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Dear Jonny,

P272 Impact Assessment Consultation

Thank you for the opportunity to respond to Ofgem's draft policy decision consultation in respect to Balancing and Settlement Code Modification Proposal P272.

In principle SSE agree that mandating the use of half-hourly data in Settlement will realise industry and consumer benefits that outweigh costs, particularly when considered as part of a wider package of policy reform.

In practice, however, we remain concerned that structural issues within the market associated with the lack of appropriate DUoS tariffs and an inability to aggregate data for billing purposes remain unresolved and create a barrier to delivering the full benefits perceived. The lack of a co-ordinated package, at least initially, will dampen the uptake of assumed market innovations and responses, thus reducing benefits. It will also result in considerably greater administrative cost than is necessary or efficient, as DNOs are forced to bill Use of System costs on a site specific basis for all PC 5-8 consumers and Suppliers are forced to handle and process a much larger number of bills than seems necessary. It is uncertain whether the assessment has wholly captured the additional cost.

As noted by the IA, all PC 5-8 consumers would have to be billed on a site specific basis under the current DUoS tariff structure. It should be clearly understood that this will necessitate all such consumers to have site specific charge items applied, in particular items such as Available Capacity charges, including whole current metered customers. This would seem to result in an

overcharge for some consumers (particularly whole current metered), who have paid for a less secure supply, cross-subsidising CT metered consumers' use of system charges.

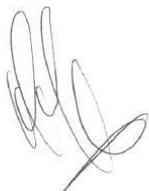
SSE would urge Ofgem also to be very clear in its final policy decision to spell out the implied increase in costs for these groups of consumers and set out the rationale for the increase, in order to enable Suppliers to be able to respond to the inevitable questions that will follow with regard to price rises

There is a large span around the results of the modelling, with an average close to 0. Therefore whilst the model and simulation appears to be robust, it seems to reinforce the conclusions drawn by the BSC Panel that the potential outcome is highly uncertain.

Formulating a package of policy reform that mandates HH settlement, addresses structural DUoS tariff issues and facilitates aggregation of data to support efficient billing would in SSE's view reduce a number of the cost drivers associated with the change, result in a better range of potential outcomes and greatly improve the cost/benefit case for consumers.

More specific comments on each of questions asked by the consultation are attached to this letter as Appendix 1.

Yours sincerely,



Andrew Colley
Regulation Manager