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Dear Rachel,

Electricity Distribution Price Control Review – Review of process

Thank you for your letter of the 2nd March 2010 and the opportunity to respond and comment on the process followed by Ofgem during Distribution Price Control Review 5 (DPCR5).

Haven Power is a smaller supplier servicing the business sector, primarily in the SME market but increasingly larger I&C customers. As a more niche supplier, Haven has taken an active interest in the changes involved in the CDCM and the likely impacts of DPCR5.

Haven Power is generally supportive of the form of the process used during DPCR5 however we are strongly of the view that, despite the pressures on the regulatory timetable, it was inappropriate to have the Common Distribution Charging Methodology (CDCM) programme running in parallel to DPCR5.

The process has caused very significant upheaval in the supply marketplace and will have disproportionately affected smaller suppliers, such as Haven Power, when compared to the Big 6 suppliers. It is our view that Ofgem should in the future avoid such a situation again

Whilst the subject matter is at times complex and requires a great deal of explanation, the consultation, policy and proposal documents are still over-long and do not always readily present the key information in such a way as to make them accessible to one not wholly involved in the Price Control process. This is particularly relevant for any key assumptions used in any financial modelling.

Some examples include:

- in the Final Proposals document - Table 1.2 (page 12) is a key piece of information to allow suppliers to assess the combined impact of DPCR5 and the CDCM, but critical yet not sensitive information such as the customer consumption figures used in the calculations were not provided, when in our view they could and should have been provided;
- Allowed revenue figures – it would have been better to have a summary of these figures within the main Final Proposals document, rather than only at the back of a supplementary document;
- Use of 07/08 prices – it is not obvious to someone not well versed in price control reviews that the allowed revenue figures are all quoted in terms of the pricing in place at the beginning of the price control process (in this case 07/08 prices). This point would be useful to state explicitly even just as a footnote.

Our final point would be that as a result of the uncertainty, whilst DNOs were active in attempting to share information, they either had little of use to share or what they had was caveated with such uncertainty (rates of return, pension allowances, etc), the meetings and communications were not as productive as they could have been.

In other respects, had DPCR5 and the CDCM had different implementation timescales, the structure of the DPCR5 process would have been very productive.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Marc Bradbrook', with a stylized, wavy flourish.

Marc Bradbrook