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Dear Sara

LPN Traffic Management Act Reopener under DPCR5

RWE npower welcomes the opportunity to comment on these proposals. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

As a general comment, we are surprised that suppliers were not notified of this request to Ofgem in LPN's August DCP066 statement. This we feel is outside of the spirit of DCP066, which was set up to provide their supplier stakeholders with details of likely revenues moving forward. We would be interested in Ofgem's views on this, particularly since their reason to reject DCP106 (Visibility to DCUSA Parties Regarding Applications to the Authority by DNOs to Change Allowed Revenue) was:

'DNOs should make reasonable endeavours to provide accurate cost information and forecasts as set out in Tables 1 and 2 in Schedule 15 and any extraordinary request should be included under the "significant others" item. Additionally, we suggest there should be a specific item in the DCP066A agenda every quarter which covers such issues to ensure visibility to Suppliers'.

This process was clearly not followed on this occasion.

Question 1: Do you agree with the proposed adjustments to the revenues associated with TMA for LPN?

Ofgem are best placed to agree the financial value of this re-opener. However, in the interests of improving transparency and predictability of DUoS tariffs for suppliers and consumers, we would request that Ofgem delays implementation of the adjustment. Ideally, we would request this to be delayed out by 2 years i.e. 1 April 2015. If, however, the requirement is to implement during DPCR5, the earliest implementation should be not be before 1 April 2014. April 2013 should not be an option.

Question 2: Do you agree with the proposed principles that have been set and should there be any changes to the mechanism for RIIO-ED1?

We welcome that Ofgem recognise the link in the RIIO-ED1 Strategy Consultation document between the application of uncertainty mechanisms and price volatility for Network Users and consumers. While we recognise the increased risk caused by an 8 year price control, we would urge Ofgem to ensure that uncertainty mechanisms which are unpredictable (e.g. additional revenue for reopeners) are notified and implemented with a sufficient time lag for suppliers to price into contracts. Uncertainty mechanisms should be used as the exception rather than the norm.

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If the mid-review process in 2018 results in a change to DNO revenues, we would urge Ofgem to apply a sufficient lag (2 years) to all uncertainty mechanisms to increase predictability of tariffs for suppliers. The current proposal of implementing changes in April 2019 undermines the positive steps made by Ofgem in the recent Volatility Consultation decision document to increase predictability and transparency of tariffs during a price control.

Please contact me if you need any further clarification. This response is not confidential.

Kind regards

Helen Inwood
Network Charging Manager
(By email so unsigned)