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By email only to: lewis.edgar@ofgem.gov.uk

14 November 2019

Dear Lewis

Typical Domestic Consumption Values – Implications for communicating amount of a ‘typical’ bill

Thank you for the opportunity to respond to the open letter on the above subject. This letter should be treated as a consolidated response on behalf of UK Power Networks’ three licensed distribution companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

UK Power Networks make use of the Typical Domestic Consumption Values (TDCV) in order to inform our stakeholders of the value of electricity Distribution Use of System (DUoS) charges. We welcome the periodic review and setting a value ensures that a consistent approach is used across all industry parties.

In December 2019 distribution network operators will be setting charges for April 2021, and following the introduction of DCP268 (DUoS Charging Using HH settlement data) into the Distribution, Connection and Use of System Agreement (DCUSA), all network charges will be based on a three unit rate tariff. To enable a consistent approach to setting comparative annual charge values, a half hourly consumption profile will be required, to enable the TDCV to be apportioned into the three unit rate time bands. A half hourly consumption profile, rather than a consumption split, is required as the unit rate time bands vary across DNO regions.

UK Power Networks have already put some thought into providing a solution to this issue, having raised it at the Distribution Charging Methodology Development Group (DCMDG) and circulated a proposal to DNOs and Ofgem’s DCUSA contact (Ankita Mehra) in April 2019. The feedback received from DNOs was positive of using this approach. Our proposed solution uses Default Period Profile Class Coefficients available in Market Domain Data. The profile class half hourly coefficients multiplied by the TDCV for a given year provide a suitable ‘typical’ consumption shape to enable the split of energy consumed in each time band to be calculated. The units consumed in each time band are then multiplied by the appropriate unit rates to provide the annual distribution use of system charge.

Supplier's tariffs to end consumers, single rate profile class 1 or two rate profile class 2, are not affected by the implementation of DCP268. However, the same approach we outline above, could be considered for calculating the consumption split between Economy 7 and other multi-rate tariffs, especially where there are more than 7 hours of off-peak (night time usage).

In order to maintain a consistent approach we feel that your final decision should set out how to split the TDCV into the three unit rates to enable DNOs to calculate typical annual distribution charges. We hope you find our comments useful, if you would like to discuss this issue further please contact Oliver Day on 01293 657880.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy Oliver Day, Income Pricing Manager, UK Power Networks
Paul Measday, Regulatory Reporting & Compliance Manager, UK Power Networks
David Pang, Regulation Analyst, UK Power Networks