

Mark Feather
Distribution Networks
Ofgem
9 Millbank
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20 January 2006

Dear Mr Feather

Consultation open letter – Income Adjusting Events thresholds for gas distribution networks

Comments

energywatch welcomes the opportunity to consider the issues raised by the consultation open letter.

We believe that any threshold for Income Adjusting Events (IAEs) needs to be meaningful to ensure that gas distribution networks (DNs) do not raise 'trivial' claims, which would be costly to administer and lead to the additional costs being recovered from end consumers. We appreciate that Ofgem will consider each claim on its merits and act to filter out any unjustified claims.

Where claims are considered to be valid, we would expect the cost pass through to be minimised, as these costs will impact upon the bills of consumers. While we have no particular preference for any of the three options outlined in the letter as a suitable threshold level, we believe that a level which minimises cost pass through would be appropriate.

Ofgem intends to apply the agreed threshold level to IAE claims raised by gas DN's during the 'transitional period' for offtake arrangements starting on 1 October 2008. Enduring offtake arrangements are expected to take effect on 1 October 2010. We would support the monitoring of the IAE provisions during the transitional period to help inform the decision about whether the threshold level remains appropriate under the enduring arrangements.

Going forward, we will continue to keep these issues under review as and when they are raised, always considering the possible impact on consumers.

We would appreciate being kept informed of the progress of the consultation and any related issues to enable us to comment as the need arises.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs