

DX 121782 GUILDHALL-DX

Direct Line  
020 7332 1502

Exchange  
Ext 1502

Our Reference

Your Reference

Date

13 November 2003

Ms Nienke Hendriks  
Senior Price Control Review Manager  
Ofgem  
9 Millbank  
London SW1P 3GE

Dear

**Corporation of London Response to the October 2003 Electricity Distribution Price Control Review Update**

Thank-you for the opportunity to comment upon this latest document and for the opportunity to attend the public workshop on 7<sup>th</sup> November.

**Quality of Supply and Customer Willingness to Pay**

In our response to the July consultation document we outlined the importance of quality and security of supply to City businesses, for many of whom any loss of power results in a significant loss of revenue, with consequences for the wider UK economy.

For this reason we are keen to see Ofgem improve incentives for the Distribution Network Operators in terms of network resilience. This could be through introducing higher targets for the existing measures, Customer Minutes Lost and Customer Interruptions, or new measures, specific to the central London area.

The October update states that Ofgem will be informed by the consumer survey (February and March 2004) in deciding what outputs need to be covered. We would draw your attention to the fact that certain major business consumers in central London in particular may have a greater willingness to pay for improvements in network resilience and quality of service than other businesses in the UK and indeed than domestic consumers. Therefore it is important

that businesses in the Square Mile and the rest of central London are targeted as part of the business consumer survey (which was not apparent from the first phase business consumer survey). To this end we have offered to assist Chris Watts and your consultants Accent in both designing and distributing a suitable consumer survey for February 2004. In order to draw out some business consumers' views ahead of the survey we have organised, with your colleagues, a breakfast event on 3<sup>rd</sup> December aimed at City business occupiers.

In considering the consumer willingness to pay survey it may be appropriate for Ofgem to decide in liaison with DNOs whether central London and other business consumers could be offered examples of improvements which would be achieved (over the medium and long term) if they are willing to pay for them and to provide an idea of the percentage annual increase in their electricity bills which these improvements would demand.

### **Registered Power Zones and Innovation Funding**

We are encouraged to see that Ofgem has proposed an Innovation Funding Incentive level for DNOs to research and develop ways in which to improve their networks and services including the facilitation of distributed generation. However the level of 0.5% of DNO annual revenue capital proposed (equating to approximately £1million per annum per DNO according to Ofgem) may be too low for certain DNOs when considering particular projects which could, for instance, become large registered power zones e.g. the Bishopsgate Goodsydard brownfield site to the north east of the City fringe and sites in the Thames Gateway. Therefore the Corporation of London would urge Ofgem to consider allowing the level of IFI funding to be flexible during the life of the distribution price control period.

Yours sincerely

Peter Bennett

**Deputy City Surveyor and  
Head of the City Property Advisory Team**

cc Edward Blades, Head of Regulation Policy Development, DTI  
Neil Hirst, Head of Energy Markets Unit, DTI

