

Andy Burgess
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19 September 2014

Dear Andy,

Consultation on a proposal to increase significantly the notification period for changes to distribution use of system charges

Thank you for the opportunity to respond to the above consultation. This response is not confidential and can therefore be published on your website.

We are supportive of measures likely to have a positive effect on competition in the energy retail market, so would welcome the implementation of measures that serve to increase visibility of costs for market participants. In addition, both domestic and business customers alike tell our retail business that they want greater price stability backed up with the knowledge that, when prices do change, there is a longer notice period between the announcement and the changes taking effect. Measures to improve the stability and predictability of DNO charges, so long as they work efficiently for DNOs as well (and therefore do not accrue inefficient costs at that point in the value chain), should be in customer interests.

DCP 178 goes part of the way to achieving this by 'locking down' DUoS charges for longer. However, it does not in itself address any of the causes of volatility, and this creates a risk that changes, once they do come through, may be bigger. Nevertheless, the additional notice would be useful for customers and suppliers alike. With existing arrangements only requiring 40 days' notice from the time of announcement of final DUoS price charges to the intended implementation date, the opportunity to react to changes is very constrained.

However, we do not think that the Change Report has fully ascertained whether or not the larger movements in prices that may result from introducing extended implementation timescales can be accommodated within DNOs' allowed over/under recovery of allowed revenues, especially in the light of proposed changes to be introduced in RIIO ED1.

Accordingly, if this change is therefore going to work and not have unintended consequences, we suggest Ofgem undertakes its own analysis to explore the impacts on DNO price setting processes and in particular whether it is necessary to adjust

DNOs' under or over-recovery limits. This will in turn provide some assurance that DCP178 would improve matters for suppliers without creating other problems.

Should you wish to discuss any of the above points, please contact me using the details provided or contact Maria Hesketh (maria.hesketh@scottishpower.com) on 0141 614 2749.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line.

Rupert Steele
Director of Regulation