a number of the options outlined in the consultation document.

Should the outcome of this consultation be a decision to raise the charging boundary, we strongly believe that significant improvements to the two common charging methodologies would be required.

We believe that such measures would need to include the introduction of additional HV distribution tariffs within the CDCM, which should be designed to differentiate between the various types of HV connections as well as to recognise the specific connection arrangements at Class B Customer sites.

Q6. 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 for the definition of the EDCM boundary is Option 1 (No Change). We believe that this option best recognises pre-EDCM connection arrangements and infrastructure investment choices made at existing Class B Customer sites, whilst providing a clearly defined charging boundary for all new connections.

As an alternative to our preferred Option 1, we believe that Option 3 (Optional Raised Boundary) would also represent a suitable outcome of the consultation, particularly if implemented with the suggested one-time only basis choice for existing customers.

Best regards,

Ralph Buechner
Flexible Energy Procurement Manager

