

The background features a large, semi-transparent white arrow pointing to the right, overlaid on a blurred image of interlocking gears. The gears are in shades of blue and white, with a bright light source creating a lens flare effect in the upper left quadrant.

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

Stakeholder workshop

Welcome

- Purpose
 - To explain the context of our impact assessment and the options being consulted on
 - To discuss which customers should fall under the EDCM and the CDCM
 - Your views on the factors for assessing the options
 - Your views on the options
 - To answer your questions
- Agenda

Agenda

14:30	Welcome	Rachel Fletcher, Ofgem
14:35	ECDM/CDCM boundary consultation - Overview - Q&A	Colette Schrier / Chris Chow, Ofgem
15:15	Introduction to breakout sessions	Chris Chow
15:20	Breakout sessions	Discussion Groups
16:40	Break	
16:55	Headlines from breakout discussions	Colette Schrier / Chris Chow
17:15	Closing remarks	Colette Schrier

Background

- Previous price controls: 'EHV premises'
 - Different approaches by DNOs
- Preliminary thoughts: July 2009 EDCM decision:
 - Suggestion for commonality in line with development of common charging methodologies
 - Noted the potential impacts of reclassification on a minority group of existing customers
 - Maintained the status quo as an interim solution pending the outcome of further consultation by DNOs
 - Modified DNOs' licence to this effect
- DNOs' boundary consultation – April/May 2010
- Ofgem's impact assessment – June/July 2010

Key features of the CDCM and the EDCM

CDCM	EDCM
<ul style="list-style-type: none"> • Applies from 1 April 2010. • DNOs apply the same methodology. 	<ul style="list-style-type: none"> • Being developed (subject to Authority approval) and expected to replace existing EHV charging methodologies from April 2011. • DNO choice: Long Run Incremental Cost (LRIC) or Forward Cost Planning (FCP)
<ul style="list-style-type: none"> • For customers connected at the HV and LV levels but currently excludes certain designated properties that are currently subject to EHV charges. 	<ul style="list-style-type: none"> • Primarily for customers connected at the EHV level, subject to any change of the EHV boundary.
<ul style="list-style-type: none"> • Charges based on relative contribution of different customers to hypothetical 500 MW reinforcement. • Charges are <u>average</u> per customer category, e.g. HV HH metered and HV Substation HH metered. 	<ul style="list-style-type: none"> • Charges based on future reinforcements triggered by additional capacity at different locations on the network. • Charges are <u>locational</u> and forward looking.
<ul style="list-style-type: none"> • Subject to open governance arrangements through the DCUSA. 	<ul style="list-style-type: none"> • Same as the CDCM.

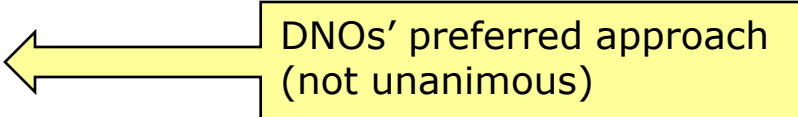
DNO customer classification / customer numbers

<p>Class A - Customers currently paying <u>EHV charges</u>, supplied at ≥ 22 kV</p>	<p>554 D + 329 G</p>
<p>Class B - Customers currently paying <u>EHV charges</u>, supplied at HV (1 kV - 22 kV) through a dedicated feed from a primary substation)</p> <ul style="list-style-type: none"> • Class B1 - Metered at a substation with a primary voltage of ≥ 66 kV • Class B2 - Metered at a substation with a primary voltage of 22kV-66 kV • Class B3 - Metered outside the substation • Unknown which category within Class B 	<p>Total: 70 D + 13 G of which: 37 D + 3 G 25 D + 6 G 6 D + 1 G 2D + 3G</p>
<p>Class C - Customers paying <u>CDCM charges</u>, supplied at HV (1kV-22kV)</p> <ul style="list-style-type: none"> • Class C1 - Metered at a substation with a primary voltage of ≥ 66kV • Class C2 - Metered at a substation with a primary voltage of 22kV-66 kV • Class C3 - Metered outside the substation • Unknown which category within Class C 	<p>Total: 20,333 D + 1,032 G of which: 5 D + 1 G 409 D + 30 G 9,494 D + 288 G 10,425 D + 713 G</p>

Boundary options

DNOs presented for consultation (April-May):

- Option 1 - No change (NC)
- Option 2 - Raised boundary (RB)
- Option 3 - Optional raised boundary (ORB)
- Option 4 - Lowered boundary (LB)



DNOs' preferred approach
(not unanimous)

