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Corporation of London Response to the September 2004 Update Paper for the Electricity Distribution Price Control Review

Thank-you for the opportunity to comment on this latest paper concerning the electricity distribution price control review.

Whilst the Corporation welcomes Ofgem's upward revision of the capital allowance for the EDF Energy LPN region from the June Initial Proposals, we remain gravely concerned about the resilience targets and related level of resource allocation.

In our submissions dated 9th August 2004 and 13th November 2003, we suggested that the customer interruptions (CI) and customer minutes lost (CML) targets until 2010 should be more challenging for the EDF Energy LPN region. To achieve revised targets it would be essential for Ofgem to allow sufficient levels of expenditure by EDF Energy to improve performance.

Therefore we are extremely disappointed to find in Ofgem's September document (page 17), that targets for both CIs and CML remain flat throughout the 2005-2010 period, at levels which the EDF LPN distribution network has already bettered in their performance during 2003/4! Thus we note that Ofgem does not intend to allow any particular capital expenditure monies for the EDF LPN region for covering interruption costs (page 19).

Our reasons for requesting Ofgem make the CI and CML targets more challenging for EDF Energy in the LPN region have been previously outlined in our meetings with you and noted in our submissions dated 4th May 2004 and 18 August 2003, namely:

- The City of London contains a cluster of businesses whose contribution to the UK economy is significant and for whom a loss of 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.

This last point is borne out by Ofgem's own consumer survey results published in the June 2004 Initial Proposals paper (page 29). The consumer survey found that "consumers are prepared to pay a significant amount for reductions in frequency of power cuts, . . .in their own area" and "consumers are prepared to pay for reductions in the duration of power cuts".

Resilience of electricity provision is crucial for the capital and the Corporation of London urges Ofgem to reconsider this important aspect of the distribution price control review in order to seek continuous improvement in service delivery over the five years to 2010.

Yours sincerely

Michael Snyder
Chairman of the Policy & Resources Committee

cc. The Rt Hon Patricia Hewitt MP
Neil Hirst, Head of Energy Markets, DTI
Ken Livingstone, Mayor for London