

8 June 2009

Rachel Fletcher  
Director, Distribution  
Ofgem  
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London SW1P 3GE

Dear Rachel

**Statutory Consultation on Collective Licence Modification Proposal for a Common Distribution Charging Methodology for the High and Low Voltage networks**

Thank you for the opportunity to respond to this statutory consultation. Consumer Focus strongly supports Ofgem's proposals with regard to the proposed collective licence modification (CLM).

The aims of the structure of charges project are sensible and should make the functioning of both the generation and supply markets more efficient with the result that consumers are better served.

As noted in our response to the December 2008 *Next steps in delivering the electricity distribution structure of charges project – consultation*, we believe the focus of this work should be on delivering fair, stable, predictable, transparent and simple prices for consumers.

The proposed CLM to oblige Distribution Network Operators (DNOs) to implement a common methodology for calculating use of system charges to the high and low voltage networks by 1 April 2010 is in our view the correct way forward.

Consumer Focus agrees with the Ofgem's position that more cost reflective charging methodologies based on a common methodology will be beneficial. In particular this should facilitate financing and deployment of distributed generation and for customers implementing demand side management, which we hope and expect to become more prevalent over the coming years as smart meter and micro-generation penetration increases. It will also allow suppliers to make savings on forecasting charges and the associated administration costs—which should reduce costs to users and allow for more competitive demand-side response tariffs to appear.

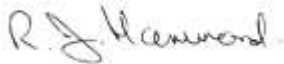
Given there could be price changes occurring on 1 April 2010 as result of DPCR5, Consumer Focus agree the common charging methodology procedures should come into effect on that date.

More generally network charging methodology governance arrangements must be transparent, simple to engage with and open to modification by parties materially affected by the revised methodologies, and we welcome the inclusion of these issues within the code governance review. This must include the ability to formally raise modification proposals for consultation and consideration by industry participants and designated parties such as Consumer Focus. This will ensure that the methodology adapts to changes in the needs of network users.

Consumer Focus also supports the preferred route Ofgem sets out to assign a location for the governance for the common methodology. It would appear more pragmatic to consult on proposals put forward by the charging methodology group, which may be sensible and ultimately the right solution, to allow others to consider alternatives. The ongoing code governance review may also require changes to DCUSA, particularly on consumer and smaller party engagement participation, and in our view it is more urgent to proceed with the CLM and code governance review without attempting to describe a location for the governance arrangements at this point in time.

If you have any questions or would like further information about our response please contact Abigail Hall, Senior Policy Advocate, Regulated Industries Team by telephone on 0207 799 7934 or via email: [abigail.hall@consumerfocus.org.uk](mailto:abigail.hall@consumerfocus.org.uk)

Yours sincerely



**Robert Hammond**  
**Head of Regulated Industries**