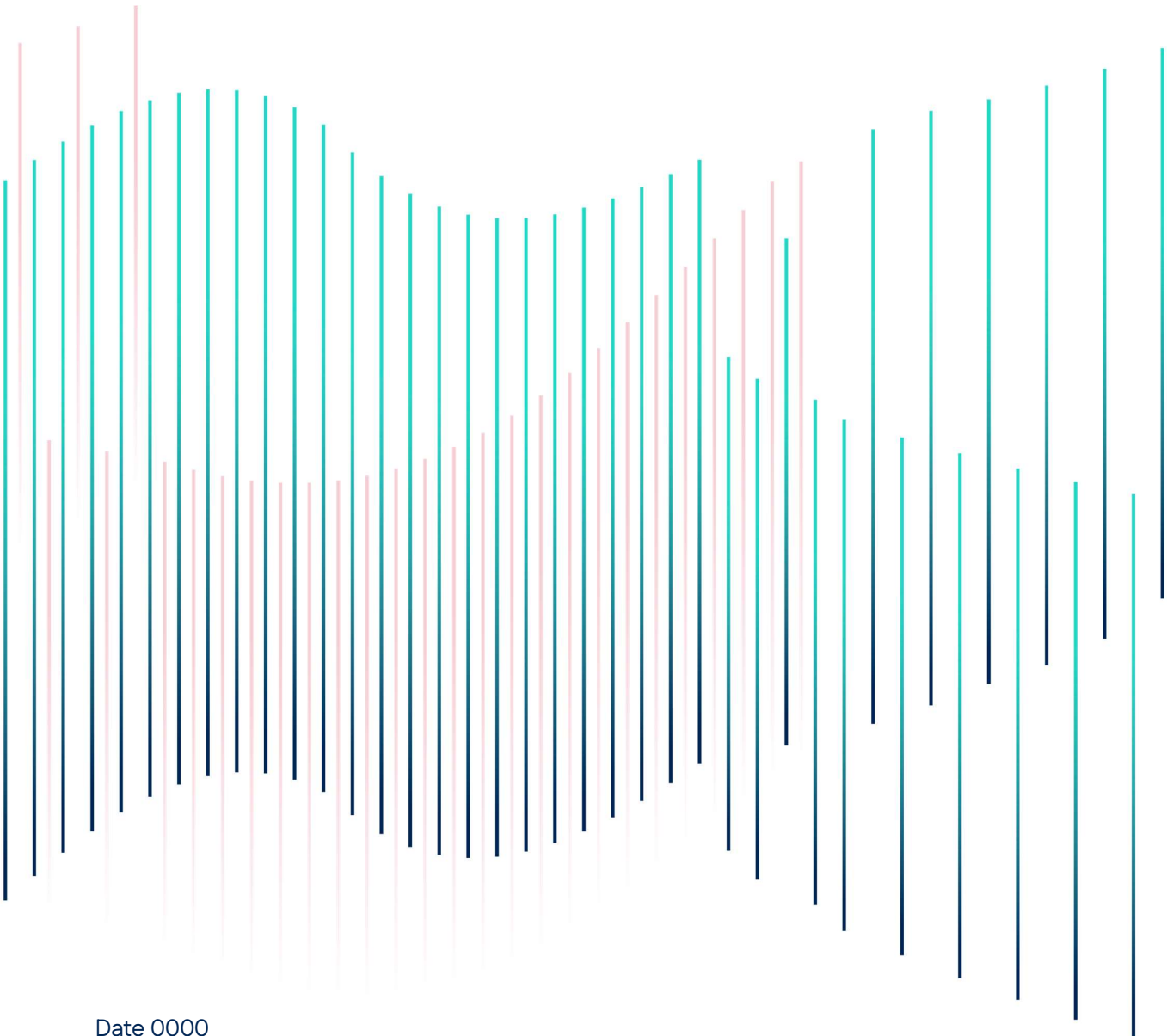




Distribution Use of System Charging Methodology Modification Report





Version			
Version	Author	Date	Reason
01	Jamie McAinsh	18/11/2024	Initial document

Sign off			
Role	Name	Position	Date
Director	Simon Reilly	CEO	18/11/2024



1. Introduction

1.1. Background

Aurora Utilities Limited (Aurora) is an independent electricity distribution business, licensed to design, build, adopt, operate and maintain electricity distribution networks in Great Britain.

This report is submitted to the Authority in accordance with licence condition [13.4] of the electricity distribution licence granted to Aurora. This report sets out Aurora's proposed methodology for calculating Distribution Use of System (DUoS) charges for customers and distribution systems connecting to a Aurora network. This is Aurora's initial submission for its DUoS charging methodology following the approval of its distribution licence.

The proposed methodology statement that Aurora intend to apply is attached to this submission and will be published on Aurora website once approved.

