

# **Assessment of the Electricity Distribution Price Control Review Process**

## **National Grid Transco Response**

We welcome the opportunity to comment on the Electricity Distribution Price Control Review (DPCR) process. This is most timely and relevant as we commence working with Ofgem to define the Transmission Price Control Review (TPCR) process.

We believe that the DPCR review process was appropriate and contained a number of positive elements that we would hope to be replicated on the TPCR, most notably:

1. The linkage of DPCR policy to the developing network monopoly price controls conclusions.
2. The identification of clear objectives for the review.
3. Commitment to resolve key policy issues at an early stage.
4. Commitment to an open and transparent consultation process.
5. The use of working groups to consider relevant issues in depth.
6. Publication of a timetable for the review at an early stage and commitment to adhere to it.

Inevitably with such a complex process there are a number of lessons to be learnt and we note the discussion points listed in Appendix 1 of the consultation document following the DNO companies' workshop on 10 March 2005. Having considered these points, we would highlight the following issues as the most important to be considered prior to undertaking the TPCR:

1. Data requests should be very carefully specified. All parties that are likely to be engaged in analysing the data (i.e. both Ofgem and its consultants) should be involved in the specification, and when specifying the requests it should be clear what the data is going to be used for.
2. Work on capex and opex should be more closely linked together. There is significant interaction between Capex and Opex activity and provision should be made within the price review programme to ensure these interactions are properly recognised.
3. The Ofgem Technical directorate should be closely involved in the capex and opex assessment activity to ensure alignment of this work with Asset Risk Management activity and to aid consistency between reviews.
4. Financial modelling should be entirely transparent throughout the review. This would ensure that there is clear understanding between Ofgem and the companies of detailed proposals and would also avoid significant resource within companies back solving proposals.