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Reference Number: None

Date: 19th September 2014

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

Dear Bethany,

SmartestEnergy welcomes the opportunity to comment on Ofgem's consultation on the proposal to increase significantly the notification period for changes to distribution use of system charges.

SmartestEnergy is an established supplier in the half hourly electricity market and an aggregator of embedded generation. We have just entered the NHH retail market (group and corporate, not SME/Micro, sectors) as of October 2013.

Overview

We would like to make the following observations on this proposal:

We have not previously offered any opinions or voted on this matter.

Whilst there may be some attractions to suppliers for greater notice periods, by increasing the notice period for charging we believe there will be greater over/under recoveries which will ultimately increase the volatility for customers in the longer term.

We do not believe that the proposal will make it any easier for suppliers to introduce pass-through contracts for larger customers connected at extra-high voltages as the consultation letter suggests. In fact, the greater certainty introduced by the change will reduce the incentive for suppliers to pass-through costs in favour of 'bundled' charging. We already pass-through the costs directly for most of our customers.

We would also not under-estimate the impact that this change would have to the detriment on the ability to implement other changes in a timely manner, further increasing the inertia to change which is synonymous with some aspects of the electricity industry.

The RIIO-ED1 price control and the significantly reduced annual increases awarded should suffice to improve the forecastability of network charges in future years.

Specific questions

We answer the questions in the letter below:

Do you agree with the working group's view that DCP178 would result in these benefits and costs?

No

Are there any other benefits and costs that you think would result from DCP178?

No

For suppliers and customers, can you provide supporting evidence for the benefits identified by respondents to the working group's consultations?

No

Do you think the proposed notice period would cause any issues with implementing any changes to charges which may be required due to developments in the operation of the network?

Yes

Do the benefits of certainty outweigh any costs or effects of delay?

No

Can you give examples over the next five years of likely changes to distribution charges that are critical to deriving benefits but which would be delayed unduly if DCP178 was approved?

No

If you have any questions, please do not hesitate to contact me.

Please note that our response is not confidential.

Yours sincerely,

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