

Dear Nienke,

Thank you for the opportunity to comment on your March 2004 policy document.

Corus is a major UK consumer of electricity and takes around 2.3TWh per annum from DNOs. We therefore have a major interest in the outcome of the Price Control Review. A large proportion of our take offtake from DNOs is at EHV and we are pleased at long last that in principle Ofgem is minded to include EHV charges within the scope of the price control. We believe that the exclusion of EHV from previous price controls has been to the detriment of EHV customers as methodologies may have been framed or discretion exercised that favour revenue capped charges. Whilst in theory EHV charges can be challenged and referred to Ofgem for determination, in practice a number of barriers have made such a process far from easy. EHV charges are opaque, methodologies are ill-defined and differ between DNOs; different EHV customers within a DNO do not know if they have been treated in a consistent manner. Even if a EHV user thinks there is overcharging the process of referral to Ofgem is complicated by the fact that the user is not a party to the use-of-system agreement. This agreement is between the supplier and the DNO, and therefore the supplier has to refer the disputed charges to Ofgem. The supplier may have little incentive to dedicate time and resources as EHV charges are often on a straight pass-through basis and its contract with the customer may only be of short duration e.g., one year. Further, an individual EHV user's charge may arise from an ongoing, signed umbrella use-of-system agreement between the supplier and the DNO which could contractually limit the scope for referral. The inclusion of EHV charges within the scope of the price control therefore needs to be accompanied by the following measures to remedy the defects we have identified above.

(a) It is absolutely vital that the right to refer disputed EHV charges

to Ofgem is retained. This could go some way to prevent any cases of overcharging being perpetuated by inclusion within the price control.

(b) DNOs should be put on notice that any loss of revenue resulting from

a successful EHV referral would not be recoverable from other users during the period of the next price control. This may encourage DNOs before April 2005 to revisit any EHV charges where they might feel vulnerable.

(c) Licences and/or use-of-system agreements should have a new provision

incorporated to give the end-user the right to challenge and refer EHV charges directly to Ofgem, thereby avoiding the need to get the supplier to take action.

(d) Transparency needs to be greatly improved. Detailed charging methodologies need to be developed, which should include considerable

detail of how, for example, common costs are shared between different classes of user. Ofgem should look for a consistency of approach between DNOs in their charging methodologies to avoid similar EHV users in different DNO areas incurring markedly different charges. There may also be a case for all individual site-specific charges for EHV users to be published to enhance transparency further. DNOs should have nothing to fear from these proposed measures, especially the retained right to refer disputed charges to Ofgem, and should not object to them

- unless of course they are aware that they are currently over-charging EHV users.

I hope you find these comments helpful. Please do not hesitate to contact me if you wish to discuss further. Please acknowledge receipt of this message. Regards, Stephen Macey. Tel. 020 7975 8310.