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Date: 23 January 2013

Dear Simon

Re:- Electricity distribution charging: 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

Northern Powergrid Holdings Company is the UK parent company of Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc.

We agree with Ofgem's assessment that, during the development of both the Common Distribution Charging Methodology (CDCM) and the Extra-high voltage Distribution Charging Methodology (EDCM), extensive consultation and stakeholder engagement were carried out. Despite this, it is unfortunate that a customer feels it has not been made aware of its classification in sufficient time. We believe that distribution network operators (DNOs) have tried to make every effort to communicate with customers and reach a satisfactory conclusion. The definition of a Designated EHV Property in the EDCM is clear, but it may be the timing of its introduction that did not allow sufficient time for customers to consider the technical or commercial options before it was implemented.

As with any methodology there will be some customers who fall either side of the boundary definition who feel that they have been disadvantaged by the changes. It is therefore important that these issues are addressed and it may be that DNOs should be allowed a level of discretion, in conjunction with Ofgem, to ensure that customers are not faced with significant price shocks.

In this instance we would therefore support the granting of the proposed two-year derogation such that Southern Electric Power Distribution plc (SEPD) is relieved of its obligation to charge one specific customer under the CDCM and can instead charge it under the EDCM for a period of two years.

In terms of the question regarding further developments of the charging methodologies, both the CDCM and EDCM are relatively new developments and as yet we have not had any sustained period of stability where the methodologies can operate in steady state and parties can truly address the appropriateness and efficiency of the mechanisms in place.

NORTHERN POWERGRID HOLDINGS COMPANY

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As the methodologies are now under open governance, any party who feels that the methodology could be improved with regard to these types of customers can raise a change to either the CDCM or EDCM and explain why the proposal better meets the relevant objective(s). We note that SSE have already submitted an issue form to the Methodology Issues Group (MIG), which will ensure this particular issue receives further consideration.

Following discussion with Ofgem we provide details, in Appendix 1, of the number of substations in both of our distribution services areas that could be affected by changes to the treatment of 132/11kV sites.

We shall continue to support changes to improve the charging methodologies.

Yours sincerely

Pat Wormald

Pat Wormald
Charges Manager - Network Revenue

Appendix 1

Please see below the number of substations in both of our distribution services areas that could be affected by changes to the treatment of 132/11kV sites.

Northern Powergrid (Northeast)

Total number of substations	203
275/20 kV substations	1
132/25 kV traction supplies	5
132/6 kV substations	1
132/11 kV substations	8
132/15 kV substations	1

Northern Powergrid (Yorkshire)

Total number of substations	397
132/11kV substations	9
132/25 kV traction supplies	5

As you can see from the tables above, there are a total of 16 substations in the Northeast and 14 substations in Yorkshire where the voltage transforms directly from either 275kV or 132 kV down to high voltage (HV).

We shall need more time to establish the number of HV customers who are connected at these substations, if that level of information is required, but at a total level there are circa 94,000 connections in the Northeast and 71,000 in Yorkshire that are connected to the above substations.

It is also worth noting that primary substations of this type represent circa 5% of the total number in the Northern Powergrid distribution services areas (8% in the Northeast and 4% in Yorkshire).