

Your Ref:112/10

Our Ref

98 Aketon Road  
Castleford  
West Yorkshire  
WF10 5DS  
www.ce-electricuk.com

Rachel Fletcher  
Partner, Distribution  
Ofgem  
9 Millbank  
London  
SW1P 3GE

**Tel:** 01977 605912

**Fax:** 01977 605858

**email:** harvey.jones@ce-electricuk.com

**Date:** 26 August 2010

Dear Rachel,

### **Consultation on revised submission and implementation dates for the EHV Distribution Charging Methodology**

I write here on behalf of CE Electric UK Funding Company (CE) ("us" or "we" hereinafter), which is the UK parent company of the electricity distribution licensees Northern Electric Distribution Limited (Northern) and Yorkshire Electricity Distribution plc (Yorkshire).

We appreciate Ofgem's concerns that have resulted in its headline proposal for the Authority to issue a derogation against distribution licensees' (DNOs') obligations in Part C of SLC 50A that would extend the implementation date of the EHV charging methodology (EDCM) to 1 October 2011. Whilst we are ready to submit our EDCM proposal to the current submission deadline of 1 September 2010, we can see merit in creating additional time for more customers to engage with the development process and therefore we support the intent of Ofgem's proposals. However, we see strong arguments for delaying implementation by a whole year rather than just six months.

We agree that it is important that customers have an opportunity to review the forthcoming changes in detail and raise any concerns or comments they have on both the methodology and the resulting charges to their supplier. We also acknowledge Ofgem's observations regarding the additional (C1) customers joining the site-specific customer group as a result of Ofgem's decision on the charging boundary, and support providing an additional period of opportunity for these customers to comment on the methodology.

Noting that Ofgem thinks the current timetable may not give customers sufficient visibility of the proposed charges or adequate time to absorb the changes, we would recommend an implementation date of 1 April 2012. The reasons for this recommendation are set out below:

- The specific feedback from our customers at the workshops we have run is that their business planning and forward-cost projections tend to be based on 12-month budgets and a mid-year change may therefore have adverse impacts on customers;
- Ofgem acknowledges that a number of customers have already indicated that they need greater notice of price changes;

#### **CE ELECTRIC UK FUNDING COMPANY**

Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF

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- A mid-year change to site-specific charging arrangements is likely to necessitate a mid-year change to charges under the common distribution charging methodology to address the recovery of total costs across both models, thereby affecting LV and HV customers and to some extent independent distribution network operators; and
- Any LV and HV customers affected by a mid-year change would be very unlikely to have been monitoring developments in the EDCM and would not be expecting a mid-year change to the CDCM as a result of the implementation of the EDCM;

We note that the proposed derogation “should include working with customers to explore ways in which they might be able to manage their use of system costs” (DUoS). We remain happy to help customers understand the impact of the revised charging models, perhaps by reference to the charging components of the new tariffs. If Ofgem has something more extensive in mind it may be prudent to gather the views of suppliers and consultants who may already provide advice to customers on energy costs as a value-added or chargeable service.

In summary, we agree that it is sensible for Ofgem to issue a derogation to delay the implementation of the EDCM so that customers may better understand the implications for their use of system charges. We also believe that the scaling options would benefit from further consideration during this time. However, we believe that both customers and suppliers would prefer to see such changes implemented at the beginning of a regulatory year rather than at the mid-year stage.

Yours sincerely,

*Harvey Jones*

**Harvey Jones**  
**Head of Network Trading**