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Our ref

Your ref

Date

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23 January 2013

Dear Simon

**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**

I am writing on behalf of Western Power distribution (East Midlands)plc, Western Power Distribution (West Midlands)plc, Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc.

The boundary definition creates a cliff edge effect in DUoS charges between CDCM and EDCM and this particular customer is on the CDCM side of the boundary as currently defined. WPD understands that the customer has its metering positioned very close to the substation and the customer had very little notice about moving to CDCM causing a large price shock. This would also have hindered their opportunity to respond to the consultations affecting them.

**Should the boundary decision be extended further down the network?**

If the boundary decision was extended to include the current EDCM customers plus HV customers that have at least one feeder directly connected to a 132/11kV primary source where the metering is not at the primary substation the number of EDCM customers would increase substantially and make the annual price setting unmanageable.

As requested please see the table below showing approximate numbers.

	No Of EDCM Customers	Approx. No. Of HV Customers connected via the 132/11	Total
East Midlands	92	57	149
West Midlands	35	382	417
South Wales	70	67	137
South West	143	0	143
Total	340	506	846

In addition this revised boundary would still have a cliff edge which will increase as the proportions of revenue move from the EDCM to the CDCM. This is because the proportion of revenue recovered from the customers moving from the CDCM to the EDCM will reduce. Therefore domestic customer's bills would increase.

Extension of the boundary to those 'close' to or 'directly connected' to a 132/11kV substation will still result in the next group of customers just below a revised boundary having concerns about fairness. In addition, those currently directly connected to a 132/11kV substation may not be in future as the network develops and further customers connect or network alterations are made.

**Should a new tariff be created for HV customers connected through 132/11 substations?**

Whilst it can be argued that HV customers connected via the 132/11 use less assets than those connected via both the 132/33 and the 33/11, a decision on where averaging applies needs to be made. Doing this part way down the HV network has three major issues.

The first is about identifying customers that are connected to the 132/ 11. Some customers are connected onto interconnected networks via both 132/11 and 33/11 substations with the source being changed for operational reasons. Interconnection of HV networks is likely to increase as smart grid solutions are rolled out.

The second is about where do we draw the line in the granularity of tariff descriptions. It could be argued that some HV customer's connected through the 33/11 may not use any of the 132 network (as the 132/33kV substation is at the same site as the connection to the National Grid) but will still be charged for this. The point is that there are many different situations involving many different costs. The current CDCM provides a medium between reflecting all circumstances and complexity of application. There is also the issue of if different HV tariffs are created for different upstream networks, why should this not also apply to LV tariffs including domestic.

The third is based on a precedent set by OFGEM with the EDCM decision and the condition imposed on DNO's to reduce number of IDNO discounts from 15 to 5 and therefore charging EHV connected IDNO's CDCM customers based on the level of connection and ignoring the assets used above.

The Extended method M moved from 15 discounts below

<b>Boundary 0000</b>
<b>Boundary 1000</b>
<b>Boundary 1100</b>
<b>Boundary 0100</b>
<b>Boundary 1110</b>
<b>Boundary 0110</b>
<b>Boundary 0010</b>
<b>Boundary 0001</b>
<b>Boundary 0002</b>
<b>Boundary 1001</b>
<b>Boundary 0011</b>
<b>Boundary 0111</b>
<b>Boundary 0101</b>
<b>Boundary 1101</b>
<b>Boundary 1111</b>

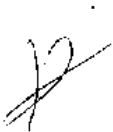
To the 5 discounts below

<b>Boundary 0000</b>
<b>Boundary 132kV</b>
<b>Boundary 132kV/EHV</b>
<b>Boundary EHV</b>
<b>Boundary HVplus</b>

### **Conclusion**

WPD is concerned that extension of the boundary or the introduction of additional tariffs would have a number of detrimental effects highlighted in this response and therefore would not be a proportionate response to the concern raised by the SSE customer.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager