



By email only

Angelita Bradney
Programme Manager
Switching Programme
Ofgem
9 Milbank
London
SW1P 3GE

22nd January 2016

Dear Angelita,

Proposals for DCC's role in developing a Centralised Registration Service and penalty interest proposals Consultation

RWE npower welcomes the opportunity to respond to this Ofgem consultation and would like to provide the following comments.

As stated in our response to the previous DCC consultation in September 2015, we are generally supportive of Ofgem's intent of harmonising registration systems, which we believe will be a positive step forward.

However, we would like to stress that the DCC charging methodology and its publication timescales needs to be made more predictable, transparent and visible. We have proposed the details of the DCC's charging methodology being published at least fifteen months in advance, as this mitigates price risks, which can consequentially have an adverse effect on customers.

If you would like to discuss our response, please contact either my colleague Amie Charalambous (e-mail: Amie.Charalambous@npower.com, contact no: 07917271763) or me.

Yours sincerely

Maitrayee Bhowmick-Jewkes
Future Regulatory Developments
Npower Regulation

E-mail: Maitrayee.Bhowmick-Jewkes@npower.com
Contact No: 07468715176

Ofgem Further Consultation on DCC's role in developing a Central Registration Service and penalty interest proposals

Question 1: Do you agree with our proposed changes to LC15?

Yes, on reviewing the amendments to the drafting of Licence Condition 15, we agree with the proposed changes. The amendments that have been made, appear to cover the intended changes but also provide for updates and future amendments.

Question 2: Do you agree with the proposed considerations that we would expect DCC to take into account when seeking to meet its new objective?

We agree with the current list of the proposed considerations for the DCC to take into account when seeking to meet its new objective. However, we think that this will need to be monitored on an ongoing basis, as it is likely that new items will come forward in future. RWE npower would like to suggest that the External Design Advisory Group should monitor and review this list of proposals.

Question 3: Do you agree with our proposed drafting amendments to the price control formula to allow the Authority to include ex-post and direct ex-ante arrangements as well as uncertainty, and incentive mechanisms?

As stated in our response to the previous DCC consultation, in the short term, RWE npower would support the ex-post and ex-ante price control arrangements. We also support the proposed amendments to the price control formula.

However, we think the DCC charges should be made more predictable and be without any price shocks. This would be better for customers, since suppliers do not need to add in a risk premia when building their pricing, if actual prices are known. Also, it would be better for suppliers since they would know what to build into their customer's prices and it would reduce risks arising from this. For smaller suppliers, this would also result in a cash flow benefit as it would ensure there were no surprises for them.

RWE npower would like to suggest that the DCUSA model would be a good example for setting the DCC charging methodology as it is published and fixed fifteen months in advance, and it mitigates the risks to suppliers and customers we have highlighted.

Question 4: Do you agree with the proposed timetable and process for agreeing the ex-ante procurement costs as well any uncertainty and incentive mechanisms, were these to be used?

Overall, we agree with the proposed timetable and process for agreeing the ex-ante procurement costs. However, we would once again like to reiterate our point from the previous question.

Ofgem needs to clarify how the DCC revenue will be charged, and as suppliers, we need to understand what the allowed revenue is going to be at least fifteen months in advance. For example, we would need to know whether the charge will be based on how many meter points each supplier has or whether it will be based on volume. As stated earlier, not knowing this would have an impact on pricing, and consequentially it will have an impact on customers and pose a high risk for them.

Question 5: Do you agree with the proposed changes to introduce a new defined term of Fundamental Registration Service Capability to ensure that DCC procures the CRS externally?

Care needs to be taken in relation to the DCC procuring the CRS externally, as this could result in the CRS (which will be operating fundamental functions of the industry) being buried under contractual arrangements. Industry parties should still be able to have a say over the CRS because its activities will be fundamental to their business. Therefore, alongside any contractual arrangements, we need to ensure that all industry parties have the opportunity to be involved in and influence the development of the CRS, when and where required.

Question 6: Do you agree with the proposed changes to include CRS as a new service in the Mandatory Business Service requirements?

We are pleased that Ofgem have taken on board our previous response and proposed changes that will enable the CRS to be a Mandatory Business Service. We agree with the proposed drafting to bring this into effect.

Question 7: Do you have any views on the proposed consequential changes to the licence?

We are happy with the proposed consequential changes to the licence.

Question 8: Do you agree with our proposed amendment to the definition of Regulated Revenue in LC35?

We agree to the amendment to the definition of Regulated Revenue in LC35.

Question 9: Do you agree with the proposed drafting for the penalty interest rate and that it reflects the policy intent?

We agree to the proposed drafting of the penalty interest rate in principle. However, we want the penalty interest rate to be transparent and visible. It should be published at least fifteen months before it comes into effect. As per our responses to questions 3 and 4 for the reasoning behind it, this will mitigate any risk arising from pricing shocks, and will also be beneficial to customers.

RWE npower

Trigonos
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T 07989 493912
I www.rwegeneration.com

Registered office:
RWE Npower Group plc
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

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