Ofgem impact assessment considers these additional options:

- Option 5 - No change 2 (NC2)
- Option 5a - Lowered boundary 2 (LB2)
- Option 6 - Authorised capacity / other hybrid approaches

Boundary options - by basis of charges

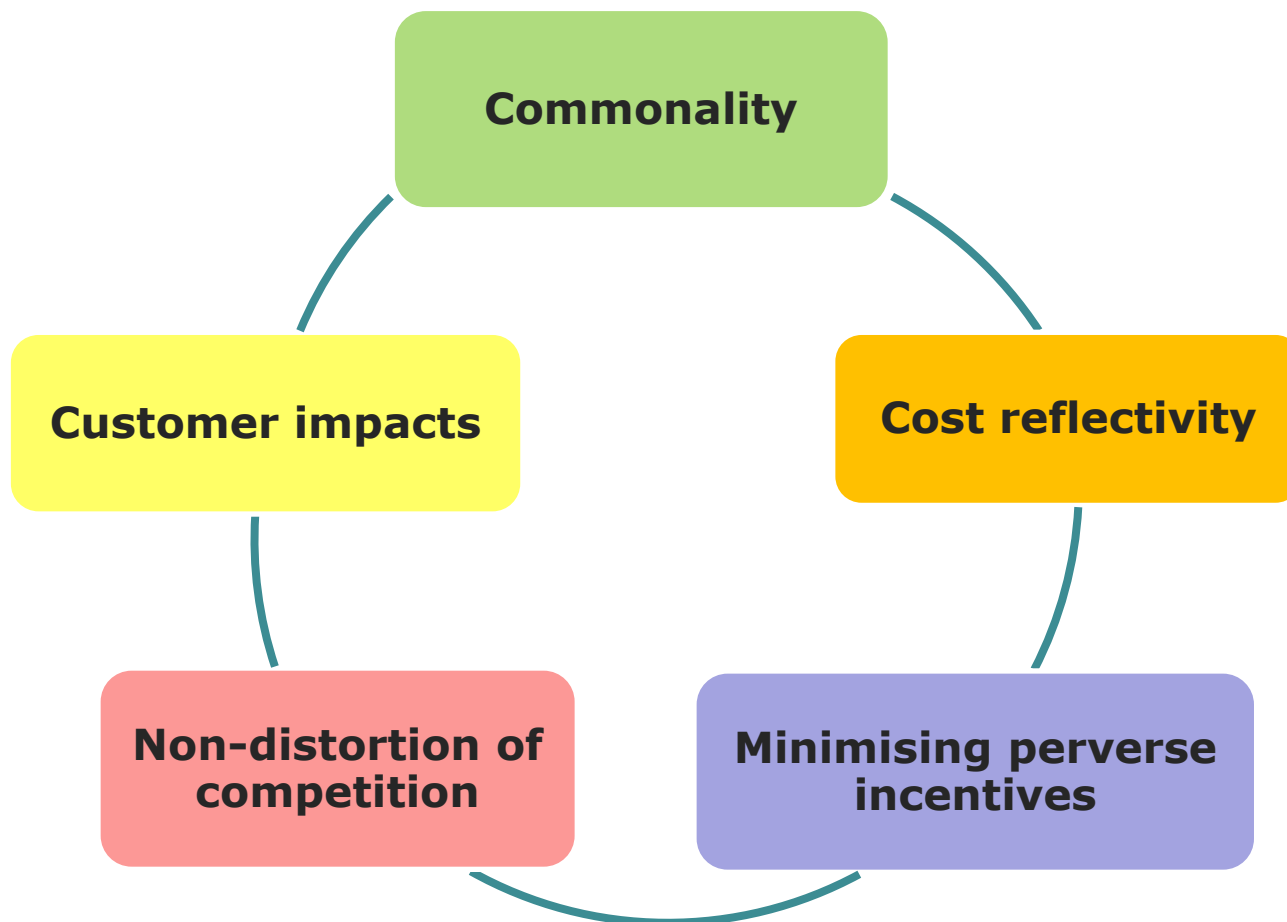
	Option NC	Option RB	Option ORB	Option LB	Option NC2	Option LB2	Hybrid
Class A	EDCM	EDCM	EDCM	EDCM	EDCM	EDCM	Depending on the threshold if any
Class B1	EDCM	CDCM	EDCM unless customers opt for the CDCM	EDCM	EDCM	EDCM	
Class B2	EDCM	CDCM		EDCM	EDCM	CDCM	
Class B3	EDCM	CDCM		CDCM	EDCM	CDCM	
Class C1 New (also known as A1)	CDCM	CDCM	CDCM	EDCM	EDCM	EDCM	
Class C1 Existing	CDCM	CDCM	CDCM	EDCM	CDCM	EDCM	
Class C2	CDCM	CDCM	CDCM	EDCM	CDCM	CDCM	
Class C3	CDCM	CDCM	CDCM	CDCM	CDCM	CDCM	

