





Consultation on future network charges for elective half hourly metered customers and customers with advanced metering

<p>Domestic customers</p>  <p>Better access to smart metering, but potential adverse impact on elective half hourly customers</p>	<p>Non half hourly business customers</p>  <p>Better access to smart metering (avoids adverse impact of half hourly settlement on network charges)</p>	<p>Half hourly CDCM business customers</p>  <p>Potential adverse impact on some elective half hourly customers</p>	<p>Site-specific EDCM business customers</p>  <p>No impact</p>
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1. This alert is about a proposal of the electricity industry to introduce new arrangements for network charges for use of the distribution network from 1 April 2015. The proposal includes the removal of customer choice from customers would lead to a significant increase in the charges applied to off-peak use.
2. A short industry consultation closes on Thursday 19 June 2014.

What is the proposed change about?

3. Distribution Network Operators (DNOs) are distinct from suppliers. DNOs run networks and charge suppliers for their use; suppliers recover the costs from users, sometimes explicitly, sometimes as part of a bundled supply tariff.
4. Currently, DNOs apply different tariff structures to customers whose electricity is supplied on the basis of half hourly metering and those who are non half hourly settled. Half hourly distribution tariffs include separate charges for Maximum Import Capacity (kVA) and for excess reactive power (kVARh). Non half hourly distribution tariffs do not have capacity and reactive power charges, but their fixed charges and unit rates tend to be higher (on aggregate over an average load profile).
5. The proposal would **create two new distribution tariffs** (one domestic, one business, both half hourly but without capacity charges), and **remove customer choice about whether to pay capacity charges** (using instead a tariff eligibility rule based on metering technology).

What is the impact of the removal of customer choice?

6. Under the proposed rules governing eligibility for different tariffs:
 - (a) All high-voltage customer and all business customers with a “current transformer meter” would have to pay capacity charges if they are half hourly settled.
 - (b) All half hourly domestic customers and all business customers with a “whole current meter” would not pay capacity charges.

7. The current situation is that customers below 100 kW can choose whether to pay capacity charges by opting for half hourly settlement, irrespective of the technology used in their metering equipment. Customers who take more than 100 kW must be half hourly settled and must pay capacity charges.
8. It is likely that the right to be non half hourly metered will be progressively removed. If the proposal currently under consultation was rejected, then all these customers would have to pay capacity charges (as there is currently no distribution tariff which is half hourly and has no capacity charges).
9. Thus, the only relevant loss of customer choice is for customers who are domestic or whole current metered and who are currently elective half hourly. These are people who have made a deliberate choice to pay capacity charges and to be half hourly settled. Under the proposals, they would be forced on one of the new tariffs with no capacity charges and with higher unit rates.
10. Because the new tariffs are designed to be consistent with non half hourly tariffs, and non half hourly tariffs are designed for average domestic or small business load patterns which are fairly peaky, the effect of being forced to move to one of the new tariffs is generally detrimental to customers with a high load factor.
11. The following table shows, for each DNO area, my estimates (E&OE) of annual distribution charges under the normal half hourly tariff and the proposed new half hourly tariff without capacity charges, for an illustrative customer with continuous consumption of 65 kW and a maximum import capacity of 69 kVA.

	65 kW flat on normal half hourly tariff with capacity charges £/year	65 kW flat on new tariff without capacity charges £/year	Difference (i.e. cost of the loss of customer choice) £/year
ENWL	8,250	11,722	+ 3,472
NPG Northeast	9,677	12,720	+ 3,043
NPG Yorkshire	7,868	10,180	+ 2,312
SPEN SPD	7,455	8,644	+ 1,190
SPEN SPM	13,824	15,844	+ 2,020
SSEPD SEPD	6,591	7,735	+ 1,144
SSEPD SHEPD	13,649	16,000	+ 2,352
UKPN EPN	6,538	7,047	+ 509
UKPN LPN	6,090	6,835	+ 745
UKPN SPN	7,672	6,884	- 788
WPD EastM	6,720	7,880	+ 1,160
WPD SWales	11,840	14,604	+ 2,763
WPD SWest	10,558	13,246	+ 2,689
WPD WestM	7,702	8,837	+ 1,135

What are the other impacts of the introduction of the new tariffs?

12. Under the new tariffs, units would be charged using the DNO's "red", "amber" and "green" timebands in a similar way as other half hourly tariffs, but they would not include separate charges for Maximum Import Capacity (kVA) and for excess reactive power (kVArh).
13. The principle underpinning the new tariffs is that they should be equivalent, on average, to non half hourly domestic or, respectively, small business tariffs. The charge for any customer or category of customers may nevertheless be very different, depending on how the pattern of use recorded in half hourly data compares with the profile assumptions made in the case of non half hourly metering.
14. For most customers, there is no immediate impact from the changes. Existing tariffs are not materially affected by the introduction of the new tariffs.
15. For any customers that move from non half hourly settlement to half hourly settlement on the new tariffs, the impact on network charges will depend on individual consumption patterns. The effect might be particularly detrimental to customers with a low load factor (such as station demand of generators) moving from a non half hourly tariff to a half hourly tariff with explicit capacity charges.
16. Any requirement to move from non half hourly settlement to half hourly settlement would come from Ofgem's apparent policy to encourage half hourly settlement of smart and advanced meters (for details, look for Ofgem documents related to Balancing and Settlement Code change P272) and not from the DCP 179 proposals.

How to make your voice heard

17. The proposed change is under DCUSA, a governance regime overseen by Ofgem.
18. This change will only be made if Ofgem approves it. There is a risk that Ofgem may rely on the DCUSA consultation responses as a complete record of concerns, and take a decision without any further consultation. If there are no or few customer responses to the DCUSA consultation, then the change may go through by default.

For more information about this alert



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19. There is nothing confidential in this alert. Feel free to pass it on to others who might be interested or to include it with any consultation response you make. Microsoft Word and PDF versions of this alert, and of any further updates on this topic or other areas of interest to electricity customers, can be found at <http://dcmf.co.uk/alerts>.