

Hannah Nixon
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Ofgem
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7 February 2014

Dear Hannah

RIIO-ED1: Informal consultation on licence drafting - Standard Licence Conditions and Informal consultation on fast-track licence drafting - Charge Restriction Conditions (Part 1)

Thank you for giving us the opportunity to comment on Part 1 of the draft standard and special licence conditions that are being prepared for fast-track licensees.

Northern Powergrid has taken an active part in the discussions at the Licence Drafting Working Group (LDWG) and fully supports the submission dated 5 February 2014 made on behalf of the fourteen distribution services providers. In particular, we commend to Ofgem the revisions to the drafting proposed by the licensees in that submission.

We would like to make one further observation that relates to the timetable for the making of the fast-track licence modifications.

We note that Ofgem intends not only to finalise the modifications to the standard and special conditions of the licence but also to formally make the modifications in the case of fast-track licensees in May 2014. We recommend that Ofgem gives some further thought to this ambitious timetable. Notwithstanding the progress that has been made on the draft modifications, there is still quite a lot of work to do to get the conditions into a form that can be implemented. Policy remains unclear in some areas such as losses and theft prevention and the drafting in several places where the policy intention is not in doubt does not meet the high standards that should be maintained in a document of such importance as the licence.

More importantly, however, Ofgem should consider the fact that licensees other than fast-tracked licensees will have appeal rights in relation to some, or perhaps all, of these conditions. These licensees will also have appeal rights for the special conditions when their own price controls are finalised. Other parties also now have appeal rights with respect to standard and special conditions. If there were to be any Competition Commission (CC) references for the ED1 price controls it would surely be sensible if these could all be considered by the CC at the same time. Making the modifications at different times risks introducing a degree of disorder into the process and may force those who have appeal rights to consider the exercise of these rights before the requirements of the ED1 timetable really require this. We suggest it might be better to finalise fast-track modifications as soon as possible and then freeze these until the slow-track modifications are ready and a single statutory process could be undertaken to modify all the electricity distribution licences at the same date. That way everything would happen at the same time. The loss of certainty for fast-track licensees would be very slight (especially given the provision that has to be made in any event under Ofgem's

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accelerated timetable for updating the fast-track licence conditions in the light of outturn values and the 'no worse off' commitment) and we feel sure that fast-track licensees would trust Ofgem to honour its fast-track settlement even if the making of the fast-track modifications were to be delayed so that they were made at the same time as the modifications for slow-tracked licensees.

It would be unfortunate if Ofgem's desire to adhere to a particular timetable for fast-track licensees led to appeals that could have been avoided by allowing more time to perfect the drafting.

We look forward to continuing to work with your team to bring these modifications to a satisfactory conclusion.

Yours sincerely

A handwritten signature in black ink that reads "John France". The signature is written in a cursive, slightly stylized font.

John France
Regulation Director