

WPD Proposal For The Correction Of The Unintended Effects On The DPR4 Close Out Payment From The Impact Of Supplier GVC.

Following the decision by OFGEM to approve the restatement of Northern Powergrid's and Electricity North West's 2009/10 losses and the recent OFGEM October consultation on GVC, WPD has done extensive analysis regarding the impact of GVC including gathering evidence of how far back GVC has been applied. From this we have constructed a spreadsheet that applies both the CE and Engage methods and applies them to the close out calculation.

WPD have held been to see OFGEM to present evidence of when GVC has been applied with actual figures with dates from Npower and graphs showing the statistical effect of GVC in the direction of the settlement runs and how they have changed in DPCR4.

WPD notes that the losses targets for DPCR4 were set using data from DPCR2 and DPCR3. Unfortunately the usage of GVC has meant that these setting of targets and actual figures seen in DPCR4 have not been on a consistent basis.

WPD also notes that the CE and Engage methods have a normalisation period within DPCR4 which is in itself an abnormal period as GVC was applied as early as 2005/2006. Therefore WPD has used DPCR3 in the spreadsheet where the data exists.

For the East Midlands and South West this includes all the 5 years.

For South Wales this includes 4 years for DPCR3.

For the West Midlands this includes part of one year of DPCR3 and 2 years worth of DPCR4.

The spreadsheet has an automated logic function that allows the dates to be changed and the data automatically flows through to the close out calculator.

Note: The calculator equals the spreadsheet produced by Paul Darby in OFGEM when no corrections for GVC have been applied.