

2010–11 Distribution Use of System Charges Stakeholder  
Teleconference

Monday 30<sup>th</sup> November 2009 (1500 – 1700)

Those who registered to attend were:-

<u>Name</u>	<u>Company</u>	<u>Type</u>
Chris Smith	British Gas	Supplier
Andy Manning	British Gas	Supplier
Michelle Green	Total Gas & Power	Supplier
Donna Townsend	ESP Electricity Ltd	LDNO
Chris Goodwin	ESP Electricity Ltd	LDNO
Rachel Fowler	nPOWER	Supplier
Stephen Harris	IPM Energy Retail Ltd	Supplier
Mark Edwards	E.On Energy	Supplier
Wasif Anwar	E.On Energy	Supplier
Tim Partridge	E.On Energy	Supplier
Seema Chauhan	E.On Energy	Supplier
Bob Nicholson	Alcan Aluminium UK Ltd	Generator/Customer
Lorna Gibb	Scottish Power Energy Retail	Supplier
Janice Thompson	Scottish Power Energy Retail	Supplier
Bernard Kellas	SSE Energy Supply Ltd	Supplier
Kevin Wernham	SSE Energy Supply Ltd	Supplier
Lester Dennis	SSE Energy Supply Ltd	Supplier
Julia Haughey	EDF Energy	Supplier

The SSE representatives were:

Max Lalli	System Commercial Manager
Mo Sukumaran	Pricing Manager
Dominique Tilquin	Pricing – South
Donald Preston	Pricing – North
Malcolm Burns	Regulation Manager
Angus Rae	Commercial Policy Manager

# **1 Welcome & Introductions. Max Lalli**

- 1.1 Welcomed attendees, and stated that purpose of teleconference was to appraise stakeholders of SSE's forecast tariffs resulting from the implementation of the Common Distribution Charging Methodology (CDCM), and the DPCR5 Initial Proposals (DPCR5 IP).**
- 1.2 Highlighted that all figures are a snapshot (based upon DPCR5 IP 23<sup>rd</sup> October 2009 update from Ofgem), and will be subject to change when Ofgem issue DPCR5 Final Proposals (FP) on 7<sup>th</sup> December 2009 (assuming that DPCR5 FP are accepted).**
- 1.3 Introduced the SSE Team, and explained that each would present on specific Agenda items, and would welcome questions**
- 1.4 AOB: any relevant matters that attendees wanted discussed were invited, so that considered response(s) could be provided under AOB (Agenda Item 9). There were none.**

# **2 Common Distribution Charging Methodology. Mo Sukumaran.**

- 2.1 CDCM has been in development for approx 12 months, with the DNO's working together to deliver the project for implementation on 1<sup>st</sup> April 2010.**
- 2.2 The DNO's submitted models and documentation to Ofgem on 25<sup>th</sup> August 2009, which showed what the current year (2009-10) tariffs would be if they had been calculated using the CDCM. This utilised 2009-10 forecasts of GWh and customer numbers. These models and documents are published at [www.ssepd.co.uk](http://www.ssepd.co.uk).**
- 2.3 Mo stated that he would talk through the models, and invited questions.**
- 2.4 Mo stated that these models produced some significant price impacts for some customer groups in both Domestic and Non Domestic Tariffs.**
- 2.5 The August models have been updated, and in a submission to Ofgem on 23<sup>rd</sup> November, show Indicative Tariffs for 2010-11 using forecasts of 2010-11 customers, units and Allowed Revenues as at October 2009.**
- 2.6 The Allowed Revenue inputs were drawn from the DPCR5 IP update at 23<sup>rd</sup> October 2009.**
- 2.7 Resultant tariffs are purely illustrative, pending any amendments proposed by Ofgem in the DPCR5 FP on Monday 7<sup>th</sup> December,**

- 2.8 CDCM used revised Settlements data, from which coincidence factors; peaking probability and, for SHEPD, revised Time of Day (TOD) periods were identified.**
- 2.9 CDCM 2010-11 "Indicative" tariffs provided in the Stakeholder pack in the tables of prices, with tariff changes highlighted in the SEPD & SHEPD graphs.**
- 2.10 QUESTION (Andy Manning, British Gas): Are the CDCM models in their final state for April 2010?**
- 2.11 RESPONSE (Mo Sukumaran): in essence, yes. DNO's will publish 2010-11 CDCM models, excluding the Allowed Revenues, on the ENA website. These will allow Stakeholders to input data to test their tariffs. These models will be locked down, apart from some input cells, and should be near the final versions.**
- 2.12 QUESTION (Lorna Gibb, SP): Re the SHEPD timebands – having dealt with WS3, LG wasn't expecting to see any change to the Red times?**
- 2.13 RESPONSE (Dominique Tilquin): between the August and November submissions there were no prescribed time bands for the TOD periods. A review of the data in October resulted in SHEPD changing the time bands to more accurately reflect the RF Settlements data profiled.**
- 2.14 RESPONSE (Mo Sukumaran): SSEPD has no plans to further change the TOD bands, as these have been comprehensively studied by Reckon, the consultants, and the published periods are fully supported by the Settlements data.**

