

Christopher McDermott
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Ofgem
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E14 4PU

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Dear Christopher

**INTRODUCTION OF A NETWORK CHARGE COMPENSATION (NCC) SCHEME
ALLOWANCE ON THE ENERGY PRICE CAP**

We welcome the opportunity to respond to Ofgem's consultation on the introduction of a network charge compensation (NCC) scheme allowance on the energy price cap.

We broadly agree with the proposal to introduce an allowance for costs associated with the introduction of the NCC scheme, subject to the clarification provided on 20 December 2024, that Elexon data will not be weighted. However, we consider that the NCC allowance should include all charges that suppliers face to pay for the scheme, ie the EII levy administrator costs and reserve fund not just the compensation.

We have provided our response to the consultation questions in Annex 1.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**INTRODUCTION OF A NETWORK CHARGE COMPENSATION (NCC) SCHEME
ALLOWANCE ON THE ENERGY PRICE CAP – SCOTTISHPOWER RESPONSE**

Q1. Do you agree with our approach of placing this allowance in Annex 4?

Yes, we agree with your approach of placing this allowance in Annex 4 (policy cost allowance methodology).

Q2. Do you agree with our proposed methodology and relevant inputs we propose to base the NCC scheme allowance on?

In terms of inputs into the methodology, our view is that the calculation of the NCC allowance should consist of all charges for suppliers relating to the NCC scheme, including both the EII Levy administrator cost and Reserve fund.

In terms of the methodology itself, we agree with the proposal subject to the clarification email from Ofgem on 20 December 2024 that “Under the proposed approach to use Elexon metered volume data, we would not demand weight the eligible demand values”.

We are comfortable with six monthly updates, on the assumption that if actual values did become more volatile than projected, this could be revised to quarterly.

Q3. If you do not agree with our proposals, do you have any views on alternative approaches Ofgem should consider?

As noted in our response to Q2, the EII Levy Administrator cost, and Reserve fund should be included.

ScottishPower
January 2025