



To generators, distribution and transmission network operators, suppliers and other interested parties

Promoting choice and value for all gas and electricity customers

Direct Dial: 020 7901 7194
Email: rachel.fletcher@ofgem.gov.uk

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Dear Colleague

Decision on revised timetable for the EDCM for export charges and deferral of EDCM:CDCM boundary for export customers

We issued two consultations on use of system (UoS) charges for distributed generators (DG) on 21 October 2011. The first was on a time-limited exemption for pre-2005 DG and the second was on the way forward for UoS charges for higher voltage DG¹.

In the consultation on the way forward for higher voltage DG charging, we asked some questions in relation to the timetable surrounding the introduction of these charges. These questions covered the date at which EHV Distribution Charging Methodology (EDCM) DG charges would commence; if the boundary change for DG should be aligned with this date; and for any other feedback on the proposed timetable we set out in the consultation.

The revised implementation date of 1 April 2013 and aligning the boundary change for generators with this date received a high degree of support (see appendix to this letter). We have therefore decided to:

1. Set a date of 1 April 2013 from which EDCM charges for DG would commence
2. Defer the date on which the CDCM:EDCM boundary will change for DG so that it coincides with the introduction of EDCM DG charges (ie 1 April 2013)
3. Require the distribution network operators (DNOs)² to resubmit their EDCM DG charging methodology by a provisional date of 1 June 2012

A commencement date of 1 April 2013 for EDCM charges for DG would ensure that all types of customers (ie demand and generation) at all the voltage levels (LV, HV and EHV) are covered by a common charging methodology from 1 April 2013. To delay the introduction of these charges any longer would continue the uncertainty in this long running project. We consider that this date provides sufficient time for the DNOs to consult on a revised methodology and enable us to make a decision on the methodology.

We have decided to defer the change in the CDCM:EDCM boundary for DG so that it occurs at the same time as the introduction of EDCM DG charges. If the boundary for DG were to change on 1 April 2012, then there is the potential for perverse outcomes to occur. For example, some Common Distribution Charging Methodology (CDCM) DG, currently receiving credits, but who will become EDCM under the new boundary, would be charged

¹ Both consultations can be found at <http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>

² DNOs are Distribution Services Providers as defined in standard licence condition 1 of the electricity distribution licence.

under DNOs' existing methodology until 1 April 2013, only to then be charged (or credited) a different amount under the EDCM.

We have set a date of 1 June 2012 for the DNOs to resubmit their EDCM for DG to give customers as much notice of new charges as possible. We consider this will give the DNOs sufficient time to redevelop and consult on the methodology, as well as undertake appropriate error checks of the associated methodology statements and Excel files. In setting 1 June 2012 as the date in the licence that they must resubmit, we note that the existing derogation power in Part J of section 50A of the licence continues to apply, should it be necessary to use that power.

We have put this decision out as soon as possible following the deadline for consultation responses. We have done so in order to provide certainty to stakeholders and to ensure the associated licence changes come into effect prior to 1 April 2012 – the date on which the boundary would otherwise change for DG.

Other matters canvassed in both consultations will be addressed early in the new year.

To implement this decision, we have issued a statutory consultation today that proposes changes to the licence. This consultation can be found at:

<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>

If you have any questions in relation to this advice, please contact Lawrence Irlam at Lawrence.irlam@ofgem.gov.uk or on 020 7901 3064.

Yours sincerely



Rachel Fletcher
Acting Senior Partner, Distribution

For and on behalf of the Authority

Appendix

Summary of responses to Questions 3.1-3.3 in Distribution use of system charging: way forward on higher voltage generation charging (Reference number: 134/11)

Question 3.1: Do you think EDCM charges for non-exempted generators should apply from 1 April 2013? Why?

Sixteen out of the 20 that responded to this question responded positively to the suggestion that new charges should be implemented from 1 April 2013. A number of respondents considered that this would give sufficient time to address the issues raised in the consultation. Of the three that did not support this date, two thought it should be delayed until 2015, while the other did not support use of system charges for generators (other than sole use asset charges).

Question 3.2: Do you agree that the boundary change for generators should be deferred to coincide with the implementation of EDCM generator charging? Why?

Eighty per cent of respondents to this question agreed that the boundary change should be delayed to coincide with the implementation of EDCM generator charging. The broad sentiment expressed was that it would not make sense to change the boundary now for an intermediate period of only one year. Only one respondent disagreed with deferral on the basis that it would discriminate against demand users, but did not provide further explanation of this point. Two respondents expressed disagreement with the boundary change itself.

Question 3.3: (see next page)

Date	Action
21 October 2011	Publish consultations on time-limited exemption and way forward on EDCM DG charging
5 December 2011	Consultation period closes for above consultations
January 2012	Decision on length of time-limited exemption Refinement of EDCM DG options and feedback to DNOs on options
February-March 2012	DNOs publish joint consultation on EDCM DG charging proposals, including individual impacts on DG
April-May 2012	DNOs submit revised EDCM DG methodology to Ofgem
May-June 2012	Ofgem consultation on DNOs' revised EDCM DG proposals
August-September 2012	Ofgem publishes decision on EDCM for DG
1 April 2013	Charges for non-exempt DG commence Revised EDCM/CDCM boundary for DG implemented

Question 3.3: Do you have any comments on the suggested timetable (reproduced above) for the reconsideration and subsequent approval of EDCM charges for DG?

This question asked for comments on the timetable, rather than whether parties agreed with it. A number of respondents thought that it was broadly appropriate, particularly stressing that they would like the Ofgem decision in August, in order to give generators as much notice of new charges as possible. However, one respondent thought that re-consultation on a better set of options was needed. The two respondents that supported deferral of the introduction of EDCM DG charging to 2015 reiterated this position in their response to this question.

One party encouraged the production of indicative charges as soon as possible to assist pre-2005 generators in their decision about whether to choose the exemption or be subject to use of system charges.