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Dear Ynon,

RWEnpower welcomes the opportunity to comment on these proposals. We recognise the work required getting to this point and, in particular, the effort undertaken to understand and incorporate, if appropriate, comments from the DNOs' own consultation.

### **Electricity distribution structure of charges: DNOs' proposals for a common methodology at lower voltages**

*Q1 – Do you agree with our minded to positions given the arguments/analysis presented here and in the Impact Assessment in Appendix 3? If not, why not?*

At this stage of the process, with the relative proximity of implementation, we believe that certainty over the models that will be utilised becomes of increased importance. Hence, unless an issue is apparent that has the potential to alter charges dramatically we would expect models to be effectively 'base-lined'. So, we support the general approach Ofgem has taken to raise areas of concern but allow these to be managed through the new modification process subsequent to the adoption of the extant model.

*Q2 – Do you consider any additional areas should be conditionally approved?*

Although not an additional area, as it covered within the 500MW network model application development areas, we would like to highlight a particular aspect requiring development in terms of commonality and transparency. We believe substantially more detail is required within the methodology regarding the inputs to the 500MW network model. The process for deriving the inputs should be explained, to include data sources, preliminary calculations undertaken, reference periods and assumptions made. Certain inputs, such as 'Asset cost by network level' and 'Load profile data', can have a significant impact on final tariffs and so commonality cannot be assured without further transparency over the nature of model inputs.

*Q3 – Do you consider any element of the methodology would warrant an overall vetoing of the DNOs' common methodology submission?*

As expressed in Q1, we are happy with the approach outlined.

*Q4 –Are there any additional areas you would like to flag as areas you consider warrant further work by DNOs in the future?*

The roll-out of SMART metering may have a significant effect on the industry as a whole and the role of Charging Methodologies within this should be considered sooner rather than later.

#### *Additional- Derogations*

We note the number of derogations applied for by the DNOs. Whilst full implementation would be preferred, we appreciate the difficulties in changing IT systems. We would, however, ask that an orderly process is outlined and followed in the removal of these derogations, if allowed, and communication is consistent and reliable.

We would be happy if the DCUSA pattern for bi-annual standard price changes was followed for the removal of derogations, with the associated notice periods. Additionally, we would suggest a monthly update detailing progress against derogations and the risk of slippage. This should be a summary covering all DNOs. We do recognise that the liaison plans put into place by the various DNOs may fulfil this purpose, but can see the merit in a single communication for simplicity and reliability.

It would be useful if DNOs, when finalising interim charging arrangements, could look to ensure that no customers are 'over-charged' when compared to the enduring arrangements. This would make it easier for the removal of derogations to be treated as prospective only, and not retrospective.

Please feel free to contact me if you wish to discuss this response in more detail.

Andy Manning,  
Forecasting Manager- Network Charges