



**UK Power Distribution Limited**

**Use of System**

**Charging Methodology Statement**

**Version 1.0**

## Version Control

Version	Date	Description of version and any changes made
1.0	July 2016	

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## **1. Introduction**

- 1.1 This statement tells you about our charging methodology for our Use of System Charges. It has been prepared consistent with Standard Licence Condition 13 of our Electricity Distribution Licence. The main purpose of this statement is to provide you with the basis of our charging methodology for our Use of System Charges.

## **2. Basis of Charging Methodology for Use of System Charges**

- 2.1 For a Customer supplied through our network at voltages below 22kV and where the supply is not at 1kV or more at a substation with a primary voltage of 22kV or more, with the metering point at the same substation, then our applicable use of system tariff is identical to the published use of system tariff that would apply to an equivalent Customer supplied by the Electricity Distributor in the host DNO area.
- 2.2 For a Customer supplied through our Distribution System at 22kV or more, or where the supply is at 1kV or more at a substation with a primary voltage of 22kV or more, with the metering point at the same substation, then our applicable use of system tariff will be determined on a site-specific basis.
- 2.3 To determine this site-specific use of system tariff, we will examine practical ways of extending the methodologies and models used by the Electricity Distributor in the host DNO area to suit the particular circumstances. Wherever appropriate, we will do so by using an extension of the CDCM or EDCM models of the Electricity Distributor in the host DNO area, modifying the assumptions in these models so as to reflect the circumstances of our Customer.
- 2.4 To construct an extension of the published CDCM model of the Electricity Distributor in the host DNO area, we will base the site-specific tariff on the most similar tariff that exists in the published CDCM model, which we call the base CDCM tariff. We will adjust the calculation rules and the input data so as to reflect differences in relevant costs between our Customer and the Customers covered by the base CDCM tariff, so as to ensure that we follow the principle that charges should reflect costs, whilst maintaining consistency with the methods used to derive other CDCM tariffs. Our extension to the CDCM model will include the following adjustments where applicable:
- we will adjust the network use factors in the tariff calculation rules to ensure that the tariff only includes costs associated with the network levels that are used (on our network or on the host DNO's network) by the supply to our Customer;
  - we will adjust the standing charge factors to ensure that the allocation of costs associated with each network level between unit rates and standing charges is consistent with the network level of supply for our Customer;

- we will adjust the loss adjustment factors to ensure consistency with the network level of supply for our Customer;
  - we will review and if necessary adjust the customer contribution factors to ensure that the discount given in Use of System Charges in respect of costs covered by connection charges is consistent with the level of capital contributions made by the Customer towards the Distribution System.
- 2.5 To construct an extension of the EDCM model of the Electricity Distributor in the host DNO area, we will start by requesting non-confidential aggregate information from that Electricity Distributor, as this information is necessary to establish a baseline model that allocates costs and charges on a similar basis as that Electricity Distributor's EDCM model. If we receive the necessary information from that Electricity Distributor, we will then construct an EDCM extension tariff by inputting into the baseline model the input data reflecting the circumstances of our Customer. We will use the methods specified in the relevant EDCM methodology (EDCM/FCP or EDCM/LRIC) to determine or estimate input data.
- 2.6 When choosing between the CDCM extension method and EDCM extension method (in cases where both approaches appear feasible and we have been able to access the data needed for both), and more widely as part of our tariff development process, we will validate the appropriateness of the resulting tariff by reference to all applicable Relevant Objectives set out in Standard Condition 13 of the Electricity Distribution Licence. We will specifically ensure:
- that the tariff is consistent with our wider licence obligations, in particular the prohibition on undue discrimination. We will do so by checking that the site-specific tariff fits appropriately in the hierarchy of tariffs: for example, if the supply to our Customer uses fewer network levels than the supply covered by an existing CDCM tariff then, absent any other significant differences, the site-specific tariff should be lower than that CDCM tariff;
  - that the tariff provides an adequate gross margin over the use of system charges levied on our business by the Electricity Distributor in the host DNO area, so as to prevent a risk of a margin squeeze that could otherwise restrict, distort, or prevent competition in the distribution of electricity.

## Appendix 1 – Glossary

1.1 The following definitions, which can extend to grammatical variations and cognate expressions, are included to aid understanding:

Term	Definition
Customer	<p>A person to whom a User proposes to supply, or for the time being supplies, electricity through an exit point, or from whom, a User or any relevant exempt supplier, is entitled to recover charges, compensation or an account of profits in respect of electricity supplied through an exit point;</p> <p>Or</p> <p>A person from whom a User purchases, or proposes to purchase, electricity, at an entry point (who may from time to time be supplied with electricity as a Customer of that User (or another electricity supplier) through an exit point).</p>
Common Distribution Charging Methodology (CDCM)	The CDCM used for calculating charges to Designated Properties as required by standard licence condition 13A of the electricity distribution licence.
Designated EHV Properties	As defined in standard licence condition 13B of the electricity distribution licence.
Designated Properties	As defined in in standard licence condition 13A of the electricity distribution licence.
Distribution Network Operator (DNO)	An Electricity Distributor that operates one of the 14 distribution services areas and in whose electricity distribution licence the requirements of Section B of the standard conditions of that licence have effect.
Distribution System	<p>The system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor that is used for the distribution of electricity from:</p> <ul style="list-style-type: none"> <li>• Grid Supply Points or generation sets or other entry Points</li> </ul>

	<p>to the points of delivery to:</p> <ul style="list-style-type: none"> <li>Customers or Users or any transmission licensee in its capacity as operator of that licensee's transmission system or the Great Britain (GB) transmission system and includes any remote transmission assets (owned by a transmission licensee within England and Wales)</li> </ul> <p>that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB transmission system.</p>
EHV Distribution Charging Methodology (EDCM)	The EDCM used for calculating charges to Designated EHV Properties as required by standard licence condition 13B of the Electricity Distribution Licence.
Electricity Distribution Licence	The Electricity Distribution Licence granted or treated as granted pursuant to section 6(1) of the Electricity Act 1989.
Electricity Distributor	Any person who is authorised by an Electricity Distribution Licence to distribute electricity.
High Voltage (HV)	Nominal voltages of at least 1kV and less than 22kV.
kV	Kilovolt.
Low Voltage (LV)	Nominal voltages below 1kV.
Use of System Charges	Charges which are applicable to those parties which use the Distribution System.