

[regfinance@ofgem.gov.uk](mailto:regfinance@ofgem.gov.uk)

Avonbank  
Feeder Road  
Bristol  
BS2 0TB

Mick Watson  
Head of Regulatory Finance Reporting, Systems & Networks  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Telephone 0117 933 2203  
Email [pbranston@westernpower.co.uk](mailto:pbranston@westernpower.co.uk)

Our ref

Your ref

Date

4 September 2020

Dear Mick,

**Managing network charge bad debt – proposal enabling networks to recover potential bad debts arising from COVID-19 related deferred network charge payments and to introduce an enduring solution to bad debt recovery in general.**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to Ofgem's letter on managing network charge bad debt from 7 August 2020.

WPD welcomes the collaborative work that has been undertaken so far between DNOs and Ofgem in developing this process.

WPD is supportive of the ENA response to this open letter.

Please find WPD specific responses to questions 1 and 2 posed by Ofgem in the letter.

**Q1: Do you agree that our proposals would allow the recovery of bad debts, by network licensees, relating to Network Charge Deferral scheme (COVID-19) in 2021-22?**

WPD is supportive of the ENA response to this open letter.

WPD agrees that Option 3 would allow recovery of COVID-19 Bad Debt in Regulatory Year 2021/22, subject to the drafting of the licence condition and the relevant formulae being appropriate.

Ofgem should consult on the principles to be applied to the treatment in the RIGs of the "true-up" of the COVID-19 Bad Debt amount via the Revenue Reporting Pack at the same time as the statutory consultation on the licence modifications.

**Q2: Do you agree with the introduction of a pass-through term in the RIIO-2 licence as an enduring solution for the recovery of bad debt?**

*Western Power Distribution (South Wales) plc, Registered in England and Wales No. 2366985*

*Western Power Distribution (South West) plc, Registered in England and Wales No. 2366894*

*Western Power Distribution (East Midlands) plc, Registered in England and Wales No. 2366923*

*Western Power Distribution (West Midlands) plc, Registered in England and Wales No. 3600574*

*Registered Office: Avonbank, Feeder Road, Bristol BS2 0TB*

WPD is supportive of the ENA response to this open letter.

WPD are supportive of Ofgem's preferred option 3 noting that it may be easier to implement and maintain and introduces an element of forecasting and true-up against the forecast on an enduring basis that is not currently present in the existing condition in the distribution licence.

If Ofgem decides to replace the existing condition in the distribution licence, we would favour Ofgem's preferred option 3, subject again to the drafting being appropriate. As noted above, Ofgem should consult on the principles to be applied to the treatment of the "true-up" in the RIGs of bad debt amounts on an enduring basis via the Revenue Reporting Pack at the same time as the statutory consultation on the licence modifications.

The ENA response makes the point on the cost of capital clearly and WPD thinks the impact will be relatively small.

However, there is a risk that if the impact is large caused by a large supplier or a large number of suppliers going bankrupt or even if Ofgem decide to extend the scheme there should be an alternative method or alternative provisions to allow DNOs to recover the debt more quickly.

If you would like to discuss our response further, please contact me by email at [pbranston@westernpower.co.uk](mailto:pbranston@westernpower.co.uk).

Yours sincerely,



Paul Branston  
Regulatory & Government Affairs Manager