

Pants On Fire, episode 2

by Franck Latrémolière on Friday 19 June 2015

1. DCP 139 was a change proposal which would have removed the application of FCP charge 1 from EDCM customers which are in category 0000, meaning that they are supplied through sole-use assets directly from a grid supply point (GSP).
2. Ofgem's decision to reject DCP 139 contains the words quoted in exhibit 1.

Exhibit 1 Ofgem logic (with paragraph breaks added for ease of reference)

We do not think it has been demonstrated that the approach proposed in DCP139 would necessarily result in more cost-reflective charges. In particular, it is not clear that simply removing the FCP charge in its entirety from 0000 customers will give more cost-reflective charges.

This approach gives no consideration of the extent to which a 0000 customer actually drives reinforcement of the assets at its network level.

For example, the networks are designed in order to provide the level of security of supply that is required by the P2/6 planning standard. Therefore, under certain outage conditions, as well as some normal running conditions, a 0000 customer would use network assets other than those that connect it directly to the GSP.

By extension, a 0000 customer contributes to the need for future reinforcements (that are needed in order to maintain the required security of supply) and should also arguably contribute to these costs along with other customers.

We also note that there are some cases of “meshed” networks where assets are operated in parallel, so it is not a straightforward matter to say that a particular 0000 customer does not use particular assets. For example, a 0000 customer might routinely draw power from two GSPs if there is a circuit linking them.

3. Ofgem's logic only works insofar that it is true that “under certain outage conditions, as well as some normal running conditions, a 0000 customer would use network assets other than those that connect it directly to the GSP”.
4. Ofgem's decision does not report any work to establish whether this claim was true. Exhibit 2 shows the only smidgeon of evidence offered in Ofgem's decision.

Exhibit 2 Ofgem evidence (with paragraph breaks added for ease of reference)

However, the DNOs that use FCP say that 0000 customers are partly responsible for reinforcement at this network level.

5. I have looked through the DCP 139 change report, consultation document, consultation responses, and voting comments, and I could not find any comment from

any DNO using FCP that would support Ofgem's claim that 0000 customers use 132kV circuits:

- (a) The words "outage" and "P2" do not appear in any of these documents.
 - (b) There are two references to normal running/operating arrangements in the consultation responses: one talking about things "calculated under system normal operating arrangements and [...] not intended to be considered in relation to the calculation or the application of FCP charge 1"; and the other quoting a reference to Normal Running Arrangements in the rules for the calculation or application of FCP charges.
6. Ofgem does not disclose whether exhibit 2 was its data source, or whether and how it validated any submissions from one class of interested parties (DNOs using FCP). There is no record of consulting a wider public (such as suppliers backing DCP 139 or customers affected by the problem underlying DCP 139) to provide validation.
 7. Ofgem's assumption that "under certain outage conditions, as well as some normal running conditions, a 0000 customer would use network assets other than those that connect it directly to the GSP" is plainly not true in general. Take for example a 0000 customer which is the sole user of a GSP: this customer does not use any DNO 132kV circuits, however the term "use" is construed.
 8. Ofgem's assumption might be true in some cases. It won't be true in others. I don't know in what proportion of cases it is true, and Ofgem does not disclose any information about that.
 9. Ofgem relied on this assumption as if it were always true. That is defective logic.