

NEW DISTRIBUTION CHARGES FROM 1 APRIL 2010

The electricity and gas market regulator Ofgem has recently issued its final determination on the level of regulated charges that can be claimed by distribution network operators in running their local electricity networks. Ofgem's proposals for the 2010-2015 price control have largely been accepted and the seven electricity Distribution Network Operators (DNOs) have agreed a common charging methodology and tariff structures. The new regime will be implemented from April 2010 and will see significant increases in regulatory charges in many parts of the UK.

The DNOs have jointly developed a Common Distribution Charging Methodology (CDCM), for High Voltage (HV) and Low Voltage (LV) customers. The final prices, to be applicable from 1 April 2010 for the next 5 years, will be confirmed by mid February 2010 and some amendments are still anticipated.

Where regulated charges are explicitly shown on invoices, customers will see a change from the current charging system where different DNO's use up to five different tariff rates to a system of only three unit rates, Red, Amber and Green. In general, Red covers peak periods such as the afternoon slot at 4pm, Amber covers the daytime period while Green covers nights and weekends.

Unfortunately, the DNOs have submitted draft time periods, each with subtle differences between the way different companies will treat the metered data. These planned changes are already causing consternation across DNO's and Suppliers alike who currently are unable to make the necessary changes to their billing systems and in some cases have asked for special dispensation to delay the introduction of the new charges.

This will almost certainly result in a much higher number of incorrect invoices issued to customers and we will be keeping a careful watch on this for our customers that take our bill validation service. We are also in the process of analysing the monetary impact of these changes on the cost base of all our customers and will contact each one of you individually once our analysis is complete.

Ofgem is primarily concerned with domestic customers, forecasting an increase of just £4.30 per year on average in household bills across the country. However, commercial companies have fared much worse, with initial data showing that regulated charges could increase from their current level by several percentage points.