



taking care of the essentials

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Our Ref.
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Dear Patrick

Recovering the costs of compensation for temporary physical disconnection (CAP49)

Thank you for the opportunity of responding to the above named consultation. Centrica are pleased to provide the following comments on the proposals put forward by Ofgem.

Centrica recognise that it is important to adequately compensate users for temporary disconnection from the network. We note that the proposals to date do not account for demand and we encourage Ofgem to broaden their consideration of compensation for loss of access to directly connected users.

We believe that the Transmission Owner (TO) should meet the costs of any disconnection event, at least in part, as they are responsible for the maintenance of their network. However, we also contend that it is important the SO is properly incentivised in order that it may keep the costs arising from a network fault as low possible, reflecting their role in operation of the system. As such, we would support some mechanism that modified both the SO incentive scheme and TO price control, although recognise that this would require clarity in the cause of the disconnection.

The analysis that's in the letter does not provide any view on the proportion of disconnection caused by either the TO or SO. Therefore, at this point we do not believe it is possible to comment on how the cost recovery should be apportioned between SO and TO beyond saying it should be proportional.

We note from the Ofgem letter that in Scotland restoration will largely be dependent on the speed of TO repairs. We therefore believe that it is important that direct incentives are introduced for Scottish TOs to improve restoration times and therefore reduce compensation payments.

Notwithstanding the above, we do not support Ofgem's proposal that costs for Scotland should be subject to pass through arrangements. Considering the GB market is now in operation we believe implementing different arrangements in Scotland compared to England and Wales will create perverse incentives. Centrica recognise that there are significant difficulties in managing the relationship and incentive arrangements between the SO and TOs but do not consider this to be insurmountable.

Yours sincerely

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Contracts Manager

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