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Corporation of London Response to the March 2004 Policy Update of the Electricity Distribution Price Control Review

Thank-you for the opportunity to comment upon this latest document and for organising the public workshop on 20th April at which the Corporation was represented.

The Corporation is concerned that Ofgem allows the electricity distribution companies to invest in the network at sustained levels in order to increase resilience and reliability of supply through the distribution price control period 2005 – 2010 and beyond.

We are pleased to learn that the distribution company for the greater London area, EDF Energy, has submitted expenditure plans to you which account for a growing level of investment in the network for this area of high and growing demand, which is essential for maintaining the critical infrastructure of the global business city and its hinterland.

In previous submissions to Ofgem the Corporation has outlined the importance of high quality performance in terms of electricity supply and I would like to reiterate these:

- The City of London contains a cluster of businesses whose contribution to the UK economy is significant and for whom a loss in power, however infrequent or short in duration, will have a detrimental affect on their balance sheet in terms of business lost. This loss in revenue has far reaching affects for the wider economy.
- Although several of the largest City companies have their own back up generators on-site many do not. All however worry about potential loss or dips of power supply from the main network and seek re-assurance on the resilience issue.
- Business occupancy costs are a relatively small proportion of overall costs (c. 6-8%) of which electricity is a smaller fraction again. Therefore moderate increases to electricity distribution over the period 2005-2010, as proposed by EDF Energy for the London region, should be accepted by Ofgem as they will be by consumers who expect distribution companies to replace tired assets and improve resilience and quality of supply on an ongoing basis.

- London is growing in population and employment terms, creating more pressure on the existing infrastructure and that of the commuting hinterland. The Mayor of London's Spatial Development Strategy predicts that there will be a net overall growth in jobs in London of 636,000 by 2016. In the City of London alone we forecast that employment will grow from 312,000 in 2002 to 400,000 by 2016 requiring another 25 million sq. ft of offices in the City and immediate City Fringe. This will create the need for significant additional investment in electricity infrastructure terms which will need to be planned for in advance – i.e. in the current distribution price control review.

The Corporation is aware that Ofgem's priority remains the protection of consumer interests. By ensuring levels of *growing* investment that can accommodate *increasing* demand whilst providing more resilience for the London area, Ofgem would be fulfilling that objective. We are aware that consumer willingness to pay is critical to Ofgem's considerations and the Corporation is willing to provide Ofgem and EDF Energy with further assistance on this matter, however the wider issue must be the sustained protection of supply in the long term, and for that growing levels of investment are necessary.

Yours sincerely

Michael Snyder
Chairman of Policy and Resources

cc. The Rt Hon Patricia Hewitt MP

Neil Hirst, Head of Energy Markets, DTI

