

Analysis of the impact of DCP 227 on unrestricted tariffs (Executive summary)

Monday 8 June 2015

1. This document provides an executive summary of the analysis of the impact of DCP 227 on unrestricted tariffs (profile classes 1 and 3).
2. This executive summary is not a complete description of the impact of DCP 227 on these tariffs, and should always be read in conjunction with our report dated 6 May 2015 which describes our analysis in full.

Executive summary

3. In the CDCM without DCP 227 (disregarding the effect of DCP 179), the charges for the Domestic Unrestricted tariff and Small Non Domestic Unrestricted tariff are determined for all network levels by the ratio of consumption of that user group at the time of system-wide simultaneous maximum demand to the average consumption of that user group through the year.
4. Charges for these tariffs under DCP 227 are built up by network level. At each network level, the charge corresponding to that network level is influenced by the ratio of the averages of the consumption by the user group in the time bands in which assets at that network level are likely to peak to the average consumption of that user group in the year.
5. In most DNO areas, assets at lower network levels sometimes peak during the amber and green time bands, when consumption by users on the Domestic Unrestricted tariff is typically lower (than in the red time band). By taking account of these differences in coincidence between network level peaking times and patterns of Domestic Unrestricted consumption, DCP 227 reduces the contribution from lower network levels to the overall charge (compared to a single GSP group-wide approach). This has the effect of reducing the overall charge for the Domestic Unrestricted tariff in these DNO areas.
6. In many DNO areas, consumption by users on the Small Non Domestic Unrestricted tariff is higher in the amber time band than in the red, and lower network levels sometimes peak in the amber time band. For such users, DCP 227 would increase the charge contribution from lower network levels (compared to a single GSP group-wide approach). This has the effect of increasing the charge for the Small Non Domestic Unrestricted tariff in these DNO areas.
7. There are DNO areas where these observations do not hold. For instance:
 - (a) In the SPEN SPD area, for users on the Small Non Domestic Unrestricted tariff, DCP 227 would reduce the charge contribution from the primary network level (compared to a single GSP group-wide approach). This is because a high proportion of primary substations are assumed to peak in the green time band, when business consumption is lower. However, overall charges for such users are higher because of higher revenue matching charges (due to the reduction in

Domestic Unrestricted charges) and increased charge contributions from the GSP network level.

- (b) In the UKPN LPN area, for users on the Small Non Domestic Unrestricted tariff, DCP 227 would increase the charge contribution from higher network levels by a small amount. This is because non-domestic load in the LPN area is higher in the red time band than in amber. However, the average consumption by such users during the red time band is lower than the consumption at time of system peak (because this tends to be in the late evening, whereas the red time band includes a lunchtime element). This acts to reduce the overall charge for such users. The combined effect results in a decrease in overall charges.
- (c) In the WPD South Wales area, average consumption by users on the Small Non Domestic Unrestricted tariff in the red time band is unusually and significantly lower than in the amber time band. Under DCP 227, the overall charge includes a contribution from the ratio of customer group load at the time of system peak to customer group load averaged over the red time band. In the South Wales area, this ratio, and therefore the charge contribution, is relatively high – resulting in a particularly high increase in overall charges.

- 8. Table 1 shows the impact of DCP 227 on the unit rate for the Domestic Unrestricted tariff in each DNO area.

Table 1 Impact of DCP 227 on the unit rate for the Domestic Unrestricted tariff

	Baseline Unit rate 1 p/kWh	DCP 227 Unit rate 1 p/kWh	Percentage change
ENWL	2.695	2.577	- 4.4%
NPG Northeast	2.370	2.251	- 5.0%
NPG Yorkshire	1.963	1.868	- 4.8%
SPEN SPD	2.590	2.471	- 4.6%
SPEN SPM	3.165	3.026	- 4.4%
SSEPD SEPD	2.435	2.292	- 5.9%
SSEPD SHEPD	3.537	3.301	- 6.7%
UKPN EPN	2.025	2.006	- 0.9%
UKPN LPN	1.709	1.707	- 0.1%
UKPN SPN	2.471	2.457	- 0.6%
WPD EastM	2.174	2.103	- 3.3%

	Baseline Unit rate 1 p/kWh	DCP 227 Unit rate 1 p/kWh	Percentage change
WPD SWales	2.841	2.648	- 6.8%
WPD SWest	3.206	3.123	- 2.6%
WPD WestM	2.293	2.220	- 3.2%

9. Table 2 shows the impact of DCP 227 on the unit rate for the Small Non Domestic Unrestricted tariff in each DNO area.

Table 2 Impact of DCP 227 on the unit rate for the Small Non Domestic Unrestricted tariff

	Baseline Unit rate 1 p/kWh	DCP 227 Unit rate 1 p/kWh	Percentage change
ENWL	2.334	2.468	+ 5.7%
NPG Northeast	2.408	2.605	+ 8.2%
NPG Yorkshire	1.914	2.089	+ 9.1%
SPEN SPD	2.261	2.341	+ 3.5%
SPEN SPM	2.860	2.981	+ 4.2%
SSEPD SEPD	1.579	1.790	+ 13.4%
SSEPD SHEPD	3.212	3.339	+ 4.0%
UKPN EPN	1.425	1.430	+ 0.4%
UKPN LPN	1.189	1.169	- 1.7%
UKPN SPN	1.378	1.383	+ 0.4%
WPD EastM	1.647	1.700	+ 3.2%
WPD SWales	2.234	2.630	+ 17.7%
WPD SWest	2.266	2.356	+ 4.0%
WPD WestM	1.913	2.002	+ 4.7%