

Anna Kulhavy
Ofgem
9 Millbank
London
SW1P 3GE

23rd December 2010

Dear Anna

Legal & Regulatory

Lakeside West
1st Floor
30 The Causeway
Staines
Middlesex
TW18 3BY
t: 01784 494000
f: 01784 878719

**Carbon Reduction Commitment Energy Efficiency Scheme (CRC) –
statutory consultation and guidance document**

Thank you for giving us the opportunity to provide comments on the licence drafting, setting out the new obligation to provide information to CRC participants on their annual energy supply. We have also taken this opportunity to provide views on the revised guidance document also published on 23rd November.

We have no specific comments on the proposed licence conditions relating to the provision of the annual CRC statement. There are no material changes to these licence conditions from those consulted on previously (and on which the “Final Guidance Document” published in August was based).

However, we have a number of concerns regarding the changes made to the guidance document.

The August Final Guidance Document set out in detail the requirements on suppliers in producing the CRC report. This guidance was the output of a long period of consultation with supplier representatives (including numerous workshops), involving both Ofgem and DECC. We were therefore surprised that, despite no change in the licence conditions relating to the provision of the annual CRC statement, Ofgem’s guidance has radically changed. Material changes such as these are unhelpful, particularly at such a late stage in the process.

Given this, it would be helpful if Ofgem could provide a clearer view on a number of key aspects of the way that CRC reports are to be compiled and reported. Without this additional guidance, there is a significant risk that the methodology followed by suppliers will be materially different. This has the potential to cause confusion for CRC participants and the CRC administrator.

The key areas of ambiguity in the guidance document are:

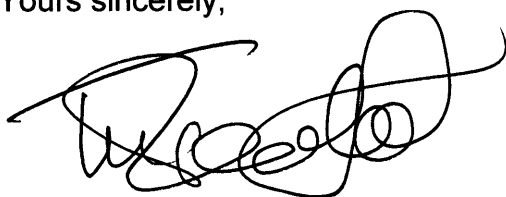
- the **dates of the period** to be reported. We understand that reports must be prepared for the exact dates 1 April to 31 March (rather than for the nearest 12 months of billing periods as previously advised). We would welcome clarification as to whether this is the case;

- the implications of **applying pro rata to actual meter reads** (at the start of the CRC year). The new guidance will require us to apply a pro rata to actual meter readings from our customers (to re-align consumption data from billing / metering periods to the start of the CRC report). As this pro rating will be applied to actual meter readings, we assume this should be termed “actual” and not “estimate” in the report for the purposes of CRC. We understand there is considerable confusion across suppliers on this point and potentially significant adverse consequences for customers, so guidance on this specific issue would be very welcome; and
- the **methodology to be used in producing estimates where there is a gap in meter readings**. Particularly at the end of the CRC year, there may be a period (or number of periods) where no meter readings exist. We propose developing an estimate for this period based on a combination of a customer’s AQ/EAC, and seasonal consumption profile. We would welcome clarification from Ofgem that this is an appropriate approach to adopt. In contrast to the position described above with respect to apportioning actual meter readings, we assume that this estimate should be treated as an “estimate” for the purposes of CRC.

We welcome Ofgem’s guidance that, should any discrepancies be found between CRC report and actual supply, there will be no requirement on suppliers retrospectively to amend the CRC report. Any requirement to undertake reconciliations / ex post amendments would introduce significant cost to the CRC report process.

Please do contact me if you would like to discuss any of the views set out in this response in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Dewhurst', with a large, stylized flourish at the end.

Tim Dewhurst
Head of Network Regulation and Market Design