



Consumers and their representatives, distribution network operators (DNOs) and operators of distributed energy systems, generators, electricity suppliers and any other interested parties.

Promoting choice and value for all customers

Your Ref:
Our Ref:
Direct Dial: 020 7901 7036
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Date: 12 December 2008

Dear colleague,

Workshops for electricity distribution price control review (DPCR5)

In May 2008 we held two sets of workshops for stakeholders interested in DPCR5. These sessions were held during the consultation period for our initial consultation document¹. The intention of the workshops was to allow stakeholders the opportunity to discuss and debate the topics put forward.

On 5 December 2008 we published the second consultation document for DPCR5, the policy paper². Chapter six summarised our proposed process and explained our intention to hold further stakeholder workshops in January 2009 to engage with all interested stakeholders and to encourage discussion to inform responses to the policy paper.

I can now confirm that we plan to hold a workshop on **20 or 28 January 2009** at our offices in central London. If demand is particularly high then we may hold workshops on each of these dates.

We are keen to finalise the arrangements for these workshops as soon as possible. This letter invites views on the topics that stakeholders would like to discuss during the breakout sessions.

Proposed structure for the workshops

We want to focus the workshops on the topics that are of most interest to stakeholders. We will invite the distribution network operators (DNOs) to attend but are keen that the focus be on gathering the views of other interested stakeholders. This will also help us to inform responses to the policy paper.

The section below asks those interested in attending to identify the issues that they would like to learn more about and discuss.

Discussion topics

The policy paper puts forward a number of options for consultation. We would like to use breakout sessions to discuss two or three of the key issues raised for each theme. We have

¹ Electricity distribution price control review Initial consultation document (32/08)

² Electricity distribution price control review Policy paper (159/08)

outlined below a selection of the main discussion topics split by theme. We invite views on which breakout group stakeholders would like to attend (environment, customers or networks), and which topics you would prefer to discuss.

Breakout session 1 - environment

- Distributed generation (DG): incentive, information for developers and use of system charges for all DG.
- Innovation
- Regulatory treatment of transmission exit charges
- Revising the losses incentive
- Developing common reporting methodologies for the DNOs' business carbon footprints and compiling a league table
- Continuation of the undergrounding scheme

Breakout session 2 - customers

- A broad measure of customer satisfaction
- A regional, segmented approach to regulating connections using competition tests, the possible provision of margins, and greater protection for customers choosing the non-competitive route and for segments where competition is unlikely
- Amendments to the interruption incentive scheme (IIS) considering the level of the DNOs' financial exposure, the use of automatic notifications of interruptions and considering putting in place longer term targets
- Improving service for worst served customers by agreeing an appropriate definition, providing a specific allowance, improving reporting arrangements and including this focus area in the customer service reward scheme

Breakout session 3 - networks

- The appropriate approach for managing uncertainty regarding input prices, and the balance of risk between customers and DNO shareholders
- Equalising incentives for capex and opex and the appropriate way to do so
- Refining the information quality incentive (IQI) to improve both coverage and effectiveness
- Developing and using a wider range of output measures

Financial issues

At the workshops in May 2008 we held a session focussing on financial issues. We plan to hold a specific session for this topic in the first quarter of 2009 and so will publish details of this separately.

Attendance

If you would like to attend the workshops then please could you confirm your availability on the two proposed dates to dpcr5.reply@ofgem.gov.uk by 5pm on Tuesday 6 January 2009.

Please also provide details of the breakout session you would like to attend (environment, customers or networks) and the specific topics that you would like to discuss.

We will circulate final agendas closer to the time.

Yours faithfully,

Nicola Cocks