



By email only

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24th December 2013

Dear Jonathon,

BSC Modification Proposal 272 – Impact Assessment

Please find enclosed npower's detailed response to Ofgem's impact assessment on BSC Modification P272.

In summary, npower agrees with the underlying principles and aims of P272, but we believe current industry conditions will not facilitate the benefits predicted in the impact assessment. As such P272 is not a standalone piece of work. We feel that these additional changes will come at considerable costs to the industry and these, along with other costs, have been excluded from Ofgem's impact assessment. It is our belief that had all the costs been included in the same way that un-quantified benefits have been assumed within Ofgem's model, then the result would have been a negative NPV leading Ofgem to a different 'minded-to' position.

To deliver the benefits that Ofgem believe P272 will deliver, critical industry developments are required and these developments will not be delivered by P272. We feel that the necessary changes to the industry framework would need to be developed and in place to allow the industry to implement P272 by 1st April 2015 and we do not feel that is achievable.

Additionally, mandating half-hourly settlement removes customer choice. While we recognise there are benefits of half-hourly settlement, it is our belief that presently these benefits would be outweighed by the costs and we cannot support a modification that would see costs increase at a time where pressure is being placed on the market to reduce costs where possible.

Half-hourly settlement should be customer-led. Npower are supportive of working with the industry to develop the appropriate infrastructure that would see competitive forces naturally drive this uptake. P272 does not address the key limiting factors on half-hourly settlement and we feel at this current time it would have a detrimental impact on consumers – be that through increased costs or through further erosion of customer trust within the market.

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Finally, npower would like to thank you for the opportunity to comment on the impact assessment and we would be more than happy to discuss our response in detail should any further information be required.

Please note the contents of this response are not confidential.

Yours sincerely,

Hazel Ward

Regulation and Industry Codes Manager
RWE Npower