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Dear Martin

**Re.: Ofgem request for comments – WPD IDNO charging proposal email of 14 September**

Thank you for the opportunity to comment on WPD's revised UoS charging modification proposal. We appreciate that while this is a revision to a previously submitted proposal, we wish to gain reassurance from Ofgem that the formal consultation process laid down in Distribution Standard Licence Condition 4 will be followed in the future when seeking feedback on modifications from interested parties.

WPD has submitted its revised proposal based on work that has been done to clear the two concerns raised by Ofgem in their veto decision document. We believe that the solutions proposed do not clear the concerns raised by Ofgem, indeed we believe that the proposal further clouds the issue of how tariffs are allocated to individual connectees.

Specifically, we are concerned that the revised proposal could lead to the application of non-contentious assumptions to avoid the DNO being challenged. These assumptions would lead to charges which are likely to be less cost reflective than the original tariff price and would therefore lead to distortion in competition. Tariff application should be through quantitative allocation which is not disputable or open to discrimination. For example, in the instance of the proposed 40-60% band range for delimiting domestic/commercial tariffs IDNOs could be treated differently leading to discrimination.

It is also noted that WPD state the average LV circuit length for each of its licensed areas. It then proceeds to allocate this average length into four distance bands from the substation. This results in more than half of connections (i.e. including all of those of a higher than average length) falling into the fourth band. We believe that the description of average circuit length should be the midway point of the distance banding (and not the maximum point) and the maximum circuit lengths should be the end of the furthest band such that the arbitrary split into four bands is applied equally across all circuits.

It is also worth noting that it has not been explained how this approach would work with more complex networks using interlinked substations and clarity should be given for these situations.

As expressed in our consultation response of 19 June, we continue to believe that customer type tariffs should be avoided and that there are better ways to improve cost reflectivity in the application of tariffs. Combined with our views outlined above, we therefore believe that the Authority should veto this proposal.

If you have any questions regarding this letter, please do not hesitate to contact me or my colleague, Oliver Day.

Yours sincerely

Paul Measday  
Regulation Analyst