

Mr Chris Chow  
Distribution Policy  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your ref

Our Ref

Date

13<sup>th</sup> July 2010

Contact / Extension

Graeme Vincent  
01698 413504

Dear Chris,

**Re: Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages – Impact Assessment**

I am responding on behalf of SP Distribution Ltd and SP Manweb plc, the licensed distribution businesses serving the south of Scotland, Merseyside and North Wales.

Throughout the CDCM and EDCM projects and our considerations in respect of establishing a common boundary throughout the DNO community, we have had two primary concerns. Firstly the potential impact on charges to our customers resulting from changes to the boundary, and secondly to ensure that any changes are driven by a clear and unambiguous definition, giving clarity to those customers who may be affected and reducing the burden of administration which may result from some of the options proposed.

Our preference would be to move to Option 2- Raised Boundary, as this would provide a clear and transparent boundary (as noted by Ofgem) which is simple to understand and hence apply in practice and would avoid any undue discrimination going forward. As with most of the options put forward, it would involve some existing customers moving from EHV to CDCM charges. However, we think that the benefits from a simpler boundary definition applied consistently to both existing and new customers can be set against the adverse impact on charges for some individual customers.

We note the comments in the paper regarding the suitability of CDCM for some 'class B' customers, and a possible additional MVA threshold for EDCM charging (as in 'option 6'), and see this as the second strongest option. However, there a number of disadvantages with such an approach when compared with Option 2, including increased complexity and the potential for gaming as customers seek to move to the 'optimal' charging methodology by manipulation of their stated capacity requirement.

We do not support either of the no change options (Options 1 and 5), as these are likely to give rise to differing treatment of existing and new connections which seems counter to what DNOs have been requested to undertake.

We do not support the option 3, as this will again give rise to customers being treated on a different basis depending on what option they decide and hence will leave customers again under different charging arrangements. It is also not clear from the description of this option whether it is on a one-time only basis or if customers would be

able to 'flip-flop' between boundaries. Our preference, if this option were chosen would be the former, as this will fix the boundary for this customer going forward and minimise the amount of work required to manage the Charging models resulting from the customers decision.

We have significant concerns over the lowered boundary options (4 and 5a). Depending on the threshold chosen, these could result in a significant movement of customers from being charged under the CDCM methodology to the EDCM methodology, potentially hundreds of customers in a single DNO area. A change of this scale, including the BSC requirements for site specific loss adjustment factors, could threaten the current EDCM implementation plans. In addition, the introduction of a lowered boundary will also result in customers being connected at the same voltage level being treated differently.

Therefore our preference would be for Option 2 to be adopted for the reasons outlined above, but could support Option 6 if this was the preferred option of the other respondents to the consultation and a suitable threshold agreed. A 10MVA threshold may be appropriate, as this would align with an existing break point within the Balancing and Settlements Code.

I note that Ofgem are seeking views on how to define 'sole use' in the context of the boundary and would suggest that the definition should be consistent with that currently adopted for the DNOs RRP submission (and as currently defined in the RIGs glossary) as this will ensure that regulatory submissions are completed in a consistent manner by the DNOs and avoid the potential for any future confusion arising.

If you require any further clarification or have a question on any points raised within this response then please do not hesitate to contact me.

Yours sincerely,

*By e-mail*

Graeme Vincent  
Regulation & Commercial