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Sent via email to: joanna.campbell@ofgem.gov.uk

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04 November 2013

Dear Ms Rossington & Ms Campbell,

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

I am writing to set out Haven Power Limited's view on some of the points in the above consultation. We have provided some general comments on the options discussed, as well as putting forward another option which we feel should be considered.

Haven Power Ltd (Haven) is an independent non-domestic electricity supplier that has been supplying Small Medium Enterprises since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas.

Steps to mitigate network charging volatility during the implementation of RIIO-ED1 are extremely important and we are very conscious of the strain unaddressed volatility places on our customer base, and in turn our business. Allowed revenue is only one component in the DNO price setting process. The CDCM mechanism is, as we have said, unstable and this means the revenue certainty only delivers part of the benefit of price certainty.

We think that, in the absence of any serious concerns regarding the standard of the business plans submitted, careful consideration should be given to fast tracking all of the business plans for the first year, perhaps with discretion to withhold the fast track incentive and issue guidance to any DNO who would not have otherwise had their whole business plan fast tracked under the current directive. This would give both suppliers and DNOs some certainty, whilst ensuring that business plans that were merely adequate were not unfairly rewarded.

When considering the options set out in the consultation we have assumed that option c would not have the consequence of triggering any fast track reward payments and that this would still be determined on the decision made on the business plan as a whole. We would be grateful if you confirm that this is the case. We have also taken in to account that the consultation is considering changes in revenue only and the materiality of this element when forecasting the final tariffs.

We have examined the listed options and feel that there is an important fourth option, which sits between options (b) and (c), that has not been considered and could be a more balanced alternative.

Under the last RIIO-ED1 timetable, final Fast Track Determination is due for publication in February 2014. Ofgem should consider using this date to also publish the opening base revenue (i.e. for 2015/16) for the non-fast tracked DNOs. We would expect these DNOs to be the minority, and this option would strike a balance between the risk of possible over recovery and the risk posed by inadequate notification timeframes for suppliers to accurately set their tariffs (reducing the necessity for a high risk premium to be included). This would have some value for us as a general indication of price direction.

Regardless of the date that 2015/16 revenue (and so tariff) figures are confirmed, our preferred treatment for any deferred revenue would be for it to be recovered across the remaining price control period to smooth any impact for end customers. We believe that there may be a timing issue in attempting to accurately collect deferred revenue in 2016-17 because any revenue under/over recovery will not be known when 2016-17 tariffs need to be published; this could cause more uncertainty (and necessitate a risk premium), so if recovery of deferred revenue were to be undertaken in a single year there would need to be a year lag with monies being recovered 2017-18.

We understand that information regarding the risk premia built into our products would be beneficial for you, we are unable to provide a detailed analysis or comment on the reduction that option (b) or (c) would provide. Whilst we consider five non-direct energy costs[1] in relation to retail pricing, we take a more holistic approach across all five costs when considering the outturn and managing the associated risks. This means that we do not separately quantify the precise effect of each of the individual components. There is also the issue of timing, the RIIO-ED1 timetable allowed for the publication of the initial assessment and fast track determination in October 2013, and we would have used this information to influence the level of risk premium that we price into our retail tariffs.

However for SME customers, in the spirit of cooperation, our estimates indicate that in general, the risk percentage premium is approximately 3% of the total bill. This would cost a typical SME customer around £300-£500 per year – circa £150M across the SME sector as a whole.

The tariffs, for the first year of a new price control are already critical to suppliers and customers and uncertainty is extremely detrimental. We are working with DNOs to mitigate the current level of charging volatility experienced by suppliers and will continue to do so. Whilst we understand that advanced revenue setting may not be without risk to the DNO, we feel that the option we have suggested would be a sensible way forward that and help to limit this.

If you have any questions or wish to discuss any of the points that we have raised please let me know. If you would like to meet with us please do not hesitate to contact me – our CEO, Peter Bennell and Antony Badger, Head of Supplier Management, will be at the Ofgem office on Wednesday 13 November 2013 and could meet you then.

Yours sincerely

Sent by email.

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[1] These are: DUoS, TNUoS & BSUoS charges and the cost of the small scale Feed-In Tariff Scheme and the Renewables Obligation.