

98 Aketon Road  
Castleford  
WF10 5DS

Telephone: 01977 605937

[chris.allanson@northernpowergrid.com](mailto:chris.allanson@northernpowergrid.com)

Colin Down  
Ofgem Smarter Metering Team  
9 Millbank  
London  
SW1P 3GE

Our Ref: CJA

5 February 2014

Dear Sirs

### **Proposed Updated Form of the Data and Communications Company's Charging Statement for Service Charges**

Northern Powergrid is the electricity distribution business for the Northeast, Yorkshire and parts of northern Lincolnshire, operating through its two licensed subsidiaries, Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc. We are grateful to Ofgem for the opportunity to comment on its consultation on the proposed updated form of the Data and Communications Company's Charging Statement for service charges.

Our response addresses the specific questions raised in the consultation letter dated 9 January 2014, namely whether the Charging Statement:

- Provides sufficient clarity on the charges that Service Users will face?
- Is in a coherent and easy to navigate format?
- Is accurate in all material aspects?

In addition, our response also considers:

- Whether we think it would be preferable for the Charging Statement to reflect the latest available registration data that is expected in March 2014?

Our observations are set below:

**Q:** Does the Charging Statement provide sufficient clarity on the charges that Service Users will face?

**A:** Yes. The charging statement provides sufficient clarity, largely due to the inclusion of a worked example at Section 6 of the Charging Statement that allows a Service User to understand how the Monthly Fixed Charges shown in Table 3 of the Charging Statement are applied to each user party.

#### **NORTHERN POWERGRID**

is the trading name of Northern Powergrid (Northeast) Ltd (Registered No: 2906593) and Northern Powergrid (Yorkshire) plc (Registered No: 4112320)

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The inclusion of more detail explaining the “Estimated Fixed Revenue by category for RY 2014/15” described in paragraphs 33 *et seq* of the “Annex: Commentary on Charging Statement” would be helpful, because whilst the Charging Statement includes estimates of the DCC’s costs for RY 2014/15, the information provided is quite broad brush and the descriptions for the activities that are encompassed within each category don’t provide much of a detailed insight into how the category level costs have been developed.

By way of an illustration, the explanation in sub-paragraph 8 of paragraph 34 of the Annex that the ‘prudent estimate’ of £7.6m out of an overall estimated annual fixed revenue of £43.8m for RY 2014/15, “represents sufficient operating liquidity for DCC to remain cash positive and meet its financial commitments during RY 2014/15” does not provide a Service User with any additional understanding of the basis, and therefore adequacy, of this estimate. This is not especially useful and the Charging Statement would materially benefit from a more detailed explanation of what appears, on the face of it, to be a provision for 17% of the RY 2014/15 budget.

Q: Is the Charging Statement in a coherent and easy to navigate format?

A: Yes. The Charging Statement is coherent and easy to navigate.

Q: Is the Charging Statement accurate in all material aspects?

A: Yes. We have no reason to believe that it isn’t accurate.

Q: Would it be preferable for the Charging Statement to reflect the latest available registration data that is expected in March 2014.

A: No. Having certainty of costs is helpful.

Furthermore, were the Service Charges to be updated to take account of more up-to-date registration data, we would not expect the size of the Charging Groups or the Charging Group Weighting Factors to change materially. Consequently, we wouldn’t expect the size of the Service Charges payable by Service Users, and Distribution Network Operators in particular, to vary significantly between those calculated with the current data set and those calculated using refreshed data. As such we are concerned that the cost of modifying the Charging Statement to take account of the latest available data, in order to have slightly more accurate monthly charges, would potentially outweigh any benefits.

Thank you for the opportunity to respond to this consultation and if you would like any further clarification of the points we have made I will be happy to help.

Yours faithfully

*Chris Allanson*

Chris Allanson  
Market Strategy Manager