

bethany.hanna@ofgem.gov.uk

*Avonbank
Feeder Road
Bristol
BS2 0TB*

*Telephone 0117 9332382
Email asleightholm@westernpower.co.uk*

Bethany Hanna
Distribution Policy
Ofgem
9 Millbank
LONDON SW1P 3GE

Our ref

Your ref

Date

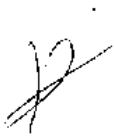
16 September 2014

Dear Bethany

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

I am writing on behalf of Western Power distribution (East Midlands)plc, Western Power Distribution (West Midlands)plc, Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc in response to the above consultation. Please see attached.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager

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

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

WPD agree that DCP178 would result in benefits to suppliers which could in turn be passed on to end customers with reduced risk premiums. The quantification of these benefits and the amount passed on are still unknown to the wider group but could have been made available to OFGEM. It would be useful to see an impact assessment using anonymous data.

WPD also agree that there would be an increased risk to DNOs as they would have to forecast longer in advance which could lead to penalties from the PRt term and more unpredictable cash flow.

DNOs produce an indication of the prices 15 months in advance in the Annual review pack which are reviewed and updated in the DCP66A on a quarterly basis; until indicatives and final prices are set in December and February.

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

The ED1 license conditions enable the allowed revenue to be known when prices are set 3 months prior to the April price change. If the prices were set 15 months in advance then the MOD term, the TU term and the RPI adjustment to Base revenue would not be known. E.g. The MOD would not have been directed yet and the RPIA for t-2 and RPIF for t would not yet be known. This will feed into an increased risk for the K factor/ future volatility.

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

N/A

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?

DCP178 would cause delays in change proposals but if a change proposal was introduced that was deemed important/ urgent enough OFGEM could in their decision retain a veto to the 15 month notice period.

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

The cost of the delay depends on the change proposal.

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?

WPD has no additions to the list of DCPs provided by the working group as part of the change proposal.