

LCNF Full Submission

Supplementary Answer Form

DNO Name:	SHEPD	Question Number:	SSE045
Question Date:	20/10/10	Answer Date:	22/10/10
Question Topic:		Charging derogation	

Original Question No:	SSE034	Original Answer Date:	24/09/10
Original Question:	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?		
Original Answer:	<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&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>		

Question:	<p>In your response to SSE033 & SSE034 you stated that both trials would seek to encourage large customers to shift their demand patterns. You commented that this will require new commercial arrangements and that as part of the trial you will make <i>ex gratia</i> payments to I&C customers to facilitate this shift in demand. However, you state that these payments will be developed into ancillary services only in the longer term.</p> <p>Can you please clarify whether these <i>ex gratia</i> payments will be designed to reward these customers for providing flexible demand or be made purely in recognition of participation in the trial and regardless of whether or not customers provide any flexible demand.</p>
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	<p>Futhermore, if the payments are in return for flexible demand, will they be made by yourselves or via an ESCO who you contract with?</p>
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<p>Answer:</p>	<p>As stated previously it is our intention to initially use ex gratia payments to facilitate I + C customers participation in the project, with the long term intention that the payments will be developed into ancillary services. The rationale for this is based on the following:-</p> <ul style="list-style-type: none"> • There is currently no clear method of providing balancing and ancillary services payments to this group of customers at present. • If a customer is to participate in the scheme then they will obviously need to either invest in new equipment or alter there process in order to be able to flex their demand. Therefore, it was essential to try and provide some indication to the level of payment that could be anticipated. • Obviously, DSR schemes will have an impact on the customers energy profile. Within the current market arrangements suppliers may view this as an additional risk (given that the supplier will be purchasing its power to balance its position from the GB-wide market) and this may result in the customer being charged an additional premium to reflect this added uncertainty. These payments will also be necessary in the short term to provide “temporary adjustment” to offset any additional costs faced by the customer as a result of this. <p>The level of payment should be reflective of the extent to which the customer can control their demand i.e. response time, duration, control range etc</p> <p>For project costing purposes we have estimated the level of customers payment that we feel is required to encourage their participation.</p> <p>Any ex gratia payments will be made directly from SHEPD to the customer or their agent.</p> <p>The learning from the project will provide information on the commercial and regulatory regimes required in order to establish a functioning market place for the deployment of both DSM and the large scale provision of ancillary services. T</p> <p>This will allow both Network Operators, Suppliers and potentially others to develop new charging mechanisms, tariffs and associated products and services to allow customers to participate.</p> <p>.</p>
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Attachments:	
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