

## Methodology Issues Group – 21<sup>st</sup> March 2013

### Discussion paper - to address the issues relating to the application, definition and the backdating policy for low voltage substation (LVS) tariffs.

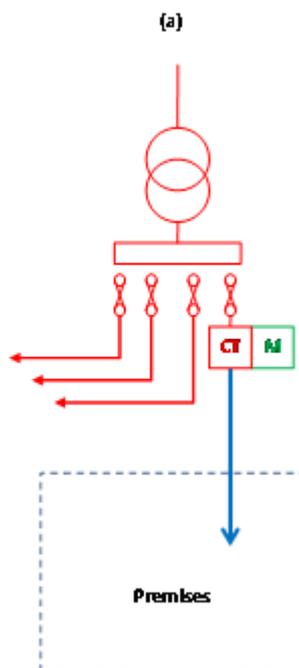
1. **Definition** - suggest update the definition as follows aided by the diagram:

*“LV Sub applies to customers connected to the DNO Party's network at a voltage of less than 1 kV at a substation with a primary voltage (the highest operating voltage present at the substation) of at least 1 kV and less than 22 kV, where the current transformer (CT) used for the customer's settlement metering is located ~~at~~ on the LV equipment within the part of the substation controlled by the distributor i.e. where the CTs are located in the substation at the LV side of the transformer.*

Or if there is still a need to be clearer about what we mean by metering within the substation:

- a) HV/LV substation, PoC at LV, with metering CTs in the same chamber as the transformer;
- b) HV/LV substation, PoC at LV, with metering CTs in a chamber adjacent to the transformer chamber;
- c) HV/LV substation, PoC at LV, with metering CTs in a chamber not adjacent to the transformer chamber.

Where a) and b) should be LV-Sub, but c) should be LV-Network.



## 2. **Application** - clarify the application as follows:

Change footnote 5 to read:

*If a customer or his supplier can demonstrate, by providing reasonable evidence, why they believe their ~~connection is consistent y-are connected in line~~ with the above definition, the Distribution Network Operator (DNO) will investigate and initiate a change of Line Loss Factor Class (LLFC) where appropriate. Administration charges, (to cover reasonable costs) may apply if a technical assessment is needed whether or not a site visit is required.*

This removes the reference to April 2010 and the confusion about whether or not it should only be applied to new customers but still provides the opportunity for suppliers/customers to request a change of LLFC.

Any other suggestions?

## 3. **Backdating**

The changing of a CDCM LV network tariff to an LV substation tariff has been applied differently across DNOs.

During the development of the CDCM, the DNOs reported that a significant piece of work would be required to review all LV non-domestic customers and identify whether they are supplied via the LV Network or directly from an LV substation for charging purposes.

It was concluded that a practical and reasonable assumption would be that suppliers/customers could approach the DNO if they believed they should be allocated an LVS tariff. One DNO undertook an exercise prior to CDCM go-live to review the majority of their LV and HV sites in order to determine whether any should be reclassified and consequently updated the LLFCs with effect from 1 April 2010.

Across DNOs there isn't currently a common policy for the backdating of tariffs, particularly in respect changes to the LVS tariffs. Not all DNOs have published their policy, but will review requests on an individual basis and apply a change of tariff if appropriate and they generally fit into one of the following:

- Back dating to date of request;
- Backdating to 1 April in the charging year;
- Backdating to April 2010; or
- Not before 1 April 2010, or for more than three years.

It is important to note that the contract for Use of System charges is between the DNO and the supplier. However energy consultants acting on behalf of end-customers', are also approaching DNOs and suppliers requesting changes to LLFCs. So do we also need to consider if any refund received by the supplier is actually passed on to the end-customer? This gets more complicated if there have been several changes of supplier.

It would therefore seem sensible to develop an approach for the future that is fair and consistent in order to ensure all customers are treated in a similar manner.

In order to achieve a common policy going forward we need to agree the principles and consider other areas which may create a precedent such as:

- Maximum Liability under legislation: 6 Years
- Principles of Supplier back billing:
  - Supplier commitments to micro business consumers: Max 3 Years (see attachment)
  - The Code of Practice for Accurate Bills, developed by the Energy Retail Association (ERA), limits back billing to 12 months for domestic customers where supplier is at fault

A common policy needs to include/consider the following:

- Has the supplier been dis-advantaged?
- Will the rebate be passed on to the customer?
- Should only the current supplier be eligible for the rebate?
- Maximum rebate capped at 1/2/3 years?
- Claims need to be submitted by supplier.
- Governance of the policy – DCUSA/LC14 statement?
- Potential conflict between legal cap of 6 years versus the agreed policy.

The following is a list of options which could be applied for backdating any change of tariff:

<b>Option 1</b>	the date of the request
<b>Option 2</b>	a maximum of 14 months settlement period from the date of a valid enquiry
<b>Option 3</b>	a maximum of 12 months from the date of enquiry
<b>Option 4</b>	the date that the LLFC was originally allocated
<b>Option 5</b>	the date that the current supplier took on the contract from the customer for the connection
<b>Option 6</b>	the date that the current supplier took on the contract with the customer for the connection, with a maximum backstop of April 2010 for LV and HV customers, April 2012 for EHV (EDCM) demand customers and April 2013 for EHV (EDCM) export These dates correspond to when common industry DUoS tariff structures came into force.
<b>Option 7</b>	a maximum of 6 years in line with the Limitation Act 1980
<b>Option 8</b>	a maximum of 14 days as specified in schedule 4 of DCUSA which covers billing and payment disputes