

September 19, 2014

Dear Ms. Hanna,

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

Please find Co-Operative Energy's response to the above consultation below.

Question 1: Do you agree with the working group's view that DCP178 would result in these benefits and costs?

We agree that increased advance notice of changes to DUoS charges will allow more accurate tariff pricing by suppliers at an earlier stage and therefore potentially lead to the removal of risk premia which are currently priced in to allow for uncertainty around changes to these. This will also assist smaller suppliers in competing on a more level playing field as smaller players are less well able to deal with short term charging uncertainty. It may also lead to more competition in the I&C market as it will be easier to price contracts for larger customers connected at extra-high voltages.

While we understand the comments raised by the DNOs in relation to the possible effects of implementation on them, we believe that as regulated businesses with allowed revenue determined by the regulator, the benefit provided to competition in the supply market and end consumer costs will outweigh any negative impacts to the DNOs resulting from implementation.

Question 2: Are there any other benefits and costs that you think would result from DCP178?

While we are unable to suggest any beyond those listed above, we feel that these in themselves constitute sufficient justification for implementation of the proposal by Ofgem.

Question 3: For suppliers and customers, can you provide supporting evidence for the benefits identified by respondents to the working group's consultations?

It is a fact that, as DUoS charges as subject to change at very notice, this risk has to be factored into customer tariffs. With a much longer period of notice required for changes to DUoS to be made, it is highly likely that the risk premium in relation to this would be removed and then result in lower charges to end consumers.

Question 4: 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?

We do not believe so.

Question 5: Do the benefits of certainty outweigh any costs or effects of delay?



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For suppliers, we believe that certainty in terms of pricing is of significant benefit to consumers although we accept that this may not be a viewpoint shared by networks. However, given that networks are regulated natural monopolies with price controls designed to guarantee a reasonable rate of return we feel that they are much better able to bear any delay risks resulting from implementation than suppliers and customers are able to bear the current uncertainties resulting from relatively short notice changes to DUoS charges.

Question 6: 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?

We are unable to suggest any at this time.

Please do not hesitate to contact me should you have any questions or require any further information.

Yours sincerely,

Chris Hill