Table 1 Generic areas of risk for the delivery of the EDCM

Area or element of risk	Nature of the risk	Reason	Mitigation measures	Timelines for mitigation measures (indicative)
Portfolio Tariffs – Data Exchange	There is a risk that portfolio tariffs for EHV connected networks will not be delivered.	The provision of data between the DNOs and IDNOs needs to be agreed to ensure that charges can calculated and billed correctly.	The current CDCM data exchange processes needs to be extended to included the EDCM.	This needs to be agreed by the steering group prior to commenceme nt of April 2012 billing run.
Portfolio Tariffs – Billing	The introduction of portfolio tariffs introduces the need to potentially utilise significantly more LLFCs than are available for use in the settlement system.	Under the arrangements for billing the discounted CDCM element of CDCM and EDCM LDNO tariffs in respect of NHH end users, the LLFC needs to encode the GSP group, voltage level of the end user and category of the boundary. For a distributor operating in all 14 GSP group, this means at least 14*3*17 = 714 LLFCs. Separate LLFC must also be assigned to customers with site-specific loss adjustment factors. Under the BSC, only 1,000 LLFCs are available. There is a risk that this is not enough to support the proposed billing solution. Some billing systems also use the LLFC as a use of system tariff code. This substantially increases the number of LLFCs required	Potential mitigation measures include: 1) changes to current billing systems to facilitate removal of one to one relationship with “one to many” (eg LLFC will use multiple PC, SSC, MTC combinations to describe a DUoS tariff) 2) Affected licensed distributors requesting additional Distributor IDs, e.g. an additional Distributor ID for each GSP Group ID where the distributor is operational. 3) Restricting the range of tariffs available to customers of IDNOs or out of area networks. 4) Reengineering of the settlement system (including BSC suppliers’ ad supplier agents’ system) to permit longer or alphanumerical LLFC values.	Changes will be notified to industry stakeholders.
Contractual	Inability to bill pre-2005 generation sites due to potential delays in resolving compensation arrangements.	Unable to collect revenue either through contractual exemption of charges or refusal to pay. Waiting Ofgem decision on compensation arrangements.	Resolution of outstanding issues prior to April 2012 billing run.	April 2012

Area or element of risk	Nature of the risk	Reason	Mitigation measures	Timelines for mitigation measures (indicative)
Legal/ Financial	Outliers may raise issues with DNOs	Outliers (customers with significant movements (increases or decreases) between previous charges and the EDCM charge) may consider that the change (generally where an increase) in charges is unfair.	Under the EDCM, the allocation of identifiable costs and demand scaling to individual customers is largely determined by the value of network assets that each customer is deemed to use. The other determinants are capacity and consumption at the time of DNO peak. In the site-specific approach, power flow analysis is used to match customers and the network assets. The power flow analysis, however, might in some cases indicate usage of network assets that may be affected by wider network design considerations unrelated to the needs of that customer. To address this, DNOs have decided to adopt a “cap and collar” approach to tackle the issue of outliers. Under this approach, the cap and collar would apply to the network use factors that in turn determine the value of shared network assets that are deemed to be used by each customer. The DNOs have decided that, for a network level, a common cap and collar would be used across all DNO areas. The cap and collar would only be applied for the purpose of allocating costs and demand scaling to individual customers, not for determining the overall revenue to be recovered from the EDCM demand customer group.	
Legal/financial considerations	End users may dispute their charges.	End users may feel that the charges have not been fully justified or are not cost reflective.	Individual DNOs to explain charges and the methodology approach. DNOs will seek to amend connection agreements with CVA connectees to place an obligation on them to pay DUoS charges.	Ongoing

Area or element of risk	**Nature of the risk**	**Reason**	**Mitigation measures**	**Timelines for mitigation measures (indicative)**
Legal/Licence breach	Customer who have contributed to sole – use assets may consider they have been double charged	Customers who have fully funded their sole-use assets through connection charges that are not recognised under the new definition of sole-use assets in the model may consider themselves to be double charged	The definition for sole-use assets in the EDCM is based on a technical assessment rather than the commercial boundary of connection. We will be seeking to develop the methodology to take account of fully-funded customer connection contributions.	April 2012
Legal / Financial	Generators in certain situations may consider their charges to be unfair.	Generators who are connected on long shared feeders sized to the capacity of the generator will see significant charges which could mean the generators may no longer be commercially viable. Note: the capping amendments do not assist generators who do not share their assets with other generators or who are connected on long (and therefore expensive) feeders.	Where appropriate bring forward a derogation from the methodology	September 2011
Legal/Financial	The pre-2005 DG decision may lead to derogations from the methodology	We have reviewed our pre-2005 DG contracts and we have not found any instances where the incumbents are specifically entitled to use of system charge at zero charge in perpetuity, however this is always open to legal challenge and the issues are not always clear cut in the connection agreements. If this is successfully challenged then we would need to bring forward a derogation from the EDCM for these customers.	Where appropriate bring forward a derogation from the methodology	September 2011
Legal/Financial	Non-standard connection commercial arrangements	The implementation of the new EHV charging methodology may highlight non-standard	Where appropriate bring forward a derogation from	September

Area or element of risk	Nature of the risk	Reason	Mitigation measures	Timelines for mitigation measures (indicative)
	may give rise to derogations from the methodology	connection commercial arrangements from earlier eras; we have not tried to develop a methodology that accounts for all of these known or unknown circumstances. Therefore the implementation may bring about disputes with customers where they feel they need to be treated as a special case – in these circumstances it may be appropriate to bring forward a derogation to all or parts of the methodology.	the methodology	2011
Manifest Errors	There is a risk for errors and once errors have been identified remedial action may require inter year tariff changes.	Once prices are set for April they are fixed until October with the load flows not typically being run again until the following April prices are set.	There is no strong mitigation apart from a proposal to build part year model. By this time a customer or customers could have been undercharged or overcharged	The part year model is to be looked at post the submission.
Boundary between CDCM and EDCM	Potential challenge to existing boundary definition and further refinements proposed.	A significant number of customers to be assessed for the potential boundary change. Existing definition may lead to customer challenges.	Ofgem and DNOs to assess requirements for further revisions to boundary definition in light of any new economic and technical evidence.	Post submission and possibly delivered through open governance arrangements

Table 2 SSE Power Distribution

Area or element of risk	Nature of the risk	Reason	Mitigation measures	Timelines for mitigation measures (indicative)
Portfolio Tariffs – Billing	See Generic risks Unless the issue of limited LLFCs is addressed then there is a high likelihood that SSE will be unable to fully implement portfolio tariffs .	SEPD operates as a licensed distributor in 11 GSP Groups, and uses LLFC as a use of system tariff code.	See Generic Risks SEPD will apply for derogation as necessary to implement mitigation measures.	Changes will be notified to industry stakeholders.