

Paul Darby  
Senior Manager  
Regulatory Finance  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your ref 87/10  
Our ref  
Name Helen Inwood  
Phone 07795 354788  
Fax 0121 336 5250  
E-Mail Helen.Inwood@npower.com

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Dear Paul

**Requests for relief from the consequences of over-recovery on the basis that accelerated gross volume corrections may have distorted losses reporting**

RWEnpower welcomes the opportunity to comment on these proposals. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

- It should be recognised that the overall effect on losses should be net zero over the entire settlement period after the application of GVC correction techniques. For example, if application of GVC is causing a reduction in metered consumption in current period, this will have a detrimental effect on the calculated losses since customer meter level consumption in the current settlement period is understated. However, GVC is correcting for data errors in a prior period. At the time that the data error occurred, the DNO would have seen the benefit of reduced losses (the correct volume would have been measured by the GSP group metering but the volume would have been overstated at customer meter level).
- Whilst recognising that these corrections are net-zero in terms of losses, we appreciate that the historical data errors would have occurred over a prolonged period and were probably not large enough on any settlement month to show significant impacts on customer metered volume, and losses. If suppliers have been correcting this data using atypically high numbers of GVC adjustments over a relatively short period of time, the overall correction of customer metered volume – and therefore calculated losses - is much more concentrated in the current settlement periods. It is this high concentration of adjustments that is causing the issue for calculated losses.
- We support Ofgem's minded to position to provide relief from the penalty interest rate only where it can be shown that the increased loss factor is as a result of large numbers of negative GVC adjustments carried out over a short time period.
- We are concerned that the wording in Paragraph 17 relating to '*settlement data adjustments*' is vague and could lead to many re-openers. For clarity, we would prefer the definition to relate specifically to 'large numbers of GVC corrections over a concentrated period'.
- We support Ofgem's view that it is the re-stated units distributed that flows through into future loss incentive schemes and revenue drivers.

RWE npower  
Innogy  
Windmill Hill  
Business Park  
Whitehill Way  
Swindon  
Wiltshire SN5  
6PB  
T  
+44 (0) 1793/8  
9 39 83  
F  
+44 (0) 1793/8  
9 29 81  
I  
www.rwenpowe  
r.com  
Registered  
office:  
RWE Npower plc

- Finally, we would like to provide some additional comments to the following paragraphs in the document:
  - Paragraph 11(ii): *'Changes to the Balancing and Settlement Code, effective from March 2010, may have prompted suppliers to accelerate historic data adjustments, as they restrict suppliers' ability to make retrospective GVC adjustments'*. This is not correct. The new changes have removed the opportunity for suppliers to request GVC at DF. However, they can still request GVC to be performed at RF.
  - Paragraph 22(ii): *'Suppliers would be unlikely to pass on a temporary reduction in use of system charges (effected in October 2010) to consumers because of supply contract cycles; they would be more likely to pass on a subsequent increase'*. We would question this rather broad statement. Some customers have contractual terms which mean that any short term reduction would have to be passed through to customers. Ofgem's decision not to enforce an October decrease for DUoS in these 2 DNO areas definitely means that these customers will not see a reduction in their charges from October. For customers where the DUoS charges are consolidated into a single price and suppliers have the option whether to pass through changes in DUoS charges, suppliers would need to weigh up the overall impacts of an October decrease and April increases before making a decision.

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

Many thanks,

By email so unsigned

Helen Inwood  
Network Charging Manager