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**MODIFICATION REPORT**

**SP Energy Networks**

**Mod. Proposal SPEN-10-01**

**Amendment of Use of System Charging Methodologies for  
incorporation of the CDCM**

**Date of Issue: 24 March 2010**

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**For approval by the Authority**

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## SCOPE

1. This Modification Application is submitted by SP Energy Networks (SPEN) on behalf of SP Distribution Ltd and SP Manweb Plc<sup>1</sup>.
2. This report sets out the proposed modification to SP Distribution and SP Manweb's UoS Charging Methodology, as a result of the implementation of the Common Distribution Charging Methodology (CDCM) developed by the DNOs and implemented under Licence Condition 50.
3. This modification also addresses the issue of ceasing the blanket exemption of charges to pre April 2005 EHV connected generators.

## ISSUE AUTHORITY

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<sup>1</sup> SPEN is the public facing identity of SP Distribution Ltd (SPD), SP Manweb Plc (SPM) and SP Transmission Ltd (SPT). SPD is a licensed electricity distribution business, which owns and operates networks in south and central Scotland. SPM is a licensed electricity distribution business which owns and operates networks in Merseyside, Cheshire and North Wales.

## **INTRODUCTION**

4. SPEN proposes to modify its Use of System Charging Methodology to accommodate the implementation of the CDCM for HV and LV customers. The approach taken is one of minimum change to the current methodology for EHV demand customers, and preservation of the current methodology for EHV generation customers, in order to minimise price disturbances to EHV customers ahead of the implementation of the enduring long-term solution in April 2011.
5. The changes presented in this report are those necessary to make to the current Use of System methodology statement in order to describe the approach for EHV customers, as well as incorporating the automatic revocation of the methodology for LV and HV customers. The implementation date for this modification is 1 April 2010.

## **HOW THE PROPOSAL BETTER MEETS RELEVANT OBJECTIVES**

6. This modification is made for the purpose of better achieving the relevant objectives detailed in licence condition 13, paragraph 13.3, in particular objective 13.3 (a): *“that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence”*. Our licensees have an obligation under Licence Condition 50 to implement the CDCM for HV and LV customers. The changes proposed in this modification report therefore allow us to discharge our obligations under Licence condition 50.
7. Likewise, this modification allows us to better achieve objective 13.3 (d): *“that [...] the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee’s Distribution Business”*. The new methodology takes account of the development of the CDCM.

## **DESCRIPTION OF THE MODIFICATION**

8. The changes in the methodology statement are as follows:
9. Description of the Use of System charging methodology in two parts: the CDCM, applicable to HV and LV customers and the existing (“legacy”) methodologies, for demand and generation, applied to EHV customers. A new section has been introduced to clarify the split of the DUoS methodologies into these two areas: the CDCM for HV and LV customers and the EHV “legacy” method.
10. To preserve the EHV “legacy” methodology for demand customers, it is necessary to populate the legacy model of the entire network, including HV and LV customers, in order to be able to obtain EHV prices. This is due to the interaction between all customer groups that exists in the legacy methodology through scaling. The proposed changes therefore describe this and explain that only the EHV tariffs are used out of the legacy demand UoS model.
11. For EHV generation customers, the proposed methodology creates a pseudo generation “pot” of allowed revenue, which is designed to mirror the charging arrangements during DR4 for generators, but applied only to EHV generators. The EHV generation “target revenue” is calculated applying the formula for the DG incentive in DR4 to post 2005 EHV generation projects. The 10% cap in price movements is retained, in order to minimise volatility in this transitional period.
12. A section detailing the interactions between the legacy EHV methodology and the CDCM has been introduced, to detail the dependencies in terms of allowed revenue.

13. A new section clarifying the capacity ramping arrangements for IDNO has been created, which preserves the principle included in the methodology as a result of modification proposal SPEN-09-03. Capacity ramping is no longer relevant for charging IDNOs under a portfolio approach for HV and LV, as proposed under the CDCM, therefore the mention of chargeable import capacity has been qualified ("where applicable") to reflect this.
14. Appendix 1: from April 2010 the Statement of Loss Adjustment Factor Methodology will be a stand-alone statement. Therefore the statement has been removed from the UoS methodology statement, leaving a reference to the new statement.

#### **PRE-2005 DG GENERATION**

15. This modification does not propose the introduction of charges for pre-April 2005 EHV connected generators will not be charged GDUoS from 1 April 2010.
16. The blanket exemption to charging pre-2005 DG has been lifted by the Authority from 1 April 2005. A collaborative industry group is currently developing appropriate enduring charging arrangements which will be implemented as soon as practicable (this will be subject to a further modification proposal).

#### **PROPOSED WORDING OF THE USE OF SYSTEM METHODOLOGY STATEMENT**

17. The proposed tracked change version is attached to this proposal as a separate document.

#### **REVISED USE OF SYSTEM CHARGES**

18. The proposed approach continues with the current methodology for EHV customers, therefore there is no methodology effect on EHV demand prices. All price changes for 2010-11 is a consequence of the new allowed revenue targets under DPCR5.
19. Appendix 1 (a and b) show the resulting charges to DG generation.

**Appendix 1.a. Revised GDUoS for SP Distribution 2010-11**

SPD Generator name	09-10 p/KVA charge	10-11 p/kVA charge	09-10 total charge (£)	10-11 total charge (£)	% difference
<b>Post-2005</b>					
Blackhill	0.40	0.44	42,340	46,574	10%
Greendykeside	0.47	0.52	7,222	7,991	10%
Greenknowes	0.47	0.52	51,465	56,940	10%
Hagshaw hill	0.47	0.52	47,005	52,005	10%
Aikengall	0.47	0.52	82,344	91,104	10%
Hauptlandmuir Extension	0.47	0.52	10,808	11,957	10%
North Rhines	0.63	0.69	50,589	55,407	10%
Craigengelt	0.47	0.52	43,351	47,962	10%
Longpark	0.40	0.44	58,400	64,240	10%
Muirhall	0.47	0.52	12,009	13,286	10%
Pateshill	0.47	0.52	24,017	26,572	10%

**Appendix 1.b. Revised GDUoS for SP Manweb 2010-11**

SPM Generator name	09-10 p/KVA charge	10-11 p/kVA charge	09-10 total charge (£)	10-11 total charge (£)	% difference
<b>Post-2005</b>					
Amegni	0.66	0.46	37,580	26,192	-30%
Moel Maelogen	1.19	0.83	50,819	35,445	-30%
Rhyl Flats	1.19	0.83	399,602	278,714	-30%
Liverpool International Business Park	0.62	0.43	16,973	11,771	-30%
Port of Liverpool	0.62	0.43	33,945	23,543	-30%
Wern Ddu	1.19	0.83	39,960	27,871	-30%