

Our Ref Rebates/50.12/AJ  
Your Ref

Mr. Gary Keane,  
Distribution Policy Analyst,  
Ofgem,  
9 Millbank,  
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Date 25 September 2003

Dear *Gary,*

**EDF Energy response to Ofgem Consultation on  
Electricity Distribution Rebates to Suppliers**

Thank you for the opportunity to comment on the above consultation.

Rebates and one off charges represent useful and simple mechanisms for making specific adjustments to income profiles without the need to adjust the underlying trend in Use of System charges. As identified in the consultation document, such adjustments may arise for one of two reasons: firstly, as a result of a previously unexpected or un-forecasted event, e.g. a sales variation caused by weather, adjustment to license fees, etc., secondly, they could be used to modify or affect the phasing of income across the year.

Whilst we have not needed to apply these forms of adjustments in recent years, we would have some concern in removing the facility completely. We do, however, have some sympathy with Ofgem's desire to limit the use of rebates or one off charges to the first reason mentioned above and believe that such use should be sparing and applied only in circumstances generally outside the reasonable influence of DNOs.

Introducing the additional feature of allowing minor, non structural changes to charges is a helpful suggestion from Ofgem to minimise the impact of more significant adjustments caused by the need to provide 5 month's notice of changes. The suggested level of a change of +/- 5%, applied through publishing the new charges at 2 month's notice appears sensible.

A current example of where this approach could be applied is associated with the interim review of the Guaranteed Standard scheme for supply interruptions caused by severe weather conditions, where payments to particular customers

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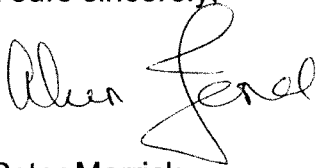
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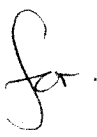
need to be recovered across all/other connected customers in the Licensee's area. In this instance it would be appropriate for the DNO to be able to quickly recover from significant financial exposure by implementing such an adjustment.

Reducing the level of interest payments where initiated as a consequence of prior period over recovery is also considered a useful means of reducing the incentive to consider a rebate arrangement.

I hope that you find our comments helpful. Please contact me if you have any further queries on this subject.

Yours sincerely,



 Peter Merrick  
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