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### **Implementing the Discretionary Funding Mechanism under the Low Carbon Networks Fund – Second Tier Successful Delivery Reward**

We are responding to the consultation on the implementation of the discretionary funding mechanism under the low carbon networks fund – second tier successful delivery reward. We make the following general comments in view of the need to reduce cost pressures on consumers, rather than answering the specific questions.

We welcome the proposal of an annual window to reduce resource constraints on the DNOs. It should be recognised that this window needs to be aligned with other processes that will implement the amount awarded, such as the setting of charges. If the annual window falls between mid-January and mid-March it will clash with the DNOs setting indicative and final charges.

It is important that stakeholders are given enough notice of any significant changes to DNO revenues. They can then be accurately reflected in the costs charged to consumers, reducing the need for any risk premium.

In the assessment of whether a DNO has successfully delivered a project we would expect Ofgem to substantiate any decision with detailed evidence. This evidence should be transparent and available to be reviewed by stakeholders. It is important that in this time of scrutiny on costs to consumers that only the exceptional should be rewarded, and not the ordinary.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Simon Vicary on 01452 654791, or myself.

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I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

**Paul Delamare**  
**Head of Downstream Policy and Regulation**