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Sent by email to soincentive@ofgem.gov.uk

29 July 2013

Dear Mr Soundraraju

Proposed Income Adjusting Events submitted by National Grid Electricity Transmission in relation to the 2011-13 Electricity System Operator Incentive Scheme

I am writing in response to the above consultation which is set out in your open letter dated 5 July 2013.

Haven Power Limited ("Haven") is a non-domestic electricity supplier and has been part of the Drax Group plc since 2009. Haven was formed in 2006 and began supplying the SME (Small Medium Enterprise) sector in 2007 and now has ~35,000 SME customers. In 2009, we entered the I&C (Industrial & Commercial) sector and have grown our I&C customer base to ~5,250.

We have a several concerns in relation to the proposal Income Adjusting Events (IAEs) that are set out in the consultation:

- Notification – it appears to us that all of these could have been raised sooner after they occurred, with perhaps the exception of the IAE relating to transmission losses. In our view it is important that any additional costs that could arise as a result of exceptional circumstances are signalled to suppliers at an early stage and factored into NGET's BSUoS forecasts.
- None of these events seems that unusual to us and it appears from NGC's earlier silence that individually whilst the events may have made NGC's task more difficult that none of them would have such a large effect as to render the Scheme ineffective. We are concerned that NGC are using an unhealthy dose of hindsight to argue that their targets should be moved. Even if the combination of events was deemed sufficiently exceptional some (considerable in our view) deduction should be made for the fact that ordinarily NGC should be expected to cope with a number of such events within the ordinary envelope of the Scheme.
- Complexity – the issues raised are technically complex and like many suppliers, we don't have the appropriate resource to consider the arguments in detail and form views. Although we note that NGET did devote some time to this issue at the June Operational Forum, we would consider it correct for an independent view to be sought on behalf of the industry.

- Cost recovery – including the financial effect of any IAEs in RF Settlement Runs for the remainder of the 2011/13 BSUoS is unsatisfactory. Many suppliers will be faced with additional cost for a period in the past which will not be easily recoverable from customers. In many cases we will no longer supply the relevant customers and would have little basis for trying to recover these extra costs from them. This could also constitute back billing under Ofgem's new definition. The alternative of suppliers absorbing these costs is simply not realistic. Suppliers are beholden to NGC to balance the system and have no day to day ability to control these matters. If Suppliers are required to absorb these costs it will increase the risks in supply and result in higher prices for customers and less competition. It would be better to recover the cost in future Settlement Runs, e.g. SF from October 2013 after the BSUoS forecasts have been adjusted accordingly giving all parties time to plan for the extra costs.

Please let us know if you would like to discuss anything further.

Yours sincerely

Sent by email to soincidentive@ofgem.gov.uk

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