

DCUSA CHANGE DECLARATION

DCP 139 – Non-Application of FCP charge for Category 0000 Customers

VOTING DATE: 31 October 2012

DCP 139	WEIGHTED VOTING		
	DNO	IDNO	SUPPLIER
CHANGE SOLUTION	Reject	N/A	Accept
IMPLEMENTATION DATE	Reject	N/A	Accept
RECOMMENDATION	<p>Change Solution – REJECT In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was less than than 50% in all Categories.</p> <p>Implementation Date –REJECT In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was less than 50% in all Categories.</p>		
PART ONE / PART TWO	Part One – Authority Determination Required		

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A/R)	COMMENTS
DNO PARTIES			
SP Manweb Plc	Reject	Reject	N/A
SP Distribution Ltd	Reject	Reject	N/A
Western Power Distribution (East Midlands) plc	Reject	Reject	N/A
Western Power Distribution (South Wales)	Reject	Reject	N/A
Western Power Distribution (South West)	Reject	Reject	N/A
Western Power Distribution (West Midlands) plc	Reject	Reject	N/A
SUPPLIER PARTIES			
GDF SUEZ Marketing Limited	Accept	Accept	N/A
EDF Energy	Reject	Reject	N/A
British Gas	Accept	Accept	We continue to believe that the current FCP EDCM methodology contains an inconsistency. Category 0000 customers do not attract any revenue to the EDCM revenue pot in respect of shared use assets for network rates, direct and indirect operating costs or residual revenue. They are also not allocated any costs in respect of shared use assets for direct operating costs or network rates or the 80% of required demand scaling. It is clearly an inconsistency therefore that they are assumed to use 100% of the

		<p>132kV shared use assets when it comes to the application of the FCP charge.</p> <p>The result of this inconsistency is that this category of customer could be paying significantly more in EDCM charges than the costs they are deemed to attract to the EDCM revenue pot. The resultant level of DUoS charges can be excessive – the change report shows that the impact is as high as £700k/annum for a single customer, but of course in theory the impact could be much higher than this if the level 1 FCP charge increases for future years.</p> <p>We believe that the effect of this change proposal will be to reduce the level of charges for customers connected directly to the GSP to a more justifiable level, and at the same time improve the cost reflectivity of all other EDCM customers by better aligning their EDCM DUoS charges with the level of cost they attract to the EDCM revenue pot. It seems to us that the current methodology could be viewed as creating a cross-subsidy since category 0000 customers do not attract any costs to the EDCM pot for shared use assets and yet have to pay for shared use assets through their FCP charge, which has the effect of reducing all other EDCM customers charges through the scaling.</p> <p>We note the comment in the change report regarding the potential inconsistency that this DCP would introduce between category 0000 customers and other customers deemed not to use the 132kV network. We believe that it would be beneficial to</p>
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		<p>review the application of the FCP charges to all categories of customer but that it is appropriate to fast-track the change for category 0000 customers since category 0000 customers are uniquely affected by the inconsistency in the EDCM in two ways: They are the only customers for which the methodology explicitly states that they are deemed not to use any shared network assets They are much less able to mitigate against the impact of the inconsistency. This is because the level one FCP charge will be applied as a capacity charge to their maximum agreed capacity. All other categories of customers which are deemed not to use the 132kV network (but do use some shared assets) will receive the level 1 FCP charge as a unit rate applied to kWh consumption during the super red period and so are much better able to manage the impact of any inconsistency in the EDCM.</p> <p>We also note that there are examples of other change proposals which seek to correct an anomaly for one set of customers whilst leaving it for other customers e.g. DCP 130 (Remove the discrepancy between non-half hourly (NHH) and half hourly (HH) Un-metered Supplies (UMS) tariffs, which seeks to remove the difference in cost allocation principles between single rate and multi-rate tariffs, but only for UMS.</p>
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