

APPENDIX B - RESPONSE FORM

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How do the proposed CPs better facilitate the DCUSA Objectives?

<i>Change Proposal</i>	<i>Better Facilitates (Yes/No)</i>	<i>Which Objective</i>	<i>Reasons/Comments</i>
DCP001	No	2.1.1	Restricting Distributors to only change tariffs in April does not facilitate a co-ordinated and efficient network as it potentially delays correct economic signals to interested parties. April tariff changes require a forecast for a number of components of the allowed revenue calculation. The risk of inaccuracy in these estimates could lead to larger movements in under/over recovery positions and potentially larger fluctuations in tariff pricing.
		2.1.2	This Option could cause problems to Suppliers with potentially larger step changes in prices which in the longer term could affect the Supplier/Customer relationship. It also removes a market advantage to those suppliers who can react quickly to market changes. It does however help Suppliers in predictability of price changes and the fact that these will be fixed for twelve months. This option provides no flexibility in terms of pricing for different customer groups (e.g. general demand and EHV Customers)

		2.1.3	<p>Under Special Conditions B1 and D1 of the Distribution licence, the licensee is required to take all appropriate steps to ensure its regulated revenue does not exceed the allowed revenue. The proposal would work against this requirement, by limiting the options available to the licensee in complying with its obligations.</p> <p>Furthermore, Special Condition E1 imposes penalties on the licensee for failing to align actual and allowed revenues. In the recent DPCR4, the penalties for divergence from allowed revenue were increased. It is now even less appropriate to constrain the licensee from taking reasonable steps to ensure compliance.</p> <p>Finally LC48 (Last Resort Supply – Payment Claims) allows for a consequential increase to use of system charges, if a claim is made by a supplier. The proposed modification would prevent the Distributor from meeting this requirement should the request be made after the 1st April.</p> <p>Supplier Party impact is slightly positive Distributor Party impact is very negative.</p> <p>Overall assessment against the DCUSA objectives - negative impact.</p>
DCP001a	No	2.1.1 2.1.2 2.1.3	<p>As DCP001 above</p> <p>As DCP001 above</p> <p>As DCP001 above</p> <p>Supplier Party impact is slightly positive Distributor Party impact is very negative.</p> <p>Overall assessment against the DCUSA objectives - negative impact.</p>
DCP001b	No	2.1.2	<p>It does help Suppliers in predictability of price changes in that there can only be two per year at fixed times of the year.</p>

		2.1.3	<p>This option is slightly less disadvantageous to Distributors than DCP001 & 1a in so far as it allows for an element of flexibility in the timing of price changes. However it still leaves Distributors exposed to the effects of Special Licence Condition E1, of non-compliance with Special Condition B1 and D1, and may impact LC48.</p> <p>Supplier Party impact is slightly positive Distributor Party impact is negative.</p> <p>Overall assessment against the DCUSA objectives – slightly negative impact.</p>
DCP001c	Neutral	<p>2.1.2</p> <p>2.1.3</p>	<p>This improves the Supplier Party position from that of the current DCUSA wording in that they know they will receive no more than two changes in any one year per Distributor but these are not restricted to specific dates.</p> <p>The Distribution Licence Condition 4A Clause 7(b) states:</p> <p>“Shall, at least once in every year, make such changes (if any) as are necessary to the charging statement to ensure that the information set in it continues to be accurate in all material aspects.”</p> <p>Whilst the current DCUSA clause allows the Distributor to adjust prices at any time (subject to the appropriate notice period), this modification places a restriction on the Distributor which may impact such a Licence obligation. It does however still allow for an element of flexibility in pricing for different customer groupings e.g. General demand customer's v EHV customers, and reduces the chances of volatile prices. This however may still impact LC48.</p> <p>Supplier Party impact is slightly positive Distributor Party impact is slightly negative.</p> <p>Overall assessment against the DCUSA objectives - neutral impact.</p>

Are there any other alternative solutions you would like to be considered by the DCP 001 Working Group? *No*

Reasons and explanations:

If you believe more than one solution better facilitate the DCUSA objectives, indicate an order of priority between each of the alternatives. This will inform the Panel's decision about which alternate(s) to put forward for formal voting in addition to the original CP.

Highest Priority: N/A

Next Priority if any:

Next Priority if any:

Next Priority if any:

Reasons and explanations:

None of the proposals better facilitates the achievement of the DCUSA objectives. They seem to improve them from one Party's perspective to the detriment of other Parties. DCP001c may have a neutral overall impact, but this is insufficient grounds to change from the current DCUSA drafting.

Indicate if you expect to incur any costs to support each alternative, particularly where these are related to internal system changes:

The most obvious financial impact will be related to the penalties associated with over/under recovery, which cannot be avoided because of the restrictions on tariff changes.

Comment on the suitability of the proposed implementation date for each CP and each alternative:

Whilst not accepting the need for change, we would additionally argue that any implementation date should be the later of:

- 10 Working Days after the Authority's consent.
- 1st April 2008.

Any other comments or views on the Change Proposal and Alternatives:

No