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Dear sirs

Response to: "Electricity Distribution Price Control Review – Initial Consultation Document".

This letter is written for and on behalf of The Electricity Network Company (ENC), a wholly owned subsidiary of GTC and is in response to Ofgem's **"Electricity Distribution Price Control Review – Initial Consultation Document"**.

Whilst the core of the work undertaken in DPCR5 should not impact IDNOs directly it is inevitable that some of the strands of work will. As Ofgem is aware IDNOs consider that the DUoS margins available to IDNOs are unacceptable under current arrangements. We recognise that resolution of such issues is outside the scope of DPCR5. However, we would be concerned if, as a consequence of DPCR5, further financial burdens are placed on IDNOs and as such we urge Ofgem to guard against such situations arising. In particular any new or revised price control incentives should not perversely impact on downstream IDNOs.

As part of the consultation document Ofgem proposes, inter alia, that the connections process should be more consistent on a national basis and that a national standard process documents be developed. Where IDNOs are impacted or are expected to adopt new arrangements processes then they must be fully engaged in the debate from the outset. We would have significant concerns if work developed by DNOs was to be imposed on IDNOs.

As is the case with distributed generators, we experience difficulties in getting relevant information to assess connection opportunities. Many long term development statements (LTDSs) are insufficient to enable us to make appropriate assessments. Therefore, we support any initiative that improves the scope and quality of the LTDS. In carrying out this work relevant stakeholders should be consulted as to the requirements (e.g. IDNOs, ICPs, generators)

We recognise the important of having incentives to reduce losses. However, incentives should be focussed on those aspects that a DNO can do something about. As such it is inappropriate that distributors should be penalised (or rewarded) for savings and or increases in losses that arise as a consequence of the settlement process. The DNOs ability to impact on actual losses is by and large restricted to the choice of assets and designs used to provide new connections or to replace existing network. An alternative mechanism to the crude losses incentive could be to establish specific incentives (and /or standards) on distributors for the efficiency of design and use of efficient assets.

Changes to the way that ancillary electricity supplies are provided to network assets, e.g. substations, etc, could impact on IDNOs. Therefore we expect to be consulted on such developments.

Losses also arise through revenue protection (including theft of electricity) issues. At present the responsibility for this activity lies with suppliers; however, there has been significant debate since 2000 on how undertaking such an activity could be incentivised and the costs associated with providing the activity could be funded. Given the likelihood of continued high energy prices theft of electricity is an issue that is unlikely to diminish. Any changes to the current arrangements or in the responsibilities for carrying out revenue protection could impact on IDNOs.

The current regulatory framework is inadequate to facilitate the development of integrated local energy schemes. This is evidenced through the need for parties to establish themselves as Energy Service Companies (ESCOs), operating both as licence exempt suppliers and licence exempt distributors. Consumers supplied under such arrangements are not afforded the same level of protection as consumers who are supplied by licensed suppliers over licensed distribution networks. The price control review should consider whether changes to the regulatory framework are required to better facilitate such arrangements.

I should be grateful if you would advise me if and when specific aspects of work impacting IDNO arise under the DPCR5 project.

Yours faithfully

Mike Harding
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GTC (for and on behalf of The Electricity Network Company Ltd)