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Dear Mr. Altin

**Ref: Electricity Distribution Price Control Review - Initial Proposals**

By the nature of electricity supply, businesses such as Powergen Retail rely on distribution companies (DNOs) for meeting many aspects of their customers' needs. Therefore suppliers are very keen for DNO services to develop so that the increasing expectations of customers can be met.

Powergen Retail believes that Ofgem should consider treating certain issues related to the current review as excluded items, to help encourage innovation both in terms of the services that DNOs provide but also the governance of these services. The issues we would like to be considered are:-

- Meter Point Administration Service (MPAS)
- The proposed Distribution Agreement; and
- Revenue Protection

**Meter Point Administration Service (MPAS)**

A possible conclusion of the Customer Transfer Programme is that MPAS should be developed further. We believe that this will most likely be encouraged if there is flexibility over cost recovery. Currently, as the funding required to operate the MPAS service is included within each DNOs Opex allowance. There is very little incentive for the DNO to enhance the service it provides, particularly if the enhancement was to require increased operating expenses or a capital injection. Overcoming these disincentives will be more easily achieved if MPAS is taken out of the price control and treated as an excluded service.



### **Revenue Protection**

We agree with the proposal to treat revenue protection as an excluded service. Revenue protection could deliver significant benefits to customers. However, to be successful it needs both innovation and vigorous activity. This is most likely to occur when there is more freedom over cost recovery. An example could be a method by which distributors recover costs from customers and reward any party successfully tackling theft.

### **Distribution Agreement**

The proposed Distribution Agreement has the potential to become the significant route to pursue the market development and innovation in distribution services that we advocate. This includes the potential changes to MPAS and Revenue Protection that we have described above. The efficient and successful development of this cross-constituency governance framework is most likely to succeed if it is funded from excluded revenue.

Powergen Retail want DNO services to develop and believe that excluding services such as those described above from the price control is the best way to encourage innovation and significantly reduce the current incentive for DNOs to favour the status quo.

If you wish to discuss any of the comments made above, please do not hesitate to contact me on the above number.

Yours sincerely

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