

Statement of Charging Methodology for Use of Eclipse Power Network's Distribution System

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Revision 1.0

THIS STATEMENT IS APPROVED BY
THE GAS AND ELECTRICITY MARKETS AUTHORITY (OFGEM)

Version	Date	Description of version and any changes made	Prepared	Approved
1.0	10/1/20	Separation of methodology from LC14 statement	David Swadling	Jan 2020

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1. Introduction

- 1.1 This statement sets out Eclipse Power Network's Distribution Use of System (DUoS) Charging methodology. It is prepared in accordance with the requirements of Eclipse Power Network's Electricity's distribution licence issued under the Electricity Act 1989, as amended by the Utilities Act 2000 ('the Act').
- 1.2 Eclipse Power Network is required by Licence Condition 13 to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for the use of its distribution system. Eclipse Power Network is also required to review this statement annually to ensure that the objectives of the licence condition continue to be achieved. The relevant licence obligations are as follows:
- (a) that compliance with the use of system charging methodology facilitates the discharge by Eclipse Power Network of the obligations imposed on it under the Act and by the Distribution Licence;
 - (b) that compliance with the use of system charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
 - (c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by Eclipse Power Network in its distribution business; and
 - (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in the Eclipse Power Network's distribution business.
- 1.3 In addition, as an Independent Distribution Network Operator (IDNO), Eclipse Power Network is required by its Licence to set its DUoS charges in relation to domestic customers so that, except without prior written consent of the Authority, the standing charge, unit rate and any other component of charges shall not exceed the distribution use of system charges to equivalent domestic customers¹.

¹ equivalent charges are the Use of System Charges made by the Electricity Distributor which has a Distribution Services Direction that specifies the Distribution Services Area in which the Domestic Premises connected to the licensee's Distribution System are located

2. Methodology to determine distribution use of system tariffs

- 2.1 This section contains the methodology used by Eclipse Power Network to determine the Distribution Use of System (DUoS) tariffs for sites and distributions systems connected to Eclipse Power Network's network.
- 2.2 The methodology differentiates between those properties connected at Low Voltage (LV) or High Voltage and those connected at Extra High Voltage (EHV).

Definition of LV, HV and EHV Properties

- 2.3 LV and HV Properties are defined as follows:
- premises connected to the licensee's Distribution System at less than 22 kilovolts excluding those premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation.
- 2.4 EHV properties are defined as any premises that do not meet the criteria set out above for LV and HV properties.

Methodology to determine DUoS tariffs for Import to LV and HV Properties

- 2.5 For demand customers supplied through our network at LV or HV and which fall within the scope of a generic tariff published by the Distribution Services Provider in the Host DNO Area, our applicable use of system tariff is the same as the published tariff that would apply to an equivalent customer supplied by the Distribution Services Provider in the Host DNO Area.
- 2.6 At the time of preparing this statement, the method used by Distribution Services Providers to determine the relevant use of system tariffs is called the Common Distribution Charging Methodology (CDCM).

Methodology to determine DUoS tariffs for Export from LV and HV Properties

- 2.7 For export customers connected to our network at LV or HV and which fall within the scope of a generic tariff published by the Distribution Services Provider in the Host DNO Area, our applicable use of system tariff is the same as the published tariff that would apply to an equivalent customer supplied by the Distribution Services Provider in the Host DNO Area and amended as follows:
- Where the Host DNO export tariff for a LV or HV customer contains a unit based credit, Eclipse Power Network will only pay a unit based credit in respect of export from LV and HV properties at the same level as that paid by the Host DNO to Eclipse Power Network. This credit will depend on the voltage of the boundary of connection between Eclipse Power Network and the Host DNO.
- 2.8 At the time of preparing this statement, the method used by Distribution Services Providers to determine the relevant use of system tariffs is called the Common Distribution Charging Methodology (CDCM).

Methodology to determine DUoS tariffs for Import and Export from EHV Properties

- 2.80 For EHV properties our applicable use of system tariff will be determined on a site-specific basis.
- 2.9 To determine this site-specific tariff, we will compute the following:
- a) The tariff that would have applied to the site if the Host DNO owned the relevant section of our system and used it to supply the site.
 - b) The charges (if any) applied to us by other networks (distribution or transmission) in respect of the supply to the site.
- 2.10 Where appropriate, we will set our site-specific tariff to be the notional tariff that would have applied to the site if the Host DNO owned the relevant section of our system. This would be consistent with our methodology for setting LV and HV import tariffs.
- 2.11 However, this notional tariff approach might not be always appropriate, because:
- a) We might not always be able to estimate the tariff that would have applied to the site if the Host DNO owned the relevant section of our system, because making such estimates is dependent on the provision of information by the Host DNO and the Host DNO needing to incorporate the Eclipse Power Networks network in to their powerflow model. Under the current regulatory arrangements, the DNO is only obliged to provide a boundary equivalent price for each EHV site connected to an IDNO network, and consequently an all the way tariff for an EHV site may not be possible.
 - b) The design and implementation of the Host DNO's charging methodology is also out of our control, there is a risk that the notional tariff might not cover the charges applied to us by any other networks or might give an inadequate margin over these charges.
- 2.12 If we determine that the notional tariff approach is not appropriate for a site, then we will set the tariff for the site as the sum of:
- i) The pass-through of the charges applied to us by any other networks; and
 - ii) The costs associated with the fulfilment of our obligation to provide a safe and secure distribution system to supply the site. Where assets are used in the supply, we will set the cost to reflect depreciation plus a return of 7.6 per cent a year on the modern equivalent value or un-depreciated value of these assets. Where costs or assets are used for supplies to more than one site, we will apportion the costs to determine the share to be borne by the use of system tariff for the site. We will review the 7.6 per cent rate of return as part of our annual review of this methodology. The current figure is based on the rate of return determined by Ofgem for independent gas transporters. More detail on costs that are recovered for a network and how they are allocated between customers is contained in a separate appendix EPN-REG-004 Appendix Rev1.0 EHV Methodology Statement.

3. Contact Details

3.1 If you have any questions about this statement please contact us at this address:

Olney Office Park, 25 Osier Way, Olney, Buckinghamshire, MK46 5FP

Tel: 01234 486487

General Enquiries Email: enquiries@eclipsepower.co.uk

For all other queries please contact our general enquiries telephone service on 01234 486487, lines are open 08:30 to 17:30 Monday to Friday.