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Sent via email to: [mpr@ofgem.gov.uk](mailto:mpr@ofgem.gov.uk)

Dear Mr. Randall,

### Consultation on a potential RIIO-T1 and GD1 mid-period review (MPR)

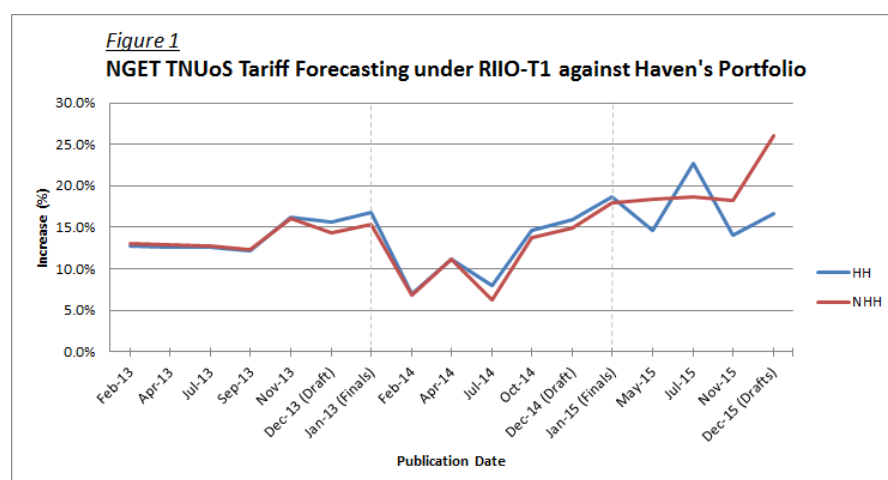
I am writing in response to the above consultation.

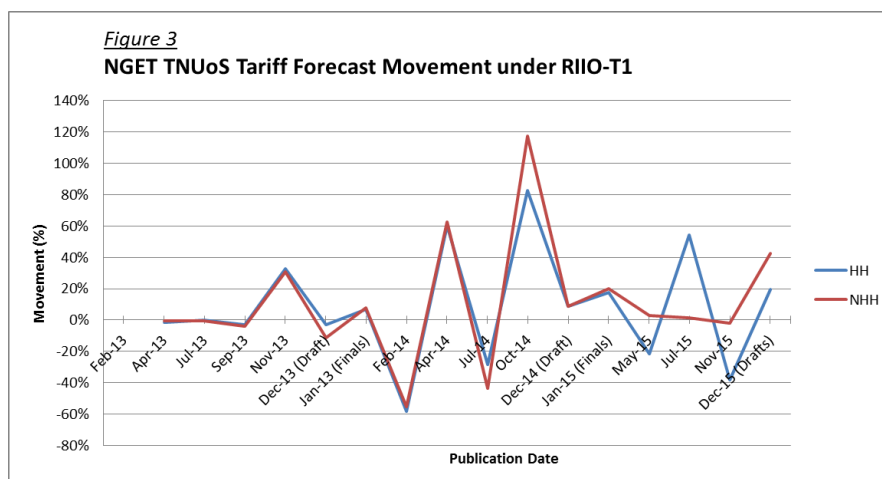
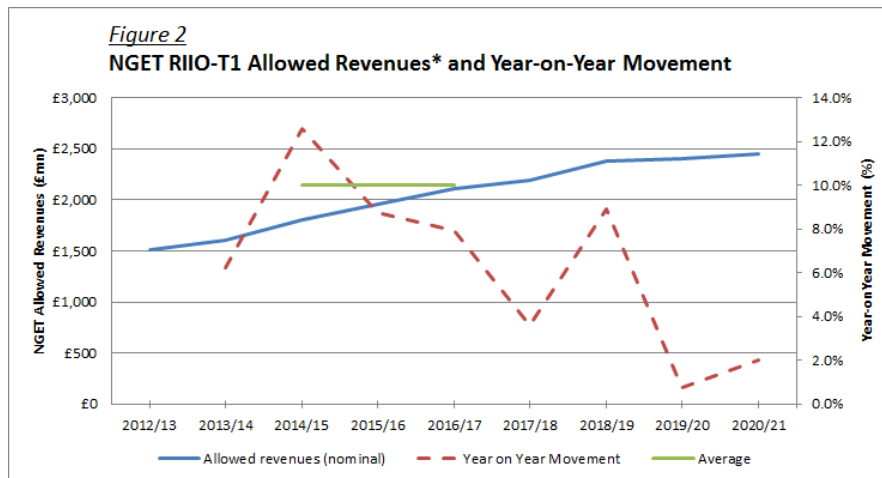
Haven Power is a Drax Group company and is a non-domestic electricity supplier that has been supplying Small Medium Enterprises (SME), including microbusinesses since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas and currently supply ~29,000 and ~9,600 MPANs in the SME and I&C sectors respectively.

