

Reference:



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Ofgem
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Dear Rachel,

ELEXON's response to the Ofgem consultation on revised submission and implementation dates for the EHV Distribution Charging Methodology (EDCM)

Thank you for the opportunity to respond to this Ofgem consultation.

Why does the implementation date interest ELEXON?

ELEXON administers the Balancing and Settlement Code (BSC) settlement arrangements. Under the BSC we are required to audit the calculation of Line Loss Factors (LLFs) submitted to us by the Licensed Distribution System Operators (LDSOs).

These LLFs are used in the BSC settlements process to account for the distribution losses incurred in transporting power across the distribution network, between the transmission/distribution boundary and the embedded customer's settlement meter. In general these LLFs are calculated by LDSOs in advance and do not change during the year they are effective. Although static, these LLF values are calculated in advance to vary by time of day/season.

The EHV/HV boundary is important in this process because the LLF calculation method that LDSOs must employ ("Site Specific" or "Generic") is dependent on whether the LLF is to be applied to a site designated as EHV connected; or to a site designated as HV or lower voltage connected.

The LLFs are calculated by LDSOs for submission to ELEXON by 30 September prior to their use in Settlement on 1 April in the following year. Any change to the definition of the EHV/HV boundary will impact the LLF process administered under the BSC.

Potential impact of a mid year implementation date

We understand that the higher/lower voltage (EDCM/CDCM) distribution charging boundary change (resulting from the Ofgem decision published on 22 July 2010) and EDCM would be implemented concurrently. Therefore the proposal to change the EDCM implementation to 1 October 2011 would imply that the charging boundary change would also be implemented on 1 October 2011.

It would seem right that we align the LLF calculations' EHV/HV boundary with the charging methodologies' EHV/HV boundary.

However, 1 October 2011 is mid way through the BSC Year (April 2011 to March 2012) in which the LLF values are applied.

We therefore need to consider whether sites newly classified as EHV under the distribution charging methodology from 1 October 2011 should have a change of LLF (from Generic to Site Specific) on that date, a situation not currently envisaged under the BSC Procedure.

Our current thinking, subject to BSC Panel consideration and approval¹, is that we would apply HV Generic LLF values for the whole BSC Year for any sites changing to EHV as a result of the charging boundary change, i.e. until 31 March 2012.

If the introduction of the EDCM was from 1 April in any year, it would allow the alignment of the EDCM and LLF values to be effective from the same date. Additionally if the implementation date were 1 April 2012 rather than 1 April 2011, all the newly classified EHV sites could be identified before the submission of LLFs for that year was due.

As noted above, under the current BSC Procedure submission of LLFs is required by 30 September, i.e. 6 months in advance of the 1 April date from which they become effective. We are anticipating that not all newly classified EHV sites will be identified by 30 September this year. This will require additional work this year, including LLF re-audits for the new EHV sites when they are individually identified and checking that no other sites are impacted by any changes.

The Ofgem consultation paper notes that, as a result of the decision on the charging boundary, customers newly captured within EDCM have not yet had a chance to comment on the EDCM. We note that these customers and the BSC Parties responsible for their sites' consumption/generation will also be impacted, by LLF changes if we align the LLF EHV/HV boundary with EDCM, or if we defer alignment.

We are already in the midst of the approval process for LDSO's LLF calculation methodologies for 2011/12. LDSOs were required to submit these methodologies by 1 August 2010 so that they could be approved and then be used by LDSOs for calculating and submitting LLF values by 30 September 2010. If the EDCM implementation date were moved to 1 April 2012 this would give affected customers and BSC Parties, not all of whom are yet identified we understand, more visibility of the justification for and the actual LLF values to be applied to their sites.

So we would ask Ofgem to consider moving the EDCM implementation date to 1 April 2012 if it is being moved at all. This will avoid the need for re-audits this year and avoid the mid year issue of whether we need two sets of LLFs. It will also allow time for the approach to calculating LLFs for newly classified EHV sites to be well defined before the 2012/13 BSC Year in which they first apply.

We hope you find these comments helpful. If you wish to discuss this response further please contact me on 020 7380 4253.

Yours sincerely

Steve Wilkin
Market Advisor

¹ Currently delegated to the BSC Panel ISG and SVG committees.