

Electricity North West

304 Bridgewater Place, Birchwood Park,
Warrington, Cheshire WA3 6XG

Telephone: +44 (0) 1925 846999

Fax: +44 (0) 1925 846991

Email: enquiries@enwl.co.uk

Web: www.enwl.co.uk

Simon Cran-McGreehin
Senior Manager
Networks Policy
Ofgem
9 Millbank
London
SW1P 4LA

By email: Simon.Cran-McGreehin@ofgem.gov.uk

22 January 2013

Dear Simon,

Re: Electricity North West Response to Ofgem Consultation on a derogation under SLC 13A.14 to relieve Southern Electric Power Distribution plc of its obligation to charge a customer under the CDCM; and seeking views on treatment of certain types of CDCM customers.

Please find below Electricity North West's comments on the issues raised within the Ofgem consultation on the derogation to applying the CDCM to a Southern Electric Power Distribution plc customer.

Proposed Derogation

We have reviewed the proposed derogation and agree with the content and the proposed end date of the derogation. However, although a derogation is appropriate for this customer due to the confusion over the customer classification and the large impact on their charge, we believe this is an exceptional case and should not set a precedence for other customers who have experienced a large price increase due to the introduction of the EDCM.

Introduction of 132/11kV tariff in the CDCM

The consultation requests views on whether it would be appropriate to review the treatment of 132/11kV sites within the CDCM. The 132/11kV voltage level is just one of a number of combinations of voltage levels that could be applied as a tariff within the CDCM. In the EDCM there are 8 customer categories which end at a primary

substation and these all use different assets within the EHV voltage level. A further complication is that many of the primary substations are interconnected, so it is not always clear if the end customer is supplied by a 132/11kV primary or a 33/11kV primary. Introducing this tariff into the CDCM will also have an impact on a large number of customers as it could include LV as well as HV customers.

The CDCM methodology is an average charging methodology and we do not think it is appropriate to bring in a 132/11kV tariff which would effectively introduce a locational element to the model and create additional complexity.

Definition of High Voltage Substation (HVS) Customers

The current definition of HVS customers specifies that the meter is located at the sub-station. However, in some cases, a customer is connected to a primary substation by a sole use asset, but the meter is outside the substation which classifies the customer as High Voltage (HV). Under this scenario, the customer is charged under the CDCM and pays for the use of the HV network. In principle this is not cost reflective as the customer is not using any of the HV network except for the sole use asset which is charged for separately.

Amending the definition of HVS customers is likely to overcome the issue with the SSE customer that is subject to the derogation. However, it would also require DNOs to re-assess which customers are currently HVS and may lead to some customers being migrated back into the EDCM. In addition, this would also have an impact on LVS customers where the definition would need to be consistent with HVS.

A further consideration is the situation where the customer is connected via a long cable which is defined as sole use asset, but could become a joint use asset. This could make the customer move between the charging methodologies and be out of the customer's control.

Amending the definition of the HVS customers to include sole use assets would be a cleaner and more cost reflective solution than introducing a 132/11kV tariff into the CDCM and is Electricity North West's preferred choice.

Alternative Solution

An alternative that should be considered by the Authority is to provide DNOs with some autonomy on classifying customers under the EDCM or CDCM. Under this proposal, the definition of HVS customers would not change. However, if a customer is connected close to a primary substation or via a sole use asset to a primary substation, they could put forward a case justifying why they should be charged under the EDCM. The DNO could use its discretion to apply the EDCM if this is appropriate. The DNO would need to consider:

- The cost of moving the customers meter which would automatically classify them as EDCM.
- The benefit of applying a locational charge
- The size of the customer compared to existing EDCM customers.

Request for Information

The consultation asked DNOs to provide Ofgem with a list of 132/11kV sites within their area. I have attached this information in the Appendix to this letter. This appendix is not for publication.

I would be happy to discuss any of our response in more detail if necessary.

Yours sincerely



Andrew Pace
Charging Manager
Electricity North West