As Haven Power do not operate in the Gas market this response is in consideration of RIIO-T1 only.

We have no specific comments on your individual consultation questions but would like to make a general observation in relation to the consultation.

In principle the 8 year price control period of RIIO-T1 should bring benefits over the previous price control by increasing stability of allowed revenues and ultimately TNUoS tariffs. Unfortunately this has not been the case with sizable jumps in TNUoS tariffs year on year and an apparent inability on the part of National Grid to provide a consistent and reliable forecast of TNUoS tariffs as little as 1 year ahead. This is a serious problem; the majority of our customers opt for fixed price all-inclusive contracts for 12 or 24 month terms and it is therefore essential for the suppliers to rely on accurate information on the future movement of transmission costs when pricing such contracts.





I have illustrated the volatility in the forecasted levels of transmission tariff charges in figures 1 and 3 which show the variations we've experienced recently for HH and NHH demand tariffs respectively. I would like to draw your attention to 2 significant features;

- The general level of increase over the last 3 years in Final Tariffs (using Draft Tariffs for 2016/17) is high in both market segments, averaging 17.4% per annum in HH and 19.8% in NHH. Looking at Ofgem's Final RIIO-T1 Proposals for National Grid Electricity Transmission, Table 3.5 (replicated in figure 2) and comparing year on year increases in nominal allowed revenues would lead us to have expected around an average increase over these 3 years of around 10% at the time.
- The variation between quarterly forecasts is extremely high. A recent example is the increase in NHH tariffs from a forecast 18% rise in November 2015 to 26% in December 2015. In January 2015 NGET announced the final tariff to commence 1<sup>st</sup> April 2015 as an 18.7% rise which was significantly higher than their forecast of 15.9% rise which was provided only a few weeks earlier in December 2014.

To address these concerns Haven Power has been active in development and progress of CUSC modification CMP 244 which aims to increase the notice period placed upon National Grid to publish TNUoS tariffs. In particular the original ambition of the change was to operate TNUoS tariff changes on a 15 month notice period basis as now occurs with DUoS tariff changes. At the time of responding

\* Nominal figures are taken from RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas  
[https://www.ofgem.gov.uk/sites/default/files/docs/2012/12/1\\_riiot1\\_fp\\_overview\\_dec12\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2012/12/1_riiot1_fp_overview_dec12_0.pdf)

to this consultation it seems likely that this notice period may be increased to 6 or possibly 8 months from April 2017. Whilst this is a positive step we would welcome any aspect of the mid period review (MPR) that would help to address TNUoS stability and predictability further.

As forecasts for TNUoS tariffs have been highly volatile, suppliers have the choice of either building a premium into their prices to cover the risks of these forecasts being inaccurate, at the risk of being uncompetitive or to take the risk of relying on the NGET forecast at the time with the potential that the contract would become loss-making if transmission costs subsequently increase at a higher rate. Neither approach is sustainable. Whilst we note your comment that it is very important the scope of any MPR does not effectively result in two four year price controls, we do believe that any aspect of an MPR that would improve predictability of tariffs and lead to a lower risk premium and ultimately lower costs for our customers would be very welcome.

Should you have any questions or wish to discuss this response, please feel free to contact me.

Yours sincerely

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