

Electricity North West

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21 December 2012

Hannah Nixon
Partner – Distribution
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Hannah,

Notice under SLC 14.11

This letter constitutes a notice under SLC 14.11 of our distribution licence setting out our proposal to amend Use of System charges from 1 April 2013.

Please find attached our indicative Use of System charges to apply from April 2013. The CDCM model that was used to calculate these charges for HV and LV customers will be available on the Electricity North West and ENA websites shortly and a summary of the impact of these charges on the typical bill for HV and LV demand customers can be viewed in Appendix 2.

We are unable to publish the EDCM model as this contains confidential information about individual EHV customers. However, our EHV customers can access the Electricity North West EDCM website which contains their new tariffs, a breakdown of their charge, a five year forecast of their charge and the ability to see the impact of changing their consumption pattern or capacity. We have also made this website open to Suppliers to allow them to view their own customers and any customers who have given permission for their data to be viewed. We believe that this website assists customers in managing their distribution charges and also provides suppliers with additional information which they can use when issuing quotes to customers.

These indicative prices are based on the following assumptions:

- 1) The new EDCM combined model for import and export is not yet under open governance in DCUSA. This combined model has been used to produce April 2013 tariffs, on the assumption that it will be incorporated into DCUSA before 20th February

2013. If this does not happen, Electricity North West will use the separate import and export models which have been approved by the Authority. We do not expect this to have a material impact on prices.

- 2) In 2012 two DCUSA change proposals were approved by the Authority (ref DCP 130 and DCP 132) that require a change to the CDCM model. At the date of publication of these charges, the DCUSA panel has not issued a new CDCM model that incorporates both of these changes. We have developed a model that includes both of these changes and used this to produce April 2013 tariffs. We will move to the new model when it has been published by the DCUSA panel, and we expect this to happen prior to the issue of final prices in February 2013. We do not expect this to have any impact on tariffs.
- 3) The indicative tariffs are based on the assumption that there are no further changes made to the CDCM or EDCM methodology or models prior to 20th February 2013.
- 4) The average movement in RPI July to December 2012 is 2.76%
- 5) A forecast total net consumption of 20,072,416 MWh.
- 6) The detailed assumptions contained within Appendix 1 attached to this letter.

A copy of this notice will be sent to all suppliers.

Yours sincerely



Tony McEntee
Head of Commercial Policy

Appendix 1 Electricity North West assumptions for tariffs from April 2013

Electricity North West has made the following assumptions when deriving the indicative tariffs to apply from April 2013.

(i) *Allowed Revenue calculation and excluded services:*

Figures in £m and outturn prices	20/13/14
Base Demand Revenue (A1)	408.3
RPI % uplift (A2)	1.132
Base Demand Revenue after inflation (A)	462.0
Total Pass Through (B)	(0.8)
Pass Through - Business Rates (B1)	(1.5)
Pass Through - Licence Fees (B2)	(0.1)
Pass Through - Transmission Exit Charges (B3)	0.8
Pass Through - Uncertain Costs	0.0
Pass Through - Others (B5)	0.0
Correction Factor (C)	(15.2)
Total Incentive Payments and Adjustments (D)	8.9
Losses Incentive Scheme (D1)	(2.8)
Low Carbon Network Fund (D2)	6.5
Quality of Service (D3)	4.7
Innovation Funding Incentive (D4)	2.0
Transmission Connection Point Incentive (D5)	0.1
Distributed Generation Incentive (D6)	2.3
Connections Related Adjustment (D7)	0.0
Adjustment under the Tax Trigger Mechanism (D8)	(3.8)
Final Allowed Demand Revenue Forecast (A+B-C+D) = (E)	485.2
Final Collected Revenue Forecast (F)	485.2
Forecast Over/(under) Recovery	0.0
EDCM Allowed Revenue (F1)	13.1
CDCM Allowed Revenue (F2)	481.8
CDCM Excluded Services Revenue (F3)	9.7

Appendix 2: Change in Indicative Charges

The table below shows the absolute and percentage change expected for HV and LV demand customers based on a typical bill. The 2012/13 typical bill is based on the CDCM rates from 2012/13 multiplied by the 2013/14 volume forecast. This enables a like for like comparison:

Tariff	Average Bill 2012/13	Average Bill 2013/14	Variance (£)	% Change
Domestic Unrestricted	£108	£121	£13	11.9%
Domestic Two Rate	£120	£125	£5	3.9%
Domestic Off Peak (related MPAN)	£9	£11	£2	20.6%
Small Non Domestic Unrestricted	£319	£371	£52	16.2%
Small Non Domestic Two Rate	£458	£511	£52	11.3%
Small Non Domestic Off Peak (related MPAN)	£15	£17	£2	12.0%
LV Medium Non-Domestic	£1,943	£2,384	£435	22.3%
LV Sub Medium Non-Domestic	£1,871	£2,305	£427	22.7%
HV Medium Non-Domestic	£2,200	£2,791	£579	26.2%
LV HH Metered	£5,053	£6,163	£1,089	21.5%
LV Sub HH Metered	£11,530	£13,481	£1,901	16.4%
HV HH Metered	£29,147	£34,611	£5,334	18.2%
NHH UMS category A	£5,347	£4,731	-£618	-11.6%
NHH UMS category B	£1,025	£1,065	£36	3.5%
NHH UMS category C	£43	£64	£21	49.2%
NHH UMS category D	£0	£0	£0	0.0%
LV UMS (Pseudo HH Metered)	£358,214	£376,783	£20,667	5.8%