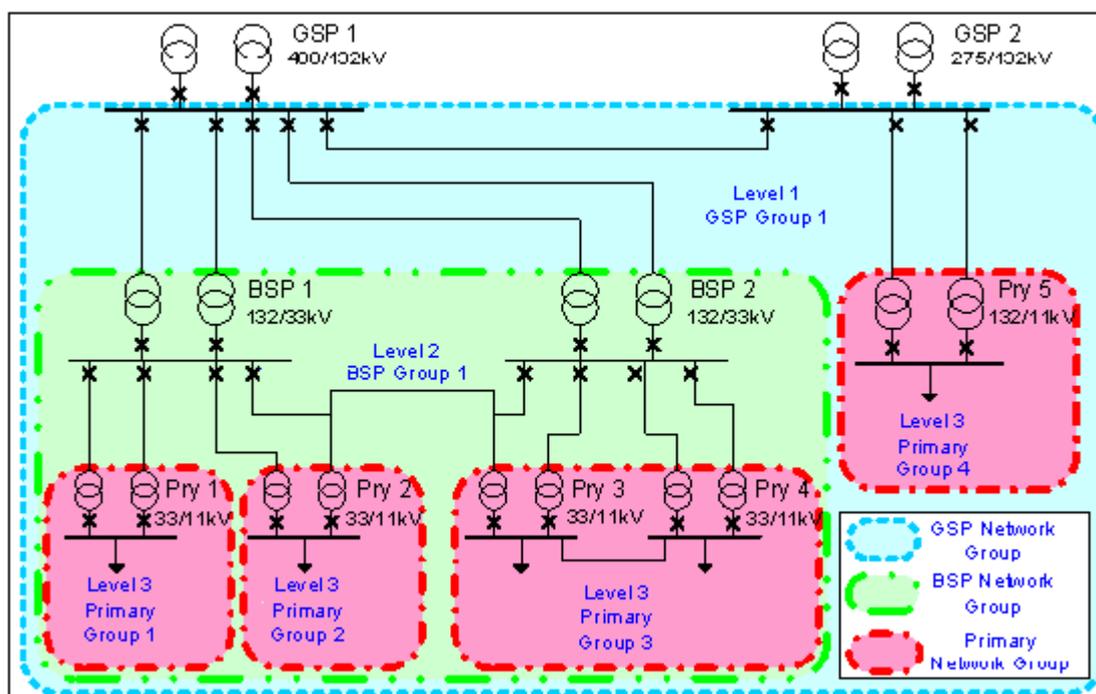


## FCP Approach

The method to calculate FCP charges for demand customers is described in Annex 1 of Schedule 17 (page 524 onwards). Paragraph 6.5 on page 556 says "The demand (load or generation) that is considered to be associated with each Network Group is the demand that is connected within the Network Group and also within any lower voltage Network Group that is connected to the source Network Group under Normal Running Arrangements."

Further Figure 8 on page 558 (reproduced below for convenience) sets out an example network to illustrate the distinction between level 1, 2 and 3 network groups. Importantly, it shows that the GSP busbar (on the distribution side) is part of the level 1 network group.



The only interpretation of this diagram is that a customer where the point of common coupling is at the GSP busbar is in a level 1 network group. Consequently, the methodology currently requires that the FCP charges applicable to that network group must apply to that customer.

## Network Use Factor Approach

The calculation of the customer's notional site specific shared network asset value (the value of network assets that are deemed to be used by that customer, other than sole use assets) is explained under section 13 of Schedule 17. This is a different approach to FCP.

Customer categories are defined in section 13. In this context, customer category "0000" are customers that have their point of common coupling at a GSP (see table 2 on page 489 and the figure on page 490 which is reproduced below for convenience). Paragraph 13.10 states that "Category 0000 demand users are deemed not to use any network assets other than sole use assets." This is about notional site specific shared network asset values and not about

FCP. Customer categories defined in section 13 do not currently affect the calculation or the application of FCP charge 1. Notional site specific shared network asset values are used to:

- Calculate the EDCM revenue target, including the contribution in respect of each customer for network rates, direct and indirect operating costs and residual revenue.
- Allocate direct operating costs and network rates to individual customers.
- Allocate 80% of the required demand scaling to individual customers.

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.

