

7 January 2013

James Veaney
The Office of Gas and Electricity Markets
9 Millbank
London
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Dear James

Consultation on ElectraLink's proposed expansion regarding electricity-related activities

Thank you for the opportunity to respond to the above consultation regarding Electralink's proposed expansion regarding electricity-related activities.

British Gas agrees with the four criteria that Ofgem has established in order to assess whether Electralink has sufficient safeguards in place where a company undertakes both regulated and commercial activities, these being:

1. DTS users should benefit from any diversification;
2. the new arrangements should not place disproportionate risk on DTS users;
3. standards of service under the Data Transfer Service Agreement (DTSA) should be maintained; and
4. ElectraLink's DTSA role should not give it any undue competitive advantage in a contestable activity.

We have reviewed Electralink's response to how they currently meet these criteria given the regulated and commercial activities that they already provide and we are generally satisfied that consumers would be sufficiently protected.

We do have one specific comment relating to criteria 3 with regard to ensuring the service under the DTSA is maintained. Under the current arrangements should a service level be failed by Electralink's service provide a service credit would become payable and deducted from the overall charges that Electralink make to Users. Users currently have no visibility of what service credits are payable on a line by line basis and we would suggest that the contract is amended to give Users greater transparency of Service Credit levels payable under each service line.

With regard to the specific questions that you have asked Electralink, we have the following comments:

1. *Can we be assured that DTS Users will / can never face higher charges as a result of ElectraLink's commercial activities and that DTS activities will not and cannot cross-subsidise commercial activities in any way?*

We agree with Electralink that the DTSA Charging Principles clearly define costs that can be charged against the DTS and the DTSA itself gives DTS Users the ability to refer any increase in DTS charges to Ofgem for determination.

We also welcome the recent changes agreed under the DTSA that oblige Electralink to provide indicative prices for the coming year.

2. *Can it be confirmed that the measures ElectraLink has in place to maintain resources and funding for DTS activities are adequate?*

We believe that Electralink's response is sufficient provides the necessary assurance that DTS activities will continue to be funded adequately.

3. *How do ElectraLink propose to continue to achieve compliance with DNOs' obligation to provide or procure Data Services in the most efficient and economic manner practicable?*

We agree that the DTSA obligates Electralink to provide and procure services in the most efficient and economic manner.

4. *Will it be necessary to mandate separate accounting and reporting between commercial and regulated activities within ElectraLink?*

We do not believe separate accounting and reporting would be required however we will continue to work with Electralink through the DTS User Group to ensure greater transparency of the make up of DTS costs are provided to DTS Users when requested.

5. *How will existing governance arrangements concerning the DTS need to be adapted to take account of ElectraLink's proposed expansion?*

We would welcome a review of the existing governance arrangements. The current arrangements have been in place for a number of years and have been adapted over that time to deal with the introduction of commercial activities by Electralink. Whilst we agree with Electralink that the current arrangements have worked well in the past we would recommend a more formal review of the DTSA to ensure it remains fit for purpose.

If you have any questions regarding this response please contact Kevin Woollard on 07979 563580.

Yours sincerely



 **Kevin Woollard**
Regulatory Manager
British Gas