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Nicholas Rubin  
Distribution Policy  
Ofgem  
By email: [distributionpolicy@ofgem.gov.uk](mailto:distributionpolicy@ofgem.gov.uk)

15 July 2011

Dear Nicholas,

**Re: Ofgem Consultation on the request from CE Electric (NEDL) to publish use of system charges that are not in accordance with its charging methodology.**

We have reviewed the consultation on the application by NEDL to not comply with the CDCM. We have a number of concerns with this proposal and believe that consent should be withheld. Our rationale for this is detailed below:

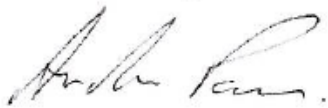
Firstly, we fundamentally disagree with the principle of retrospective price changes for errors that may exist in DNOs charges. If consent is granted it could set a precedent with wide ranging and unforeseen consequences. Where more than one error has occurred over different time periods, it would be difficult and complex to unwind the position, particularly if the error stretches back several years. This would be particularly difficult to manage in the EDCM where an error for one customer could have a large impact on other customers. The more practical approach is that any error is rectified as soon as possible and any surplus or deficit that has resulted is absorbed into the total over/under recovery.

Secondly, the contractual relationship between suppliers and customers means it is extremely unlikely that consent would put customers back in the position they were in prior to the error. Customers within the CDCM contract with suppliers on a variety of terms and it is only those customers who have a pass through contract for DUoS charges that would be placed back in the position they were in had the error not occurred. There would be no impact on customers who have a fixed tariff and any windfall or additional charge would be absorbed by the supplier. For a niche supplier that does not have a diverse portfolio of customers this cost could be large.

Finally, the possibility of retrospective price changes increases uncertainty for suppliers. Suppliers will need to take account of this risk by placing an additional margin on customers and consequently, customers will not benefit in the long term if consent is granted. In addition to this, the amount of risk a supplier is exposed to will depend on the size of the supplier and how diverse its portfolio of customers is. If consent is granted, it would act against the interests of small suppliers, putting them at an increased disadvantage and creating an extra barrier to entry for new suppliers. This again stifles competition in supply to the detriment of the end customer.

I would be happy to discuss any of our responses in more detail if necessary.

Yours faithfully

A handwritten signature in black ink, appearing to read "Andrew Pace". The signature is written in a cursive style with a large initial 'A'.

Andrew Pace  
Charging Manager  
Electricity North West