

Dora Guzeleva
Head of Networks Policy
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

14 December 2012

Dear Dora

Notice under Part D of standard condition 49 of the distribution licence to Distribution Services Providers to modify the Cost and Revenue Reporting RIGs (Ref 149f/12)

Thank you for the opportunity to comment on the above matter: I am writing on behalf of each of Northern Powergrid Holdings Company and its two licensed electricity distribution businesses, Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc.

Our comments on the proposed changes fall into two categories. The first of these categories relates to the modifications necessary to remove the existing reporting requirements. The second relates to the guidance on the new distribution losses reporting requirement.

On the first of these categories, we agree that Ofgem's proposed deletions are required in order to remove the existing reporting requirement. However, we also believe that some further deletions would be required to remove the existing requirements completely. This would be appropriate and, we believe, in line with Ofgem's stated intention. The additional deletions that would be necessary are paragraphs 6.42 to 6.45 of the Cost and Revenue Reporting RIGs (the RIGs). These paragraphs currently require DNOs to report units entering the system, and units distributed, for the purposes of the DPCR5 losses incentive (as distinct from current paragraphs 4.97 to 4.142, marked for deletion, which specify the calculation methodology).

On the second of these categories, we support Ofgem's intention to replace the existing losses arrangements with a new distribution losses reporting requirement, as we believe the latter is likely to result in more effective losses reduction actions by DNOs.

We also have two additional observations to make on the second of these categories.

- Firstly, we note that Ofgem has developed a system which avoids being overly prescriptive. With this it must be recognised that there is likely to be a limited degree of comparability between DNOs, particularly on how factors such as the baseline against which actions are compared. We therefore support Ofgem's decision not to use the information in a league table format as this could be highly misleading. We also believe that the information being requested should enable the informed reader to identify the reasons for potential differences.

NORTHERN POWERGRID

is the trading name of

Northern Powergrid (Northeast) Limited (Registered No: 2906593) and Northern Powergrid (Yorkshire) plc (Registered No: 4112320)

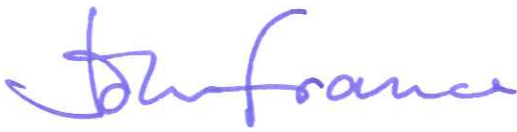
Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne NE1 6AF. Registered in England and Wales.

If you would like an audio copy of this letter, a copy in large type, Braille or another language, please call 0800 169 7602

- Secondly, we would also support the inclusion of a requirement that companies provide their evaluation of whether their additional, beyond business as usual, losses reduction actions represent value for money, if Ofgem felt this would be appropriate,. This appears to be different from, but complementary to, the 'rationale' for the action which Ofgem has requested in the current drafting (at new paragraph 4.102 of the RIGs). Reporting this additional complementary information would provide additional encouragement for DNOs to optimise losses based on an economic evaluation of costs versus the value of the avoided losses, rather than simply undertake actions to reduce losses relative to a counterfactual. We believe that it is Ofgem's intention that DNOs should behave in this manner, and indeed the requirement to report both losses avoided and associated cost should go a considerable way towards effecting this requirement. But we would nevertheless support a more explicit reference in the RIGs to this point.

I hope that you will find this input helpful.

Yours sincerely



John France
Regulation director