

Dear Chris,

Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages – Impact Assessment/Consultation

Further to the consultation on the above subject , and the subsequent workshop held in London on 28th June, we would like to outline the concerns that Nissan Motor Manufacturing (UK) Ltd have with current proposals in the consultation.

Firstly, may we summarise our current understanding:

The DNO's presented 4 options in the initial consultation, which Ofgem then requested an additional 3 following the initial impact assessment.

The current preferred option (from the DNO's) is OPTION 2 - RAISED BOUNDARY (RB).

Nissan Motor Manufacturing are a current EHV demand only customer, supplied at 11kV, metered at a sub-station with a primary voltage of $\geq 66\text{kV}$.

Nissan is a 'Class B' customer in the DNO customer classification.

If the preferred boundary change is adopted, this would effectively move NMUK from a EHV customer to a HV customer , thus changing our tariff to a CDCM charging method. We have several issue with this potential change which are outlined below:

We feel that this is **not** the most cost reflective boundary change - NMUK site is connected to the NEDL network via dedicated 66kV underground and overhead cables, and merely metered at 11kV for technical convenience and cost at the 66/11kV substation. We do not therefore utilise any of the 11kV network or share our 11kV connection assets with other customers.

We feel that this potential change discriminates against NMUK as the cost implications of moving from EHV to CDCM are significant, and only effect a minority of customers (37 demand customers at B1 level as per the DNO Customer classification).

The cost increase incurred severely affects our ability to be competitive as a manufacturing division. We bid for new model production against several other world wide manufacturing sites, with electricity being second only to wages as a plant overhead. An increase of circa £800k will affect our competitiveness and could result in new models being awarded elsewhere. This would put strain on the viability of the plant and the jobs it supports and wealth it creates.

Additional to the boundary issue, the new proposed EDCM charging methodology will introduce increased price volatility in the distribution charges year on year. This in turn makes any mid-term business planning extremely difficult in what is already a highly competitive market.

One of the key features of the EDCM (as per the Ofgem Impact Assessment) is that the charges are locational and forward looking as opposed to the CDCM which are based on relative contribution of different customers and costed at an average per customer category. As per the note above, in NMUK case, the CDCM methodology is **not** cost reflective.

The timetable for conclusion of the Boundary Change proposal is significantly undermined as many *customer's*(as opposed to providers and DNO's) have not been sufficiently advised of the potential cost impact and have insufficient time to digest and respond.

Conclusion

In summary, we feel that the preferred option of Raised Boundary is not cost reflective, discriminates against our organisation, will potentially affect the competitiveness of our plant and introduces increased cost volatility.

Our preferred Boundary Option would be OPTIONAL RAISED BOUNDARY (ORB) - this would alleviate many of the concerns highlighted above and allow us to remain in a competitive position within the automotive marketplace.