

Joanna Campbell
Ofgem
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Sent via e-mail: Joanna.campbell@ofgem.gov.uk

04 November 2013

Dear Joanna,

Consultation on the timing of a decision on electricity distribution networks' revenue for 2015-16

Energy UK is the trade association for the energy industry. Energy UK has over 80 companies as members that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26 million homes and last year invested £10 billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's consultation on the timing of a decision on electricity distribution networks' revenue for 2015-16. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Energy UK and its members welcome Ofgem's decision to consult on this important matter. As noted in the consultation document, by limiting electricity suppliers' ability to confidently price the contracts they offer to consumers until late 2014 at the earliest, Ofgem's base case (Option A), creates a high degree of uncertainty and risk for electricity suppliers and in turn consumers. At a time when customers are experiencing increased volatility in their electricity bills, changes that provide more certainty should be explored and implemented to the benefit of customers overall.

Energy UK, therefore, supports an earlier than proposed decision on the revenue that will be recovered by DNO's in 2015-16. Earlier notification will assist industry in correctly pricing network charges into the energy contracts that are offered to consumers for 2015-16, decreasing the level of risk and associated costs for both suppliers and ultimately their consumers. We do, however, recognise that it is important for consumers, suppliers and DNOs that Ofgem strike the right balance between providing suppliers and consumers with sufficient notice and ensuring the accuracy and efficiency of each DNO's business plan. We expect Energy UK members to respond individually, on a confidential basis, on the relative merits of Options B and C and with relevant supporting information to help inform your analysis further.

We urge Ofgem to continue working closely with the industry along with a wide range of stakeholders as they make their Draft and Final Determinations on RIIO - ED1. Energy UK and our members are always willing to discuss with Ofgem ways in which we can work together for the benefit of consumers and the industry.

I hope you find our comments helpful, should you require any more information please do not hesitate to contact me on 020 7747 2965 or daniel.alchin@energy-uk.org.uk

Yours sincerely

Daniel Alchin
Policy and External Relations Manager