

# LCNF Full Submission

## Supplementary Answer Form

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<b>DNO Name:</b>	SHEPD	<b>Question Number:</b>	SSE034
<b>Question Date:</b>	23/09/10	<b>Answer Date:</b>	24/09/10
<b>Question Topic:</b>		Charging Derogation	

<b>Original Question No:</b>	SSE028	<b>Original Answer Date:</b>	20/09/10
<b>Original Question:</b>	Can you please be definitive about whether you will require a charging derogation to undertake your trial. In particular can you outline how your proposal to offer payments to domestic customers is compatible with your current charging arrangements and subsequent licence obligations.		
<b>Original Answer:</b>	<p>We do not believe our proposal to offer payments to domestic customers conflicts with our current charging arrangements and licence obligations.</p> <p>We want to work with Ofgem to ensure that LCN trials can be smoothly rolled-out. We recognise that customers may need to be 'compensated' or have their charges adjusted to account for their role in any LCN trials.</p> <p>This is likely to be an element that applies to all LCN trials to some degree. We believe these can sit outside the common charging arrangements. From a transparency perspective, we believe there may be merit in preparing a LCN methodology statement specific to each project that clearly sets out the methods by which any payments that will be calculated made to any small sub set of customers that are participating in an aspect of an LCN trial that warrants.</p> <p>This statement would evolve and be enriched through the life of the project as the level of understanding and learning with regards to the benefits and economics of each project grows.</p> <p>Should Ofgem disagree, we (and other DNOs) would be forced down the route of change control of the common methodology under the DCUSA. We believe this would be cumbersome and inconsistent with the duration and intent of the trials.</p>		

<b>Question:</b>	Can you confirm that the UoS tariffs levied on customers (incl. I&C) participating in the trial will remain as per your current charging methodology and that any payments made to these customers will be purely for participation in the trial? See answer overleaf
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<p><b>Answer:</b></p>	<p>We can confirm that the UoS tariffs levied on all customers participating in the trial will remain as per our current charging methodology. As stated previously, for customers that agree to being involved in LCN trials, it is our intention to make <i>ex gratia</i> payments to customers (or their agents) to recognise their participation. Going forward, we would seek to develop our charging statement to accommodate these new arrangements on an enduring basis.</p> <p>We are, however, also seeking to encourage large customers to shift and flex demand patterns. This will require designing new commercial arrangements, including incentive schemes to promote participation. As with domestic customers, we intend to make <i>ex gratia</i> payments to I&amp;C customers to facilitate this for the purposes of the trial. In the longer-term, it is our intention to develop these as Ancillary Services.</p> <p>If, as part of more enduring arrangements, changes are required to our charging methodology, they will require Authority approval and we will therefore work closely with Ofgem whilst we develop these products to ensure that current licence obligations continue to be met.</p>

<p><b>Attachments:</b></p>	<p>n/a</p>
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