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21 January 2014

Dear Tim

### Supplier Information as of 8 January 2014

Thank you for the opportunity to comment on your publication of supplier submitted data. This response should be regarded as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. For convenience, the three licensees are collectively referred to as "UK Power Networks" throughout. Please note that our response is not confidential and can be published via the Ofgem website.

In 2011 Ofgem formally consulted on methodologies to address the effects of suppliers' Settlement data adjustments on the distribution losses incentive mechanism<sup>1</sup>. This consultation built upon previous work and discussions that had taken place across the industry. In the consultation Ofgem noted that *"DNOs attempted to obtain further supporting data from suppliers in order to analyse the corrections... These initiatives were of limited benefit, reflecting the ... limited information which suppliers in fact hold on data adjustment history ... it has become clear that much of the data which would be required to undertake a comprehensive bottom-up exercise is simply not captured or stored by most suppliers."* Ofgem subsequently concluded in its March 2012 decision that restatement for DNOs affected by suppliers' Settlement data adjustments could only be undertaken on a top-down basis.

Our examination of the data submitted by suppliers and published by Ofgem on 8 January 2014 bears out both Ofgem's original description of the situation from 2011 and the concerns we expressed in our correspondence of 3 December 2013 as to the potential completeness and quality of data.

Ofgem acknowledges this in the notes accompanying the data, where you clearly set out your view that *"The degree of completeness of the data depends upon what suppliers have been able to retrieve. Data will not necessarily be complete for the entire period."*

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<sup>1</sup> Consultation on regulatory measures to address the effects of gross volume correction and other settlements data adjustments on the distribution losses incentive mechanism, reference: 137/11, 24 October 2011

We consider the data provided to be very incomplete. For this reason, and because the data has been (understandably) anonymised, we find that we cannot draw any safe conclusions over the actions of any particular supplier or suppliers in general. We are, therefore, unable to draw any conclusions or to comment further upon the additional evidence provided by Northern Powergrid and Western Power Distribution with their restatement submissions. We reiterate our view that Ofgem should exercise great caution in using any of this information as definitive evidence of the size of data adjustments that suppliers have made in Settlement.

Overall we consider that Ofgem's proposals in its consultation of 21 October 2013 remain a pragmatic way to finally close out the DPCR4 losses incentive. We look forward to putting the DPCR4 losses incentive to rest on this basis in the next few months.

If you have any questions regarding this matter then please do not hesitate to contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Hutton', written over a light blue horizontal line.

Keith Hutton  
Head of Regulation  
UK Power Networks