



Making a positive difference
for energy consumers

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To the Company Secretary,

Decision to grant a derogation under SLC 13A.14 to relieve Southern Electric Power Distribution plc of its obligation to charge a customer under the CDCM in 2013/14.

On 20 December 2012, we published a letter¹, relating to Distribution Use-of-System (DUoS) charges that the Distribution Network Operators (DNOs) set under the Common Distribution Charging Methodology (CDCM) and the Extra-high voltage Distribution Charging Methodology (EDCM). The issue is that one customer in the distribution area of Southern Electric Power Distribution plc (SSE) was identified as a CDCM customer only shortly before the charges took effect, after previously expecting to be charged under the EDCM.

We sought views on whether to grant a derogation such that SSE would be relieved of its obligation to charge that one specific customer under the CDCM and could instead charge it under the EDCM for a period of two years (2012/13 and 2013/14). We considered that a two-year derogation could be warranted by the timing of our consultation. We received seven responses to our consultation. Six were non-confidential, and will be published on our website in due course. On the question of the derogation, two respondents expressed no view. Four respondents supported a derogation in this case, but there was caution that this should not be seen as a precedent. One respondent opposed a derogation, on the grounds that other customers had experienced large changes in their charges, with short notice.

We understand the concerns raised by respondents about the proposed derogation. We agree that some other customers experienced significant changes in their DUoS charges when the CDCM and EDCM were introduced. However, as set out in our consultation letter, we consider that this particular customer's situation was made worse by the fact that it was identified as a CDCM customer so late in the process. This meant that the customer had limited opportunity to take any action between learning that it was to be charged under the CDCM, and its CDCM charges commencing. Firstly, we had already reached our decision on the definition of a Designated EHV Property, so there was no opportunity to make representations in support of a different definition. Secondly, the customer had only a short time to consider technical or commercial options that could have changed its specification.

We have decided to grant a derogation for one year, 2013/14, such that SSE should charge the customer under the EDCM instead of the CDCM. From 1 April 2014, SSE must charge the customer in line with its CDCM. This decision is given effect by the direction that is attached below.

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=876&refer=Networks/ElecDist/Policy/DistChrgs>

We consulted on granting a derogation that would include 2012/13. However, we are still considering the issue of charges for the customer for 2012/13. We have sought clarity from SSE on some points, and will make our decision once we have received more information from SSE.

Finally, our consultation also sought views on whether it could be appropriate for the industry to review the treatment of 132kV/11kV sites (and similar sites) under the CDCM. We will comment on this issue in due course, once we have reached a decision on the proposed derogation for 2012/13.

Yours sincerely,

Andy Burgess
Associate Partner, Transmission and Distribution Policy

Direction issued to Southern Electric Power Distribution plc by the Gas and Electricity Markets Authority pursuant to paragraph 13A.14 of Standard Condition 13A (Common Distribution Charging Methodology) ("SLC 13A") of its Electricity Distribution Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant SLC 13A.14 of the Electricity Distribution Licence (the "Licence") treated as granted under section 6(c) of the Electricity Act 1989 (the "Act") to Southern Electric Power Distribution plc (the "Licensee").
2. SLC 13A.2 states that SLC 13A applies to the Licensee in relation to Designated Properties (as defined in SLC 13A.6).
3. SLC 13A.4 requires that the Licensee must at all times implement and comply with Common Distribution Charging Methodology ("CDCM").
4. The Licensee has requested a derogation from the requirement to charge a customer, that falls within the definition of Designated Properties in SLC 13A.6, for use of system charges under the CDCM.
5. The Authority has considered this request and has decided to grant a time limited derogation from the requirement to charge the customer under the CDCM on the basis that the customer is charged under the EHV Distribution Charging Methodology (EDCM) pursuant to Standard Condition 13B (EHV Distribution Charging Methodology) of the Licence.
6. The Direction shall have effect from 1 April 2013 and remain in force until 31 March 2014 or until revoked or varied by the Authority.
7. This Direction (and the letter to which it is attached) constitutes notice of the reasons for the Authority's decision pursuant to section 49A of the Act.

Andrew Burgess
Associate Partner, Transmission and Distribution Policy
For and on behalf of the Authority
12 June 2013