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Date

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Dear Mr [REDACTED]

DECC Consultation on the Implementation of the EU Third Internal Energy Market Package - third party access requirements to licence exempt distribution networks

I am writing on behalf of Western Power Distribution (South Wales) plc, ("WPD South Wales"), the licensed electricity distribution network operator (DNO) for South Wales and South West England.

Annex A of the consultation document sets out 4 possible market scenarios for promoting 3rd party access. The scenarios are set out at a high level so the detailed operation of the arrangements is not specified.

We would like to draw attention to the impact of the Government's proposals on the host DNOs who would be required to operate the customer registration system ("MPRS") for customers connected to unlicensed distribution system in their designated area, under Options 2-4.

An analysis of the scenarios is set out below and for options 2, 3 and 4 is based on the assumption that license exempt Distributors will not have to provide MPANs or an MPRS service. The obligation to provide these for settlement purposes will fall on to the "host" DNO. This is the key assumption – if it is incorrect then the impact will be different to that set out below.

1. Commercial Agreement.

In this scenario the network owner's point of connection the distribution system continues to be the only MPAN and settlement meter on the exempt network. The arrangements here seem clear. From a DNO perspective this represents no change to the current arrangements as the DNO will continue to charge DUoS based on consumption at the boundary meter. This would have minimal impact on the host DNO.

The remaining three scenarios will be complicated to administer and would have a significant impact on the Host DNOs.

2. Deemed Metering.

In this scenario an administrator will deem readings for individual customers on an exempt network and they will be “reported to the electricity market systems”.

Who will perform the role of administrator for the “deemed” metering option? Will it be a single agent or multiple agents? Will they be qualified under the BSC?

The only settlement metering physically present will continue to be the boundary meter and the administrator will need to ensure that the total deemed consumption matches the total metered consumption. Presumably the administrator will effectively act as a data retriever and will pass “readings” to the appointed data collector(s).

DNOs will need to issue “virtual” MPANS for each customer that elects to choose their own supplier. Suppliers will need to register these MPANS and appoint agents in the normal way.

Presumably, the boundary point will continue to trade as an MPAN to account for customers who do not want to change from the current arrangements. Even if all customers elect to choose their own supplier, a boundary point MPAN may still be needed for unmetered supplies and the network owners own consumption.

Complications may arise if the boundary metering and any of the deemed meter values are settled under different measurement classes. For example, if deemed MPANS are traded as non half hourly and the boundary metering is half hourly then how will the administrator adjust the half hourly values correctly?

BSC changes are likely to be needed to recognise the new administrator role and to provide assurance that values entering settlements are correct.

It is not clear how DUoS charges will be calculated or invoiced. Where, as above, WPD MPANS are used for settlement purposes then under the current arrangements WPD would charge Suppliers as part of either Super Customer or HH DUoS billing. Changes to the current arrangements would be needed if the license exempt distributor is responsible for DUoS billing.

In either event arrangements would need to be developed to allocate the DUoS charges between WPD and the license exempt distributor.

3. Opt in/Opt out

This scenario is similar to the above deemed metering solution except that physical settlement meters would be installed where a customer opts to choose their own supplier.

A benefit of a metered solution is that actual values would replace deemed values and there would be no need to appoint an administrator to perform calculations. However, the DC appointed to the boundary metering would need to receive details of

consumption at connected, metered sites in order to adjust the boundary metering consumption.

Issues are the same as for the deemed metering solution and include difficulties where there are a mixture of measurement classes, accuracy of adjustments to boundary metering, allocation and billing of DUoS charges.

4. Full Settlement Metering

This scenario requires settlement metering at all exit points on the exempt network. On the face of it this is a simple solution although the paper is silent about what happens to the existing boundary meter.

If the boundary metering is removed then there is potential for the DNO to bear any losses on the exempt network, for example if there are any unmetered supplies.

The benefit of this approach is that all settlement values will come from settlement metering and no deeming or adjustment to boundary meter advances is required.

Issues around billing and allocation of DUoS income between the host and exempt Distributors still arise under this option.

As under this Option the licence exempt generator would not be subject to the usual industry codes as a minimum we would like to see metering at the boundary.

Other potential issues

Where settlement meters are required on license exempt networks we would expect them to be fitted and read by accredited BSC Party Agents only. Otherwise what assurance is available to Distributors that metered values are correct?

The above scenarios assume that where a new virtual or metered MPAN is needed it will be issued by the host Distributor. The scenarios also assume that, as the host Distributor, the DNO is also the distributor for the boundary meter. Further complications will exist where an IDNO is the distributor for the boundary meter for the exempt network but the attached MPANs have to be issued by the host DNO.

Many of the problems in scenarios 2 to 4 will be removed if the license exempt Distributor has to provide MPANs for customers connected to its network. However complications will arise if the total number of such network owners exceeds the current (80 or so) spare MPAN ranges. In this event will license exempt distributors need to accede to the MRA?

Summary of Issues

- Who will be responsible for charging DUoS to suppliers of customers attached to license exempt networks?
- How will charging between licensed and license exempt networks be carried out and on what basis will charges be levied?

- Will DUoS charges be capped to the level of the host LDSO, as is the case for IDNO's? If so will the owner of the licensed network to which the exempt network is attached get full recompense for use of its network?
- What are the arrangements for unmetered supplies on license exempt networks if the boundary metering is removed and replaced with full settlement metering? Who will be the UMSO?
- Who will perform the role of administrator for the "deemed" metering option. Will it be a single agent or multiple agents? Will they be qualified under the BSC?

I hope these comment are helpful.

Yours sincerely

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