

The Office of Gas and Electricity Markets
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Email to: RetailPriceRegulation@ofgem.gov.uk

18 December 2020

Consultation on changes to 'Annex 3 – Methodology for determining the Network Cost Allowance' of SLC 28AD

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to comment on Ofgem's proposals for how the Network Costs Allowance within the default tariff cap (DTC) will be determined from the sixth charge restriction period onward.

We support Ofgem's proposal to allocate electricity consumption to the three-unit rate tariff bands introduced by Distribution Connection and Use of System Agreement (DCUSA) Distribution Change Proposal (DCP) 268. We agree that using the most recent Exelon demand data to calculate the share of demand for each cap period is the most effective method of reflecting the electricity Distribution Use of System (DUoS) costs effective from 1 April 2021.

As the existing gas target volumes of National Transmission System (NTS) capacity will only be published up to March 2021 we recognise the need to find a new data source to weight exit zones from 2021/22. We agree that National Grid's long term summary reports are a suitable data source to weight exit zones without having a significant impact on the gas transmission cost allowance. We support Ofgem's proposal to add the Baseline Obligation volumes to the existing NTS capacity by exit zone table and update the source in the gas network cost allowance model for DTC period 6. We also welcome the proposal to update the weightings annually as part of the February update.

We agree with Ofgem's proposal to replace 'System Operator (SO) exit charge' with 'General Non-Transmission Services Exit Charge' as an input in the gas network cost allowance model from DTC period 6. We also agree that 'Transmission Owner (TO) exit charge' should be removed as an input from DTC period 6 onward as the costs of new NTS capacity charges for the exit capacity booked

at Distribution Network offtakes will be levied on gas Distribution Network Operators (DNO), and then passed through to suppliers via Exit Capacity NTS (ECN) charges.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Keith Watson or myself. I confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink that reads 'R. Beresford'.

Rebecca Beresford
Head of Customers Policy and Regulation