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Dear Ynon

Consultation on Electricity distribution charging methodologies: DNOs' proposals for the higher voltages

1. This is in response to the request for early comments on proposed implementation plans. Our thoughts on the remainder of the consultation will follow in due course.
2. We believe it is important that the industry has certainty over implementation dates as soon as possible and so welcome Ofgem progressing this aspect faster than the overall methodology approval.
3. We do not believe that the new methodology can be implemented until and unless the issue of whether pre-2005 generators are liable to pay ongoing use of system is resolved, and the associated issue of compensation. If this issue remains unresolved, it is unclear how revenues attributed to pre-2005 generators will be recovered if unpaid.
4. In particular, we are concerned about instances where suppliers are obliged to pay charges on behalf on distributed generators (DG) under the terms of the DCUSA, but those generators then dispute these charges with suppliers. It is not reasonable that suppliers are exposed to contractual disputes between DG and DNOs.
5. If the pre-2005 issue can be resolved in a timely fashion, we have no strong objections to implementing in either April 2012 or April 2013, or a phased approach for all affected users. We believe that any of these, accompanied by sufficient notice and tariff information from the DNOs, are capable of providing the required certainty to the industry.
6. We do not believe, however, it would be appropriate to adopt a phased approach only for customers whose charges are increasing. As indicated in the consultation, use of system costs for CDCM users is already forecast to increase by £30m as a result of the implementation of EDCM. It is not acceptable to simply place more costs on the generality of customers as a method of managing undesired impacts on individual users. This would be a clear and deliberate cross-subsidy between the CDCM and EDCM.
7. I hope that this response has been useful in setting out our views and has made our favoured next steps clear. Please contact me if you would like discuss any of the issues covered in this response in more detail.

Yours sincerely


Andy Manning
Head of Transmission and Distribution