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*Our ref*

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*Date*

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Dear Mark

### **Regulation of Independent Electricity Distribution Network Operators - Decision Document**

I am writing in response to the Decision Document on the Regulation of Independent Electricity Distribution Network Operators on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc.

#### Licence Modifications

We have no objections to the proposed licence conditions, although the wording should be consistent with the DNO versions of the conditions, subject to the alternative arrangements outlined in the Decision Document. For example at Condition A3 para 3, the requirement for a working capital statement has been omitted.

#### Boundary Equipment and Metering

We are disappointed that Ofgem has not made a clear policy decision to require boundary metering. This is the most important issue to WPD. It is essential that boundary metering is provided to ensure an accurate measurement of energy crossing the IDNO boundary. This is required not only for accurate billing but also to ensure the effective management of losses within the IDNO network. The correct evaluation of losses can have a significant impact on DNO revenues, it is therefore essential that boundary metering is provided so that DNO's can treat consumption on IDNO networks correctly. Boundary metering would also allow the correct treatment of more complex cases where IDNO's may have more than one point of entry from the DNO or else points of entry from more than one DNO.

We do not see boundary metering as a prohibitive cost issue. Given that the ESQCRs require the fitting of protective devices, and therefore fuses or a circuit

breaker will have to be fitted at each point of connection, there is already an equipment and space cost associated with each point of connection. The cost and footprint for class CT/VT metering equipment is marginal to the requirements for isolation and protection equipment.

#### Financial Ring-Fencing

In relation to paragraph 3.10 of the Decision Document, we would be grateful for clarification as to how, in a Trigger Event, a Keepwell Agreement would work within the Alternative Arrangements. Is it (a) a call by Ofgem on the security required under the credit cover arrangements and/or (b) a failure of the Keepwell Letter provider to top up the security once a call has been made?

#### Credit Cover Arrangements

Subject to understanding how it would work in practice, we would strongly prefer the collateralised solution referred to in paragraph 4.30 whereby DNO's could effectively put a charge on a portion of the receivables.

We would support the trust arrangement concept as this is preferable from a security position compared to "credit scoring" which is of limited effectiveness if a company experiences financial difficulties.

#### Other Licence Conditions

We support the general position of a level playing field for all licensed distributors, both in terms of equal rights and responsibilities.

#### Other Unresolved Issues

In addition to the Licence Condition proposals, a range of other commercial issues have been identified which need to be resolved in order to ensure an effective and efficient interface between IDNOs and DNOs. We would refer you to the attached exchange with Ofgem's Head of Connections giving Ofgem's stated position on the 42 issues identified. A number of the issues are still unresolved or are in conflict with other policy statements.

We note the recent Ofgem consultation on gas network records, where they seek to make the host Gas network responsible for IDNO gas network records. This seems to be a different approach to that given in relation to Issue 38 – "IDNOs will face the same requirements as any other statutory undertaker with regard to maintaining accurate records of their networks and making data available to third parties that have a genuine requirement for safety purposes."

We look forward to a continuing dialogue between Ofgem and distribution licence holders to resolve these issues.

Yours sincerely

NATASHA RICHARDSON  
Regulatory & Government Affairs Adviser