



Providers of specialist cost solutions  
in electricity supply and distribution

Ms Donna Rossall  
Networks – Distribution  
Ofgem  
9 Millbank  
London  
SW1P 3GE

**CoCal Limited**  
262 High Road  
Trimley St Martin  
Felixstowe  
IP11 0RG

[www.cocal.co.uk](http://www.cocal.co.uk)

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Dear Ms Rossall

## Response to Consultation Paper 180/04, July 2004: Regulation of Independent Electricity Distribution Network Operators

CoCal is pleased to have the opportunity to respond to Ofgem's Consultation Paper 180/04, July 2004: Regulation of Independent Electricity Distribution Network Operators. Our comments are confined to Charging Arrangements and based on our worldwide experience of distribution networks, cost analysis and formulating and setting tariffs.

### **Charging Arrangements**

Although there are some exceptions, the general range of DNOs' DUoS tariffs will inhibit the growth of private networks. Changes are needed so that charges are sufficiently disaggregated to reflect the different costs associated with connection to different points on a DNO's system.

For example, most DNOs apply DUoS charges for connections at LV that assume an LV main will be utilised in the supply arrangement even though it may be provided by a service directly from an HV to LV substation. In this situation, the 'standard' DUoS charge will over recover by failing to recognise the lower costs of the supply not using an LV main. Similar over charging will occur for HV connections that are directly provided from an EHV to HV primary substation.

A greater range of DUoS tariffs (to reflect underlying costs better) will benefit IDNOs and promote competition in distribution through more cost reflective charges for IDNOs.

In addition, there is a greater need for a fuller range of DUoS charges to be made available by all DNOs as a consequence of the proposed abandonment of Tariff Support Allowance (TSA) from April 2005. At present, the TSA within connection charges normalises charges by recognising the way in which the connection is

provided and the charge components within the tariff. If the tariff charges for a network component such as the LV main but this is not utilised in the connection or it is paid for by the customer, then a compensating reduction is made to the connection charge via the TSA to the value of LV main assumed to be in the tariff.

The TSA reconciliation overcomes the general or averaging approach in DUoS tariff charge setting and the underlying assumptions adopted in the make-up of DUoS charges. The need for a greater range of tariffs will be enhanced by the removal of TSAs in April 2005.

Please contact me if you would like any further information on any of these points.

Yours sincerely

Adrian Callaby  
Director