



MODIFICATION PROPOSAL

Changes to the Use of System Charging Methodology for excess reactive charging to designated EHV properties

Use of System Modification – 34

For Approval by the Gas and Electricity Markets Authority

06 October 2010

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1. Version Control

Author	Version	Date
Oliver Day Pricing Development Manager	Draft Modification Report	05 October 2010
Oliver Day Pricing Development Manager	Final Modification Report	06 October 2010

2. Scope

- 2.1. This modification proposal is submitted under standard condition 13 of the Electricity Distribution Licence by EDF Energy Networks Ltd on behalf of EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc, EDF Energy Networks (SPN) plc, hereafter referred to as “EDF Energy Networks”.
- 2.2. Enquiries about this proposal should be made to:
Oliver Day, Pricing Development Manager, EDF Energy Networks, 01293 657880, oliver.day@edfenergy.com.

3. Summary of the Proposed Modification

- 3.1. EDF Energy Networks proposes to modify its Use of System Charging Methodology for its Distribution Systems to align the application of excess reactive charging to designated EHV properties on to the same charge application basis as the CDCM in order to take account of changes that have taken place in the industry.
- 3.2. The changes that have taken place are:
 - 3.2.1. Approval of the CDCM by the Gas and Electricity Markets Authority for use to calculate charges from April 1010 for Designated Properties.
 - 3.2.2. The introduction of standard tariff application and billing as part of the CDCM implementation.
- 3.3. This change is being proposed to assist the industry by providing the same excess reactive charge application that is used for HV and LV tariffs to EHV tariffs for designated EHV properties.
- 3.4. This change proposal changes the excess reactive charge application from three charging bands to two charging bands.

4. How the proposed change better meets the relevant objectives

- 4.1. The Relevant Objectives in SLC 13.3 are:
 - (a) that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
 - (b) that compliance with the methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
 - (c) that compliance with the methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business; and
 - (d) that, so far as is consistent with sub-paragraphs (a), (b), and (c), the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee’s Distribution Business.
- 4.2. The introduction of this proposal will align EDF Energy Networks designated EHV properties excess reactive charge application to the same excess reactive charge application as all other DNOs. This is a consistent basis used across the industry and mirroring this application will help suppliers to pass on the charges accurately to their customers on a ‘level playing field’ basis and therefore not advantage or disadvantage any suppliers. This enhances competition in the supply of electricity and therefore better meets relevant objective (b).

- 4.3. This change reflects the application of charges as part of the introduction of the CDCM and therefore takes account of developments in the licensee's distribution business and better meeting objective (d).

5. Proposed changes

- 5.1. This change does not involve any change to the EDF Energy Networks charging methodology statement. The current wording states "The excess reactive power charge, applied in bands according to the level, provides a behavioural pricing signal to customers to improve their power factor".
- 5.2. There are currently three bands; the first band (unity to 0.95pf) has a zero excess charge applied, the second band (0.95pf to 0.75pf) and third band (>0.75pf) have positive excess charges applied.
- 5.3. We are proposing to remove the third charge band and change the excess charge range of the second band to units used in excess to 0.95pf. Thereby charging all reactive units used that are in excess of 33% of the active charges used under the second charge band.
- 5.4. This proposal involves a change to the Use of System Charging Statement. In "Table 5 – Site specific tariffs for HH metered EHV" and "Table 8b –Generation Tariffs for HH Metered EHV" the two "Excess Reactive charge bands" columns will be removed. They will be replaced with one column titled "Excess Reactive Power Charge (p/kVAh)".

6. Timetable for implementation of the modification

- 6.1. EDF Energy Networks propose to implement this methodology from the date of approval.

7. Proposed Tariff Impact and consultation

- 7.1. This proposal has a very small impact on charges and therefore no consultation has been undertaken.
- 7.2. This change was introduced to HV and LV sites with the introduction of the CDCM.
- 7.3. The change will impact one designated EHV property in the LPN area, four designated EHV properties in the EPN area and zero sites in the SPN area. The effect will be an average reduction in reactive charges for these five sites of £75 per month against average monthly distribution charges of £18,600 per month.