

Electricity North West

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

Dear Rachel,

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 2012.

Please find attached our indicative Use of System charges to apply from April 2012. 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. 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, we are writing to all EHV customers to inform them of the impact of the EDCM and each EHV customer will be able to access the new Electricity North West EDCM website which will show a breakdown of their charge, a forecast of their charge over a 5 year period and allow the customer to see the impact of changing their consumption pattern or capacity.

These indicative prices are based on the following assumptions:

- 1) The EDCM model has been approved by the Authority with a number of conditions attached. Electricity North West and the other DNOs have submitted an amended EDCM methodology to comply with these conditions. The indicative tariffs are based on the amended methodology that has been submitted to the Authority on the assumption that these amendments will be approved.
- 2) Electricity North West and the other DNOs have submitted to Ofgem further revisions to the EDCM methodology and a modified EDCM model. These modifications are to

amend the methodology so that it only refers to import charges and a number of other minor modifications following an audit of the EDCM model and the methodology statement. The indicative tariffs have been calculated on the assumption that these further amendments to the EDCM methodology and model are accepted by the Authority.

- 3) The indicative tariffs are based on the assumption that there are no further changes made to the EDCM methodology or model prior to April 2012.
- 4) The EDCM methodology submitted in April 2011 has been approved by Ofgem and is currently being placed into DCUSA where it will be subject to open governance. The indicative tariffs are based on the assumption that the existing methodology with the amendments mentioned above will go into DCUSA without any further amendments and be approved by the Authority.
- 5) Electricity North West has undertaken an audit of the input data used in the CDCM and EDCM models to ensure the integrity of the data used. The indicative tariffs are based on the assumption that no further amendments to the CDCM and EDCM input data are required.
- 6) The average movement in RPI July to December 2011 is 5.23%
- 7) 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 2012

The Electricity North West charges have been derived from the following assumptions.

- The first table shows our assumption on the forecast units distributed.
- The second table details the construction of our allowed income calculations (which are set out in special condition B1 of the distribution licence). This comprises assumptions for our base income, pass-through costs, incentive payments, adjustments for the previous year under/over-recovery position and excluded services. It then compares our forecast allowances to forecast income (billed income) to give the under/over-recovery position.

Unit volume assumptions (GWh)	2012/13 (outturn assumption)
LV Units	16,077
HV Units	5,248
EHV Units	2,374
Total Units	23,700

Allowed and Actual Income projection assumptions (£M)	2012/13 (outturn assumption)
Base Demand Revenue	
Base PU (Includes EHV and DG)	377.7
Indexation	38.4
Pass-through costs	
Licence Fee Recovery	-0.1
Business Rates	-1.2
Transmission Exit Charges	0.1
Recovery of uncertain costs (tax trigger)	-4.3
Incentive Payments	
Transmission Exit Charges	0.1
Losses Incentive Scheme	-4.5
QoS	5.4
Distributed Generation Incentive	1.8
Low Carbon Network Fund	4.6
IFI	1.7
Correction Factor from 2010/11	
Correction after interest	7.8
Excluded Services	

Wheeled Unit Costs	0
Total Income	
Forecast allowable demand revenue	427.6
Forecast actual demand revenue (recovered from existing tariffs)	427.6
Over/(Under) Recovery (before interest)	0
Other excluded services (Top Up and Standby)	8.5

Summary notes for Electricity North West

The tables above indicate that we expect our 2012/13 allowed revenue to be £428.1m and our 2011/12 actual revenue to be £365.3m. The indicative charges to be applied with effect from 1 April 2012, are set out in our charging statement and are calculated to recover all of the expected 2011/12 under-recovery of £7.6m (before interest).

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 2011/12 typical bill is based on the CDCM rates from 2011/12 multiplied by the 2012/13 volume forecast. This enables a like for like comparison:

Tariff	Average Bill 2011/12	Average Bill 2012/13	Variance (£)	% Change
Domestic Unrestricted	£89	£108	£19	21.35%
Domestic Two Rate	£94	£112	£18	19.15%
Domestic Off Peak (related MPAN)	£10	£11	£1	10.00%
Small Non Domestic Unrestricted	£243	£325	£82	33.74%
Small Non Domestic Two Rate	£444	£441	-£3	-0.68%
Small Non Domestic Off Peak (related MPAN)	£17	£16	-£1	-5.88%
LV Medium Non-Domestic	£1,331	£1,972	£641	48.16%
LV Sub Medium Non-Domestic	£1,522	£2,059	£537	35.28%
HV Medium Non-Domestic	£1,554	£2,102	£548	35.26%
LV HH Metered	£4,352	£5,003	£651	14.96%
LV Sub HH Metered	£11,433	£11,545	£112	0.98%
HV HH Metered	£28,611	£29,458	£847	2.96%
NHH UMS	£2,925	£3,164	£239	8.17%
LV UMS (Pseudo HH Metered)	£283,914	£358,721	£74,807	26.35%