



Statement of the Use of System Charging Methodology for Vattenfall Networks Limited's Electricity Distribution Networks in all Distribution Service Areas in Great Britain

Effective from [1 July 2019]

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This methodology is in a form to be approved by
the Gas and Electricity Markets Authority (GEMA)

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1. Introduction

1.1. Vattenfall Networks Limited

Vattenfall Networks Limited is an Independent Distribution Network Operator (IDNO) operating across the electricity distribution market in all of Great Britain. We are registered in England and Wales (Reg number 02731769).

1.2. Licence Obligations

Standard Condition 13 of our distribution licence requires that we:

“...prepare a statement of a use of system charging methodology, approved by the Authority, that achieves the **relevant objectives**” [our emphasis]

These objectives are as follows (from 13.3 of our distribution licence):

- 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;
- b. That compliance with the methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission of electricity;
- c. That compliance with the methodology results in charges, which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business;
- d. That, so far as is consistent with subparagraphs (a), (b), and (c), the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee’s Distribution Business; and
- e. Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

1.3. Use of System

We levy Distribution Use of System (DUoS) charges for use of our networks. This document sets out the methodologies we use to calculate these charges. The detailed charges will vary by region corresponding to the Distribution Service Areas (DSA) of the 14 licensed Distribution Network Operators (DNO) of Great Britain, to which our distribution networks are connected. Throughout this document the term ‘host-DNO’ is used to refer to the DNO to which our networks are connected.

1.4. IDNO price control

As an IDNO we are subject to a relative price control that requires us to set our charges:

“so that, except with the prior written consent of the Gas and Electricity Markets Authority (“the Authority”), the standing charge, unit rate and any other components of charges shall not exceed the distribution use of system charges to equivalent domestic customers”.

1.5. Change control

This statement has been approved by the Authority and can only be changed with the consent of the Authority. This requires us to submit a proposal to the Authority setting out the details of the proposed modification and how it will enable us to better achieve the objective set out in our licence.

1.6. Contact Details

Our registered address is at:

Vattenfall Networks Limited
1 Tudor Street
London
EC4Y 0AH

Our contact address is:

Vattenfall Networks Limited
Beaumont Bridge House
181 Queen Victoria Street
London
EC4V 4EG

We can be contacted at: UK-networks@vattenfall.com

More information is available on our website at: <https://networks.vattenfall.co.uk>

2. Our charging methodology

2.1. Import Tariffs

2.1.1. Domestic tariffs

For domestic demand customers we will apply equivalent use of system tariffs as would be charged to a similar customer by the host-DNO. Domestic tariffs are applicable to private dwellings such as houses or flats which are supplied from LV networks.

Host-DNOs may include additional charges in domestic customer tariffs to recover Last Resort Supplier Payments (LRSP) associated with defaulting suppliers. In some instances, IDNOs are not required to charge LRSP costs and therefore some of our charges to domestic customers may be lower than those of the host-DNO.

2.1.2. Other generic import tariffs

For non-domestic demand customers supplied by our network at voltages below 22kV (the EHV boundary), except for “HV-sub” customers, we charge the same generic import tariffs as those set by the host-DNO.

HV-sub customers are those customers connected directly to substation assets that form part of our Distribution System at 1kV or more and less than 22kV where the primary voltage of the substation is 22kV or more and the metering point is at the same substation.¹

The host-DNO sets such DUoS tariffs using the Common Distribution Charging Methodology (CDCM) as set out in the Distribution Connection and Use of System Agreement (DCUSA).

2.1.3. Site specific import tariffs

For non-domestic customers who are supplied:

- At 22kV or more,
- Or
- HV-sub customers as defined above,

We will apply a site-specific import tariff.

Host-DNOs set such tariffs using the EHV Distribution Charging Methodology (EDCM). The EDCM contains a standard model to which network-specific parameters are applied by each host-DNO. Since the EDCM produces site-specific DUoS tariffs, it is not always possible to replicate an equivalent host-DNO tariff.

We will set our tariffs for such customers using one of two methods.

Method one:

Replicate the tariff that the host-DNO would have set using EDCM.

This will not always be appropriate because:

- This tariff may not adequately cover the charges we have to pay to the host-DNO; or
- We may not have access to the host-DNO’s EDCM network-specific parameters.

Method two:

If method one is not appropriate, we will set the tariff as the sum of:²

- Our costs payable to the host-DNO; and
- Costs associated with the sole-use or shared assets used to supply the customer, based on the Modern Equivalent Asset Value (MEAV), which will recover asset depreciation and provide a 7.6% annual return³
- Shared asset costs will be apportioned according to maximum capacity allocation between customers.

¹ As defined in Standard Licence Condition 13A.6

² This method is similar to other IDNO charging methodologies. We have adopted a consistent approach to avoid introducing an alternative methodology without precedent at this time.

³ Based on precedent from previously accepted charging methodologies

2.2. Export Tariffs

Currently, we do not intend to have any customers that involve generation. If that changes in the future, we will submit a modification of this document to the Authority for approval.

3. Loss Adjustment Factors

For EHV connections we will calculate loss adjustment factors on a site specific basis using the same methodology as the relevant host-DNO.

For other connections we will adopt the loss adjustment factors of the relevant host-DNO.