

FAO: Andrew Self/Andy Burgess

Dear Andrew and Andy,

I was present at the Charging Futures Forum last week in a professional capacity, but this response comes from me in an entirely personal capacity and so should not be taken to in any way represent the organisation(s) with whom I work.

As a domestic customer with a smart meter recently installed, primarily to take advantage of off peak power prices when charging an electric car, I do not see any justification between segmenting domestic users into Economy 7 and other. I now look more like a typical Economy 7 customer with my domestic demand profile, but this proposal would not seem to categorise me as that in terms of exposure to a higher fixed charge. Although the smart meter rollout deadline for domestic customers has been pushed back, over the next few years it is surely expected that net demand at a domestic level will become more diverse, and it appears odd to penalise Economy 7 customers with a higher fixed charge when they are taking power from the system at a time when there is in general excess power available and so would be helping the wider system overall. I note p3 you are still considering whether segmentation of domestic customers is appropriate, and in the interests of simplicity and to be more future proof I would suggest not.

Although Ofgem has a mandate to consider vulnerable customers, structuring a charge focused on that small segment does seem to be a tail wagging dog approach. Vulnerable customers should surely be subject to the same incentives and costs as everyone else, as their behaviour should also be influenced by the costs they face to the extent that is possible. If help is given to vulnerable customers it would seem this should be through another non-distortive allowance or subsidy rather than allowing them to avoid a fixed network charge, when they benefit as much from a robust network connection as other consumers, possibly more. Low (net) consuming customers may well not be vulnerable customers and indeed need the network to absorb excess on-site generated power. So similarly for simplicity and I would argue fairness it seems appropriate to have a single fixed charge for all domestic consumers for the bill element that is network residual recovery.

For larger customers I was not persuaded by the argument that an agreed capacity charge would lead to fewer harmful distortions. It seems a judgement call based on an ultimately subjective assessment of the issues, especially since Annex 6 of the original consultation document appears to conclude that larger consumers may not be that price elastic so would not necessarily respond materially to reduce their capacity in response to this form of residual charging. Given the potential complexity you propose introducing with banding based on agreed capacity, it is hard to see whether the rationale for not going the whole way and

having this as the charge basis by itself does not become preferable. I have struggled to think of a scenario where a large consumer reducing its agreed network capacity owing to the price signal of a high cost of agreed capacity would be disadvantageous. Possibly in the scenario with a large solar or onshore wind farm very close, a consumer that could take more power when that was at peak generation could save network upgrade in the local vicinity, but absent any data on that it seems quite a niche set of circumstances. A possible hybrid may be to levy a fixed charge based on customer voltage level then a further per kW charge based on agreed capacity, for all non-domestic consumers? The revised proposal does appear to be introducing certain complexity for a rather uncertain presumed gain in distortion reduction.

Finally I am in support of industry voices that would like to see as much network cost as possible allocated to charges that reflect or affect user behaviour. I realise this is relevant to the parallel SCR, but the point which I know has been made several times is that reducing the size of the residual charge pot reduces the distortive effect of whatever way it is charged.

Yours sincerely,