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Date: 26<sup>th</sup> November 2009  
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Dear Stakeholder

### **Electricity Distribution Charges Stakeholder Teleconference: 30<sup>th</sup> November 2009**

Thank you for confirming your participation in the above teleconference. This letter and enclosures are intended to provide background information to the matters and issues to be discussed in the teleconference on Monday 30<sup>th</sup> November. The teleconference dial-in details have been provided to you separately by e-mail.

#### **Introduction**

There are a number of activities currently being undertaken within the electricity industry which will have a significant impact on the form, structure and level of electricity Distribution Use of System ("DUoS") charges and these will affect all customers from 1<sup>st</sup> April 2010.

#### **DPCR5**

Ofgem will shortly conclude its Distribution Price Control Review ("DPCR5") in relation to the GB Distribution Network Operators ("DNOs"). The primary purpose of this Review is to determine the revenue required to operate and maintain the DNOs electricity distribution networks. Ofgem intend to publish their final DPCR5 proposals on 7<sup>th</sup> December 2009 and the consequential changes to DUoS charges will take effect from 1<sup>st</sup> April 2010.

As part of DPCR5, development work has been undertaken industry-wide over the last two years to create common DUoS charging methodologies which will be adopted by all the DNOs for the calculation of their charges. SSE Power Distribution and the other DNOs have agreed two amendments to their Electricity Distribution Licences with Ofgem to develop and implement two common DUoS methodologies.

These two methodologies are:

1. A Common Distribution Charging Methodology (“CDCM”); and
2. A common Extra High Voltage<sup>1</sup> (“EHV”) Distribution Charging Methodology (“EDCM”).

These are discussed further below.

## **CDCM**

On 25 August 2009, the seven DNO groups licensed as GB Distribution Service Providers jointly submitted to Ofgem a CDCM for the calculation of the DUoS charges relating to customers connected at Low Voltage<sup>2</sup> (“LV”) or High Voltage<sup>3</sup> (“HV”). The proposed CDCM would take effect from 1 April 2010.

Ofgem, in their decision document<sup>4</sup> published on 20<sup>th</sup> November 2009, have approved the CDCM (with some conditions), with an implementation date of 1<sup>st</sup> April 2010.

In order to assist DCUSA<sup>5</sup> parties and other affected stakeholders, we are now publishing illustrative charges to aid understanding of the potential impact of both DPCR5 and the CDCM.

The attached illustrative DUoS charges for 2010/11 are based on:

- Ofgem’s October 2009 Initial Proposals, as updated on 23<sup>rd</sup> October 2009, which provide the “Allowed Revenues” for the CDCM Model;
- Carry over 2009/10 ‘K’ Recovery position as published on 31<sup>st</sup> October 2009;
- Updated CDCM Model for 2010/11.

## **EDCM**

The DNOs, in conjunction with Ofgem and other stakeholders, have recently commenced work on the development of a common EDCM for calculating site-specific DuoS charges for customers with EHV connections. DUoS charges based on the common EDCM will be implemented on 1<sup>st</sup> April 2011.

The EDCM represents a significant change from current EHV charging methodologies and the DNOs will consult industry stakeholders during the development phase in 2010. You will be able to keep updated with this process from the Energy Networks Association website<sup>6</sup>.

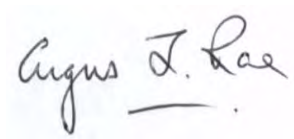
## **Interim EHV DUoS Charging**

For the period April 2010 to March 2011 only, SSE Power Distribution DUoS charges related to EHV connected customers (and a small number of legacy HV customers with

site-specific charges) will be calculated on the current basis, following the current form and structure.

We hope that this information is helpful and we look forward to discussing these matters with you during the teleconference.

Yours sincerely,



**Angus Rae**  
**Commercial Policy Manager**  
**SSE Power Distribution**

- 1 Extra High Voltage means 22,000 volts and above
- 2 Low Voltage means 1,000 volts and below
- 3 High Voltage means greater than 1,000 volts but less than 22,000 volts
- 4 "Electricity distribution structure of charges: the common distribution charging methodology at lower voltages" published by Ofgem on 20<sup>th</sup> November 2009.  
[http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/CDCM%20decision%20doc%20201109%20\(2\).pdf](http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/CDCM%20decision%20doc%20201109%20(2).pdf)
- 5 "DCUSA" means the Distribution Connection and Use of System Agreement
- 6 <http://2009.energynetworks.org/>