NB: Ofgem impact assessment notes that lowering the boundary to cover all HV customers at this stage appears to be impractical for implementation from April 2011

Boundary options - by voltage level

	Option NC	Option NC2	Option ORB	Option RB	Option LB	Option LB2	Hybrid
Class A	EDCM	EDCM	EDCM	EDCM	EDCM	EDCM	Depending on the threshold if any
Class B1	EDCM	EDCM	EDCM / CDCM	CDCM	EDCM	EDCM	
Class C1 New (also known as A1)	CDCM	EDCM	CDCM	CDCM	EDCM	EDCM	
Class C1 Existing	CDCM	CDCM	CDCM	CDCM	EDCM	EDCM	
Class B2	EDCM	EDCM	EDCM / CDCM	CDCM	EDCM	CDCM	
Class C2	CDCM	CDCM	CDCM	CDCM	EDCM	CDCM	
Class B3	EDCM	EDCM	EDCM / CDCM	CDCM	CDCM	CDCM	
Class C3	CDCM	CDCM	CDCM	CDCM	CDCM	CDCM	

Some factors for evaluating options and tradeoffs



Updated illustrative charging impacts on a minority group of Class B demand customers

Subject to change in light of the ongoing development of the EDCM

- RB – Impact of moving from current charges to the CDCM

From current EHV charges to CDCM	Smallest	Average	Largest	Number of cases of increase by threshold					
				>£1m	£500-1,000k	£250-500k	£100-250k	£0-100k	<£0
- Absolute change	-217,120	160,981	1,313,744	1	4	11	16	18	14
- % change	Smallest	Average	Largest	>10 times	5-10 times	3-5 times	1-3 times	0-1 times	=<0 times
	- 71%	+128%	+807%	0	2	8	17	23	14

- LB / NC – Impact of moving from current charges to the EDCM

From current EHV charges to EDCM	Smallest	Average	Largest	Number of cases of increase by threshold					
				>£1m	£500-1,000k	£250-500k	£100-250k	£0-100k	<£0
- Absolute change	-391,270	-9,634	341,451	0	0	1	7	30	26
- % change	Smallest	Average	Largest	>10 times	5-10 times	3-5 times	1-3 times	0-1 times	=<0 times
	- 71%	+189%	+8541%	1	3	0	7	27	26

Debates on tradeoffs

<p>No change Optional raised boundary No change 2</p>	<p>Stability for a minority/legacy B customers for now ... but non-commonality could hinder competition; and are these arrangements cost reflective?</p>
<p>Raised boundary</p>	<p>Common, transparent and facilitates competition ... but overall less cost reflective, possibly affect a minority group significantly</p>
<p>Lowered boundary Lowered boundary 2</p>	<p>Overall more cost reflective (data available), common, facilitate competition ... but unclear of the risk of perverse incentive and if “sub-station” itself is the most sensible basis for classification (in line with business context and discriminatory?)</p>
<p>Hybrid, e.g. authorised capacity</p>	<p>This is an add-on option, e.g. proportionate to calculate cost specific/locational charges for big users ... but is a commercial boundary sensible?</p>

Roadmap

- Late July – Decision on the way forward following responses to impact assessment
- Late July/August – Any changes to the licence subject to a 28-day statutory consultation period
- End of August - Licence change, if required (subject to DNOs not blocking)

Any questions?

Breakout sessions - Housekeeping

- The breakout sessions are to listen and discuss your views.
 - Ofgem facilitator can clarify and explain as and when required.
 - Each group will discuss 4 questions (20 mins @, see next slide).
 - We will note the key issues for presentation back to everyone in the summary session.
 - We have a note taker for each group, but sessions will not be minuted.
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- Groups 1 & 2 in this room. Groups 3 in another room.
 - Finishes 16:40, then a tea/coffee break.
 - Reconvene here at 16:55 for a summary of discussions and closing remarks.

Breakout sessions - Questions

1. How should the tradeoffs be assessed?
 - a) Should the boundary apply in a common manner across similar customers?
 - b) Should cost reflectivity take precedence over customer impacts?
2. What are attendees' most/least preferred options? Can your breakout group agree a common position?
3. What timescales should apply if there is a change in boundary? Should a change be phased in, and how?