1.2. Licence Obligations

Aurora is required by Licence Condition 13 to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for the use of its distribution system. In developing this methodology, Aurora is required to adhere to the Relevant Objectives as specified in Licence Condition [13.3]. The Relevant Objectives are as follows:

- (a) that compliance with the use of system charging methodology facilitates the discharge by Aurora of the obligations imposed on it under the Act and by the Distribution Licence;
- (b) that compliance with the use of system 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;
- (c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by Aurora in its distribution business; and
- (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in Aurora distribution business.
- (e) compliance with the Regulations and any relevant legally binding decisions of the European Commission and/or the Agency for Co-operation of Energy Regulators



2. Proposed Charging Methodology

2.1. Description of proposed modification

The Aurora methodology differentiates between premises/ distribution systems connecting at Low Voltage (LV) or High Voltage (HV) and those connecting at Extra High Voltage (EHV). The definition used to define EHV premises/ distribution networks is consistent with the definition of EHV in the distribution licence and DCUSA.

The methodology applied for each group of premises/ distribution systems is summarised below:

- (i) For import premises/ distribution systems supplied through Aurora electricity network at High Voltage and Low Voltage, Aurora's applicable distribution use of system tariff mirrors the charges that would apply to an equivalent customer supplied by the licenced Distribution Network Operator (DNO) in the host DNO area.
- (ii) For export premises/ distribution systems supplied through Aurora's electricity network at High Voltage and Low Voltage Aurora's applicable distribution use of system tariff mirrors the charges that would apply to an equivalent customer supplied by the licenced Distribution Network Operator (DNO) in the host DNO area with the exception that any unit based (p/kWh) credit provided to the end customer will be amended to match the credit received from the Host DNO.
- (iii) For import and export premises/ distribution systems connected at EHV the DUoS charge will be set at the All The Way (ATW) charge published by the host DNO. Where this value is not published, Aurora will determine the ATW charge as a sum of the boundary tariff applied by the host DNO plus all reasonable costs associated with the fulfilment of Aurora obligation to provide a safe and secure network between the host DNO and the EHV property, and a reasonable rate of return on the assets deemed to be used by the customer. This will include an allocation of direct and indirect costs, network rates, transmission exit charges, and depreciation.

2.2. How the proposals better meet the Relevant Objectives

2.2.1. Relevant Objective (a)

Relevant Objective (a) above will be met as Aurora is required to have in place a DUoS charging methodology as required under its Distribution Licence and this facilitates the discharge by Aurora of the obligations imposed on it under the Act and by the Distribution Licence.



2.2.2. Relevant Objective (b)

Aurora's proposed methodology facilitates competition in distribution of electricity under Relevant Objective (b) for each group of premises/ distribution systems set out in 2.1 as follows:

- (i) By matching the DNOs tariffs for import customers at LV and HV, Aurora ensures all import customers face the same DUoS charge regardless of whether they connect to the DNO or to a Aurora network and thereby does not restrict, distort, or prevent competition in the distribution of electricity.
- (ii) By matching the DNOs tariffs for export customers at LV and HV, with the exception of amending the level of credit to match the credit provided to Aurora by the host DNO, Aurora ensures all export customers face a similar DUoS export charge to that applied by the host DNO which is only amended by the minimum amount to ensure Aurora does not receive a negative margin. This ensures Aurora does not restrict, distort, or prevent competition in the distribution of electricity.
- (iii) By matching the DNOs tariffs for import and export customers at EHV where these values are published, Aurora ensures all EHV customers face the same DUoS charge regardless of whether they connect to the DNO or to a Aurora network and thereby does not restrict, distort, or prevent competition in the distribution of electricity. Where the host DNO does not publish an ATW tariff for EHV customers, Aurora will only recover costs associated with the network owned, plus a reasonable rate of return thereby not restricting, distorting, or prevent competition in the distribution of electricity.

2.2.3. Relevant Objective (c)

Aurora's proposed charging methodology sets charges at LV and HV which replicate the Common Distribution Charging Methodology (CDCM), with the exception of an amendment to the unit-based credit applied to export sites. The CDCM has been approved by the Authority and recovers the average cost of providing a network to LV and HV premises and therefore meets Relevant Objective (c) as the charges applied at LV and HV reflect the cost of the network provided.

Aurora's EHV use of system tariffs reflects reasonable costs associated with the transportation of electricity through both the host DNO's network and Aurora network. The proposed charging methodology therefore meets Relevant Objective (c) as the charges applied at EHV reflect the cost of the network provided for each individual EHV premise.

2.2.4. Relevant Objective (d)

Aurora is setting its initial Use of System charging methodology and the methodology chosen reflects Aurora's intention to start to operate as an IDNO. The proposed methodology therefore meets Relevant Objective (d) by taking account of developments in Aurora distribution business.



2.2.5. Relevant Objective (e)

We do not believe Relevant Objective (e) applies to Aurora proposal.



2.3. Impact of proposed methodology

Aurora does not currently have any energised MPANs at the date of this application. Therefore, there is no impact on customers from the proposed DUoS methodology.

2.4. Implementation Date

Subject to receiving the Authority's approval for Aurora distribution use of system charging methodology, Aurora intends to implement its proposed methodology from 1st December 2024.

3. General

3.1. Contact Details

Aurora may be contacted at:

5th Floor
25 Old Broad Street
London
England
EC2N 1HN