


Indigo Power Limited

Use of System Charging Methodology Statement

Electricity Distribution Licence: Standard Licence Condition
13



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1.0 Introduction

1.1 Indigo Power Limited's Distribution Business

Welcome to Indigo Power Limited. Indigo Power Limited is an Independent Network Distribution Network Operator (IDNO), licensed by the Gas and Electricity Markets Authority (GEMA), to design, build, adopt, operate and maintain electricity Distribution Systems in Great Britain.

We can be contacted by:-

- writing to the following address:-

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- telephoning Indigo Power Limited General Enquiries on 0118 436 2510; or
- emailing indigopower@indigopipelines.co.uk.
- Our website is indigonetworks.co.uk

1.2 Purpose of this Statement

This Use of System (UoS) Charging Methodology Statement describes the methodology that Indigo Power Limited uses to set charges for Customers connected to our electricity Distribution System.

1.3 Indigo Power Limited's Licence Obligations

Indigo Power Limited must prepare a UoS Charging Methodology approved by GEMA setting out the methodology upon which charges will be made for the use of our electricity Distribution System. We must always comply with this UoS Charging Methodology unless given consent from GEMA. We are required to produce a statement - the UoS Charging Methodology Statement – setting out our UoS Charging Methodology and ensure it is given adequate publicity. The UoS Charging Methodology Statement must be available at all times in a form approved by GEMA.

We are required to review our UoS Charging Methodology Statement annually to ensure that it continues to facilitate the Relevant Objectives set out in Standard Licence Condition 13. The Relevant Objectives are:-

- that compliance with the UoS Charging Methodology facilitates the discharge by Indigo Power Limited of the obligations imposed on it under the Electricity Act 1989, as amended by the Utilities Act 2000, and by our Electricity Distribution licence;

- that compliance with the UoS 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;
- that compliance with the UoS Charging Methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs) the costs incurred by us in its Distribution Business;
- that so far as is consistent with the three bullet points above, the UoS Charging Methodology, as far as is reasonably practicable, takes account of developments in Indigo Power Limited's Distribution Business; and
- compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the agency for the Co-operation of Energy Regulators.

In addition, as an IDNO, Indigo Power Limited is required by its licence to set its Distribution Use of System (DUoS) charges so that, except without prior written consent of GEMA, the standing charge, unit rate and any other component of charges shall not exceed the DUoS charges to equivalent domestic customers (connected to a Host Distribution Network Operator's (DNO) networks)¹.

The above is a synopsis. For a complete understanding you should refer to the following:-

- Electricity Act 1989, as amended by the Utilities Act 2000
- Standard Licence Condition 13 (SLC13) "Charging Methodologies for Use of System and connection"
- Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast).

2.0 Charging Methodology

This section contains the methodology used by Indigo Power Limited to determine the DUoS charges for sites and distributions systems connected to Indigo Power Limited's electricity Distribution System. Wherever possible we will use the same use of system tariffs as our Host DNOs. Sometimes this is not possible and so a fuller explanation is provided below.

The methodology differentiates between those properties connected at Low Voltage (LV) or High Voltage (HV) and those connected as Extra High Voltage (EHV).

¹ Equivalent charges are the UoS 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. This Electricity Distributor is referred to as the "Host DNO".

2.1 Definition of LV, HV and EHV

LV and HV Properties are defined as:-

- premises connected to the licensee's electricity Distribution System at less than 22 kilovolts excluding those premises connected directly to substation assets that form part of the licensee's electricity 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.

EHV properties are defined as:-

- any premises that do not meet the criteria set out above for LV and HV properties.

2.2 Methodology to determine DUoS charges for Import to LV and HV Properties

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.

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).

2.3 Methodology to determine DUoS charges for Export from LV and HV Properties

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, Indigo Power Limited 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 Indigo Power Limited. This credit will depend on the voltage of the boundary of connection between Indigo Power Limited and the Host DNO.

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).

2.4 Methodology to determine DUoS charges for Import and Export from EHV Properties

For EHV properties our applicable use of system tariff will be determined on a site-specific basis.

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 EHV Distribution Charging Methodology (EDCM).

To determine this site-specific tariff, we will compute the following:-

- 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;
- the charges (if any) applied to us by other networks (distribution or transmission) in respect of the supply to the site;
- 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 our system. This would be consistent with our methodology for LV and HV import tariffs.

However, this notional tariff approach might not always be appropriate, because:-

- 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. This is because making such estimates is dependent on the provision of information by the Host DNO. To do this the Host DNO needs to incorporate the Indigo Power Limited Distribution System into 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 Distribution System and consequently an all-the-way tariff for an EHV site may not be possible; and
- the design and implementation of the Host DNOs 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.

If we determine the notional tariff approach is not appropriate for a site, then we will set the tariff for the site as the sum of:-

- the pass-through of the charges applied to us by any other networks; and
- 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 8% 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 8% rate of return as part of our annual review of this methodology.

3.0 Loss Adjustment Factors

Where Indigo Power Limited's network connects to the transmission system via the networks of other licensed distributors operating within the same Grid Supply Point group, the loss adjustment factors for connections other than EHV will be replicated to those of the Host DNO.

EHV loss adjustment factors are calculated on a site-specific basis. In calculating the Indigo Power Limited component of the EHV site specific loss adjustment factors Indigo Power Limited will adopt the methodology principles used by the Host DNO for each distribution services area in which Indigo Power Limited operates.

4.0 Distribution Use of System Charges

Indigo Power Limited's DUoS charges are published in a separate SLC14 Statement which can be found on our website indigonetworks.co.uk

Appendix 1 – Glossary

1.1 The following definitions, which can extend to grammatical variations and cognate expressions, are included to aid understanding:

| Term | Definition |
|-------------------------------------|---|
| Customer | <p>A person to whom a User proposes to supply, or for the time being supplies, electricity through an exit point, or from who, a User or any relevant exempt supplier, is entitled to recover charges, compensation or an account of profits in respect of electricity supplied through an exit point;</p> <p>Or</p> <p>A person from whom a User purchases, or proposes to purchase, electricity, at an entry point (who may from time to time be supplied with electricity as a Customer of that User (or another electricity supplier) through an exit point).</p> |
| Distribution Network operator (DNO) | <p>An electricity distributor that operates one of the 14 distribution services areas and in whose electricity distribution licence the requirements of Section B of the standard conditions of that licence have effect.</p> |
| Distribution System | <p>The system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor that is used for the distribution of electricity from:</p> <ul style="list-style-type: none"> • Grid Supply Points or generation sets or other entry Points <p>to the points of delivery to:</p> <ul style="list-style-type: none"> • Customers or Users or any transmission licensee in its capacity as operator of that licensee’s transmission system or the Great Britain (GB) transmission system and includes any remote transmission assets (owned by a transmission licensee within England and Wales) <p>that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB transmission system.</p> |

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| Electricity Distribution Licence | The Electricity Distribution Licence granted or treated as granted pursuant to section 6(1) of the Electricity Act 1989. |
| Electricity Distributor | Any person who is authorised by an Electricity Distribution Licence to distribute electricity. |
| High Voltage (HV) | Nominal voltages of at least 1kV and less than 22kV. |
| kV | Kilovolt. |
| Low Voltage (LV) | Nominal voltages below 1kV. |
| Regulation | Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) |
| Use of System Charges | Charges which are applicable to those parties which use the Distribution System. |