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Sent: 11 February 2006 08:05
To: DistributionPolicy
Subject: BOC Comments on the Bath University work - Ofgem letter dated 13 January 2006

To whom it may concern

BOC is delighted to respond to the Ofgem letter and has read the Bath report.

BOC's comments are as follows:

- * It seems to BOC that the value of £200m saving quoted in the Ofgem letter is made on number of assumptions and it should not be relied on very heavily without more detailed and larger scale work.
- * BOC find it difficult to comment on the potential changes to Use of System Methodology without understanding the outcomes in terms of DUOS charges. On the face of it the changes which consider forward looking costs do not look attractive in terms of cost reflectivity with respect to EHV customers.
- * A methodology using site specific charges which are built up by using identified the system assets used to deliver the electricity to the customer site is more likely to be more cost reflective.
- * BOC believes that any proposals for a changes in methodology should be accompanied by a customer impact assessment and a detailed cost benefit analysis.
- * BOC does not believe that treating demand and generation on a consistent basis should necessarily be considered an advantage. Demand and supply may have different requirements from the distribution system. Demand is less likely to respond to locational signals than generation.
- * ICRP allocates costs on the basis of the usage of the network. However, this seems to be a perverse inverse relationship whereby those on less used parts of the network pay more. If these "unused capacity" charge is averaged by charging a £/kW charge then this does not seem cost reflected.
- * BOC is not convinced that a priori the ICRP being similar to the transmission charging methodology is necessarily an advantage.
- * BOC would have concerns if DNOs bring in changes because they believe this is what is expected of them and then only applying such changes to EHV customers.
- * BOC has concerns with methodology based on forward looking charges when the investment in assets is split only small percentage for system expansion when compared with much greater percentage for system replacement. The charges then have to be scaled up to meeting allowed revenue values. This does not look cost reflective.

I hope these remarks are helpful.

With best wishes

Hugh