### **3 CDCM Derogation Update. Mo Sukumaran**

- 3.1 SSEPD may seek a derogation with regard to the number of Line Loss Factor Class (LLFC) codes available for out of Area networks. Currently it looks like there are sufficient for SHEPD in the Scottish Power South of Scotland Area (SPOW). However, for SEPD in England & Wales (E&W) it looks like there may not be enough LLFC codes available.**
- 3.2 QUESTION (Janice Thompson, SP): Does SSE foresee any issues with the migration of NHH MD (PC5-8) customers to Supercustomer? Will there be final reads on the 31<sup>st</sup> March? Do not want to receive 2 bills per site for March.**
- 3.3 RESPONSE (Dominique Tilquin): SSE uses Customer Service (CS) Billing System, which uses input data contained in the D0030 to trigger the invoices. For these customers the capacity and reactive charges are being dropped, and no issues are anticipated with either the migration or the final reads. Current output to D0242 will continue as normal.**

## **4 DPCR5 Update. Malcolm Burns.**

- 4.1 *Malcolm explained that he is SSE's DPCR5 Project Manager and would outline SSE's current position, and then take questions.***
- 4.2 *SEPD proposed Allowed Revenue has not changed much between the 3<sup>rd</sup> August IP's and the update on 23<sup>rd</sup> October; although there have been some peripheral changes in respect of operating efficiency and capex.***
- 4.3 *SHEPD Allowed Revenue in the 3<sup>rd</sup> August IP was wrong, as it didn't take account of forecast pension deficit (SHEPD pension fund is forecast to incur a deficit from 2009-10). This omission was rectified in the October update.***
- 4.4 *Whilst SSE notes that the 23<sup>rd</sup> October Allowed Revenues are reasonable indicators of what might be awarded in the Final Proposals, it is likely that there may still be some changes. The weighted Average Cost of Capital (WACC) may reduce, which would reduce Allowed Revenues; and pensions are currently being consulted on, DNO's having recently provided responses to Ofgem.***
- 4.5 *Overall, it was noted that Ofgem "calibrate" the incentive package (ie CI, CML, Losses, IFI etc) around the cost of capital, so it is expected that we may see a few tweaks in the FPs on 7<sup>th</sup> December.***
- 4.6 *SHEPD: Stakeholders invited to note that the Base Revenue term, as calculated by Ofgem, includes the Assistance for Areas with High Electricity Distribution Costs (AAHEDC; aka Hydro Benefit). This is currently worth c£48m per annum, and is paid to SHEPD by National Grid Electricity Transmission (NGET), which recovers the allowance across all UK Electricity customers.***
- 4.7 *SSEPD endeavours to minimise costs, and it is noted that SSEPD performance is at or close to Ofgem's assessment of the efficiency frontier.***
- 4.8 *P0 revenue changes (2009-10 into 2010-11): it is unclear how Ofgem plan to allow DNO's to recover P0 in DPCR5, as most DNO Areas have significant increases based on the 23<sup>rd</sup> October update of the IP. There appear to be 3 options, and it will not be clear until the FPs are published on 7<sup>th</sup> December, which Ofgem will favour:-***
  - 4.8.1 *P0 at front end of DPCR5 (ie 100% in 2010-11)***
  - 4.8.2 *Smooth the P0 over the 5 years of DPCR5***
  - 4.8.3 *Backload the increase, and ramp it up over the 5 years of DPCR5***
- 4.9 *There were no questions / comments.***

## **5 EHV Use of System Charging. Mo Sukumaran**

- 5.1 2010-11 EHV charges will be based upon an interim methodology, with the Extra High Voltage Distribution Charging Methodology (EDCM) required to go-live on 1<sup>st</sup> April 2011.**
- 5.2 For 2010-11 SSEPD has proposed a roll forward of current methodology for EHV Demand customers**
- 5.3 EHV Generation will also use a roll forward, which will include allowances and incentives from DPCR4 & DPCR5, as appropriate.**
- 5.4 EHV Generation: charging pre-2005 customers. In common with other DNO's, SSEPD does not currently propose to levy Generation Distribution Use of System (GDUOS) charges on pre-2005 generation customers, so the roll forward applies only to post-2005 generation customers.**
- 5.5 Methodology changes: going forward, SSEPD will, in common with all other DNO's, have to change the EHV Demand and Generation methodologies, and, consequently, will submit modification proposals to Ofgem.**
- 5.6 There were no questions / comments.**

## **6 DCP030 - Supplier Cost information. Donald Preston**

- 6.1 The current tables, published on 7<sup>th</sup> October 2009, were prepared at the end of September.**
- 6.2 Although the DPCR5 IPs were published on 3<sup>rd</sup> August, the DCP030 tables were updated using DPCR4 roll forward. This was due to the large number of variables influencing the DPCR5 IP, and the likelihood of changes before the FPs – as mentioned previously by Malcolm Burns.**
- 6.3 The next update to the DCP030 tables is due to be published on 7<sup>th</sup> January 2010. For the SEPD & SHEPD Areas, these will be based upon the DPCR5 FP's, assuming that these are accepted.**
- 6.4 QUESTION (Andy Manning, British Gas): Are the Incentive values noted in the tables also DPCR4 roll forward?**
- 6.5 RESPONSE (Donald Preston): Yes – the values calculated for all inputs resulted from DPCR4 roll forward.**

## **7 BSCP128 (losses). Dominique Tilquin**

- 7.1 *Effective from 1<sup>st</sup> April 2010 new Loss Adjustment Factor (LAF) calculation process will be implemented.***
- 7.1.1 *Generic LAFs will be applied for LV & HV demand and generation customers***
- 7.1.2 *Site Specific LAFs must be calculated for every EHV demand and generation customer***
- 7.2 *The SEPD & SHEPD LAF calculation methodologies have been approved by Elexon, and the first round of the process audit (by Elexon) has been completed***
- 7.3 *This has resulted in an additional 4 EHV LLFCs in the SEPD Area, and 70+ (Generation customers) in SHEPD. SHEPD has previously used a generic LLFC of 950 (with a LAF of 1.000) for generation export connections at all voltage levels. The new LLFCs will be effective in Settlements for 1<sup>st</sup> April 2010.***
- 7.4 *All Suppliers will be affected.***
- 7.5 *There were no questions / comments.***

## **8 Next Steps. Max Lalli**

- 8.1 *DPCR5 Final Proposals published 7<sup>th</sup> December 2009***
- 8.2 *Normal Tariff Timetable for publication & notification of Indicative and Final UOS Tariffs for 2010-11 will then follow.***
- 8.3 *DCP030 update on 7<sup>th</sup> January 2010, which will be based on the DPCR5 FP***
- 8.4 *EDCM consultation and development through 2010, for implementation on 1<sup>st</sup> April 2011.***
- 8.5 *The full Structure of Charges (SoC) Review will be completed on implementation of EDCM.***
- 8.6 *Ongoing SoC Review work will result in the submission of a number of modification proposals to Ofgem through 2010-11, by all DNO's***
- 8.7 *There were no questions / comments***

## **9 AOB**

- 9.1 Max Lalli then invited items for AOB**
- 9.2 QUESTION (Chris Smith, British Gas): under the EHV methodology effective from 1<sup>st</sup> April 2010, will pre-2005 generation customers be charged?**
- 9.3 RESPONSE (Mo Sukumaran): only post-2005 connected EHV generation customers will be charged under the current interim methodology. After 1<sup>st</sup> April 2011 Ofgem expect all distributed generation (DG) customers to pay GDUoS charges.**
- 9.4 RESPONSE (Malcolm Burns): Ofgem view is that all pre-2005 DG should pay GDUoS from 1<sup>st</sup> April 2010. However, there is Industry debate on this as it is clear that pre-2005 sites connected under different charging terms, and paid UoS as part of their connection charges. In the SSEPD Areas this was clearly noted during a recent response to an Ofgem consultation on DG Connection and Use of System Agreements. SSEPD's opinion is that pre-2005 DG should not be charged GDUoS, and we assume that Ofgem will provide an update on the issue in DPCR5 FP.**

## **10 Closing Comments. Max Lalli**

- 10.1 Further comments from Stakeholders will be welcome, and these should be addressed to Angus Rae (see the contact details below).**
- 10.2 Max noted that the ENA are planning to arrange a teleconference in January regarding the DCP030**
- 10.3 There being no further comments or questions, the attendees were thanked for their active participation, and the meeting was closed at 15:50.**

## **11 Contact Details**

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