

Mr Paul O'Donovan  
Manager, Distribution Price control Review  
Office of Gas & Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Friday, 20<sup>th</sup> May 2005

Dear Mr Donovan,

**Assessment of the Electricity Distribution Price Control Review Process – Ofgem consultation document – March 2005**

Thank you for giving E.ON UK the opportunity to express our views on how Ofgem conducted the process for the Electricity Distribution Price Control Review (DPCR4). In general, the process followed during the recently completed review, has been reasonably satisfactory but we do have a number of comments to make that we hope Ofgem will take on board when carrying out future reviews of this type.

Our primary concern relates to the limited involvement that suppliers and customers had during the review. The enduring impression we have is one of Ofgem and the Distribution Network Operators (DNOs) working closely on the detail of the new price controls and presenting the results as a fait accompli to suppliers and their customers both of whom had very little opportunity to influence the outcome. This is unsatisfactory and represents a frustrating weakness in the process. It is important when consulting on monopoly pricing to engage as wide an audience as possible without constraining the process. We expect Ofgem to engage more fully with all stakeholders during future price control reviews, whether it is distribution, or transmission, related.

We also have concerns with the way Ofgem published the  $P_0$  information. Although we understand the  $P_0$  formula calculates only a high level view of the likely impact on

**E.ON UK plc**

Griffin Court  
Colliers Way  
Nottingham  
NG8 6AT  
eon-uk.com

Afroze Miah  
Tel. 0870 419 1463  
Fax. 0115 876 7321  
afroze.miah@powergen.co.uk

**E.ON UK plc**

Registered in  
England and Wales  
No 2366970

Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

charges when the new price control regimes comes into force this is not apparent from the way the information is published. It is easy for customers to believe that any changes in charges will result in a similar alteration of their charges when this is not necessarily the case. It is our view that the lack of clarity results in customers misinterpreting the impact of the changes and results in suppliers having to undertake damage limitation exercises to explain the charge modifications and the process that brought them about: we would hope that Ofgem would agree that this is both undesirable and easily remedied.

To illustrate this more fully, we would highlight from experience, instances where some of our customers were expecting significant reductions in their charges based on  $P_0$  but in fact experienced the exact opposite. In the most extreme case, a few of our customers in the Manweb region were anticipating a reduction of -5.9%, but actually saw an increase of +148%. As a supplier, having to explain not only this but also the technicalities of the  $P_0$  formulae have caused difficulties with customers. We would encourage Ofgem to be mindful of the need for unambiguous communications that assist the supplier community in managing customer expectations when they explain and publish such data in the future. We would also welcome the opportunity to work with Ofgem and the broader community to facilitate the recommendations made.

We hope you will take our views on board and we look forward to these issues being resolved in time for the next monopoly price control review.

If you have any questions please do not hesitate to contact me.

Yours sincerely

Afroze Miah



Head of Market Development  
Retail Regulation