

Mark Feather  
Industry Codes and Licensing  
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Dear Mark,

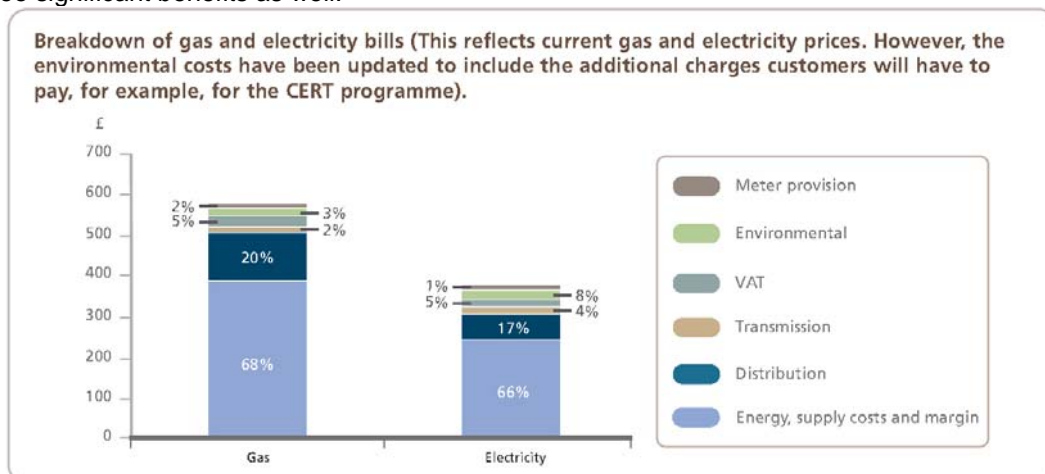
**Code Governance Review: Charging Methodology Governance Options**

The Energy Retail Association (ERA) represents electricity and gas suppliers in the domestic market in Great Britain. All the main energy suppliers operating in the residential market in Great Britain are members of the association - British Gas, EDF Energy, npower, E.ON, ScottishPower, and Scottish and Southern Energy.

Given the size of the impact that transmission and distribution costs place on a customer’s energy bill, and the scale of proposed investment in transmission and distribution networks, five of the ERA’s members see the benefits to the whole industry of opening up charging methodologies. With regards to the four options presented by Ofgem, five members agree that option 1 (do nothing) should not be adopted. RWE npower’s view differs significantly – believing that any of the options other than the status quo option would be disproportionate to the benefits gained. However each supplier will be responding individually to the consultation with their own views on the remaining options for delivery of reform.

The ERA is pleased to offer comments on Ofgem’s proposals on charging methodology governance options. The present arrangements are inadequate, with lack of transparency and accessibility resulting in uncertainty and volatility. Transmission and distribution costs comprise just over 20% of a domestic customer’s energy bill. Further Networks plan to increase spending significantly to over £10 billion per annum in the next 5 years to transform our energy networks. However users have no direct influence or authority over how these costs will be charged back to them and their customers. This makes the current unsatisfactory system even less sustainable going forwards.

We believe that allowing network users increased influence over charging methodologies has the potential to benefit all suppliers and consumers, not just ERA members, with smaller suppliers and their consumers being able to see significant benefits as well.



**Ofgem Factsheet 66, Household Energy Bills Explained (15/01/08)**



energy retail association

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If you have any questions or would like to discuss any elements of our response please do not hesitate to contact me.

Yours sincerely

**Frances Williamson**  
Head of Policy and External Relations