RWE npower

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Dear Joanna

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

RWE npower welcomes the opportunity to comment on these proposals. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

We fully support this consultation and the recognition of the concerns that suppliers have raised around the late publication of revenues for 15/16.

Suppliers contract with consumers on a 1, 2 and 3 year basis. Many of these contracts will be 'fixed price' where the DUoS charge is incorporated into the overall unit rate(s) and fixed charge that the customer sees on their invoice. Suppliers' ability to forecast DUoS tariffs accurately over that time horizon is the key to ensuring that the consumer is given the most cost reflective price. The increased certainty resulting from fixing the 2015/16 tariff revenues at business plan submission revenues will be reflected in the reduction of risk premia on DUoS costs for such consumers on contracts spanning 2015/16. This is clearly beneficial to the consumer. The above proposals would also be extremely valuable to customers who are on pass through DUoS contracts with suppliers since it will provide better visibility of how their tariffs may change moving out. This would obviously assist them to manage budgets moving forward.

We prefer **Option (c)** since this gives suppliers and consumers the longest notice period out of the 3 options in the consultation. This will provide more much more certainty around 2015/16 DUoS charges during 2014. The result is that all customers contracting from January 14 would see reduced risk premium. Option (b) is an improvement on the current RIIO-ED1 process (Option (b)) since the additional 4 months notice means that customers contracting from July 14 would see the reduced risk premium. However, January – June contracts would still receive the higher premium. Under Option (a), there would be no reduction in risk premia and, as we have stated in previous consultations, we do not believe the uncertainty around this scenario is appropriate.

We agree with Ofgem's analysis that customers will still see the same overall impact over the period of the price control (with a small adjustment for WACC). However, we believe that the benefits of the reduction in risk premia will outweigh the dis-benefit of the WACC uplift.

In terms of treatment of the deferred revenue, we agree that the DNO should be NPV neutral to this change. Our preference is **Option 3** – with a suggested published threshold (3-5% of 2015/16 revenue). We are willing also supportive of Option 1 if it allows early notification of revenues to be implemented.

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We agree with Ofgem's view that there will be no difference in complexity between Option 2 and Option 3.

Please contact me if you need any further clarification. This response is not confidential.

Kind regards

Helen Inwood
Network Charging Manager
(By email so unsigned)