

Electricity DPCR - Revolt.

Comments on 68/03:

1. Firstly, I approve of the consultative process and the approach to objectives in 1.8 - 1.14. Accordingly, and noting 1.1, I hope that reducing price will not be a dominant objective, for price to consumers is already so low that there is little incentive to avoid waste, and indeed electricity is sometimes used very wastefully, for example for heating, which would often be more efficiently provided by primary fuel, especially gas.

2. In an artificial market with regulated monopolies, it is very difficult to achieve incentives to meet demand while minimising consumption. There is a natural incentive for the industry to put upward pressure on both demand and consumption. Incentives with downward pressure on total energy consumption and/or the energy ratio would be very helpful, if they can be conceived. Ofgem is in a position to consider the balance of electricity and gas consumption, which perhaps should be a factor in both distribution and transmission price controls. There have been partial moves towards cost-reflectivity; moves towards consumption-reflectivity would also be helpful.

3. The prominence given to promoting distributed generation, in support of government energy policy, is welcome and supported.

4. 3.11 recognises the significance of distribution losses. I hope that the control will be fully cost-reflective in this respect, being mindful of the 1996 Transmission PCR which addressed (transmission) losses inadequately, with measures severely diluted by being both fractional and phased. There could be a case, given government energy policy, for controls which go further than being fully cost-reflective.

I would be grateful if these comments could be considered in response to the consultation.

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Mike O'Carroll
Chairman of Revolt