

LCNF Full Submission

Supplementary Answer Form

DNO Name:	SEPD	Question Number:	SSE026
Question Date:	17/09/2010	Answer Date:	c.o.p 21/09/2010
Question Topic:	Project Summary		

Original Question No:		Original Answer Date:	
Original Question:			
Original Answer:			

Question:	Can you please outline how your proposal to offer <i>ex gratia</i> payments to domestic customers engaged in the trial is compatible with your current charging arrangements and subsequent licence obligations.
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Answer:	<p>Our intention is to create an environment where new players can enter the market to make technology and commercial offerings to customers to manage their energy, including demand side response measures to meet DNO requirements. By trialling these offerings, we hope to be able to gauge competitive interest in this new market and determine the level of reward that customers require to participate. As such, the intent is that both the DNO and customers will have a range of competitive service providers to choose from. Therefore, rather than making ex gratia payments directly to customers, the idea is that these payments would be made to these new players in recognition of the novel services that they are providing. We believe this is the optimal and most expedient approach to allow a Distribution System Operator (DSO) role to develop with minimal organisational challenge; whilst at the same time reducing the need for any additional regulatory restructuring or duties.</p> <p>However, if this approach is not forthcoming due to project constraints, then we do not believe our proposal to offer ex gratia payments directly to domestic customers conflicts with our current charging arrangements and licence obligations.</p> <p>We want to work with Ofgem to ensure that LCN trials can be smoothly rolled-out. We recognise that customers may need to be 'compensated' or have their charges adjusted to account for their role in any LCN trials. This is likely to be an element that applies to all LCN trials. We believe the proposed ex gratia payments can sit outside the common charging arrangements. From a transparency perspective, we believe there may be merit in preparing a LCN methodology statement that clearly sets out the basis for any ex gratia payments that will be paid to any small sub set of customers that are part of any LCN trial.</p> <p>Should Ofgem disagree, we (and other DNOs) would be forced down the route of change control of the common methodology under the DCUSA. We believe this would be cumbersome and inconsistent with the duration and intent of the trials.</p>
Attachments:	