

**Legal & Regulatory**

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14<sup>th</sup> December 2012

Dear Dora,

**Notice under section 11A(2) of the Electricity Act 1989 - Proposed modification to Special Condition CRC 7 (CRC7) of the Electricity Distribution Licence in accordance with the Authority's decision not to activate the Distribution Losses Incentive Mechanism contained in the fifth Distribution Price Control Review (DPCR5)**

We have reviewed the proposed modification to CRC7 and we believe the revisions appropriately implement Ofgem's decision to switch of the losses incentive for the DPCR5 period.

However, since the proposed modification also gives effect to the revised methodology for the close out of the DPCR4 losses incentive (consulted upon in Document B), we would like to make a representation on the current interpretation of that document. The minded-to values of the PPL term contained in Document G imply that critical elements of DPCR5 Final Proposals seem to have been interpreted in two different, and contradictory, ways.

The relevant section of DPCR5 Final Proposals is the section on 'Adjustments arising from settlement corrections and provision accounts' and the full details of our concern are contained in our Document B consultation response. Our view on the appropriateness of the proposed modification to CRC7 is conditional on a single and unambiguous interpretation of the revised methodology for the close out of the DPCR4 losses incentive being applied across all DNOs.

I trust these few comments are helpful, if you have any questions regarding any of the points raised in this response please do not hesitate to get in touch.

Kind regards,

Andy Manning  
Head of Network Regulation, Forecasting and Settlements  
British Gas  
[via e-mail]