

DCUSA DCP 030 Consultation Responses – Collated Comments

Question One	Does the proposed CP better facilitate the DCUSA Objectives? Please state which objective(s) and give supporting comments.
British Gas	<p>We believe the CP better facilitates objective 3.1.2: “The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity;”</p> <p>and therefore better facilitates competition, as it will:</p> <ul style="list-style-type: none"> - result in the regular and transparent provision of relevant information on revenues and charges to those that are directly affected by these significant costs. This will ensure that all suppliers are operating in a level playing field when forecasting distribution price changes and as a result minimising pricing distortion. - enable suppliers to improve the accuracy of their forecasts and assessments. It is also likely to reduce analytical costs, which would tend to discriminate against new entrants and small suppliers. - provide greater certainty of future charges, both within the immediate price control and the subsequent price control.
CE Electric UK (YEDL and NEDL)	<p>We are unconvinced that the proposal would better facilitate ‘effective’ competition (DCUSA objective 2) as the accuracy of any suppliers assessment based on our forecasts would be affected by our ability to be accurate. Given current market factors, including volatile system losses and ever increasing energy prices affecting consumption, accurate forecasting by DNOs is extremely challenging and forecasts stand a very good chance of being significantly wrong.</p> <p>It should also be noted that there will be considerable uncertainties across price control periods due to the implementation of new or amended incentive mechanisms. Given that suppliers are looking for more information to support their assessments, perhaps the working group could consider whether a commentary from Ofgem could form part of any assumptions or caveats underpinning the data, particularly in those years close to a price control change.</p> <p>During working group discussions suppliers seemed to appreciate DNO concerns that the forecasts are highly volatile and susceptible to change, especially where the forecast range spans different price control periods. We are concerned that the provision of forecast data will</p>

	result in additional work for what would appear to be quite limited benefit.
Central Networks	<p>No.</p> <p>In respect of DCUSA objectives 3.1.1, 3.1.3 and 3.1.4 there is clearly no impact from this proposal.</p> <p>In respect of objective 3.1.2 (<i>the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity</i>) the effect of this modification would be to dampen down, rather than facilitate, competition. We base this view on the fact that differentiation of final pricing between suppliers is a function of many things, including critically suppliers' different assessments of various future costs. In a market where future costs were all known facts (or highly reliable forecasts) the spread of price offerings to final consumers is likely to be more limited. In addition to this, such markets would be less attractive to potential new entrants, as the scope for their smartness and flexibility to provide a competitive advantage would be much reduced. For these reasons we do not believe that increased availability of forecast information - even if this was able to be very accurate, which we seriously question - would actually facilitate competition.</p>
E.ON UK	<p>We believe that the following CP is better facilitated by this CP.</p> <p>The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity;</p> <p>The provision of this data gives greater transparency to the information that makes up the charges suppliers face. This in turn will improve our ability to forecast any future changes in these charges so reducing the level of risk associated with customer tariffs. By reducing this risk it will mean that competition will be enhanced in the sale of electricity.</p>
EDF Energy Networks	<p>The only applicable DCUSA objective is 2. The key consideration is whether competition is enhanced by transparency. If the view is yes then DCP030 better facilitates the objective. If however, more transparency diminishes the opportunity for competitive advantage by levelling the playing field to remove any advantage of those who are good at predicting these changes, then DCP030 does NOT better facilitate objective 2.</p> <p>Whilst we understand the proposer's desire for transparency, we consider on balance that the</p>

	diminution in the opportunity for competitive advantage means that DCP030 DOES NOT better facilitate the DCUSA Objectives.
Electricity North West Limited	<p>We can understand (although don't necessarily agree with) the reasoning why Suppliers have raised such a Change Proposal as a consequence of the determination by Ofgem covering a similar change request, for the forecasting of cost data to be provided by the distributors, in the gas market. However when you consider the determination was only made in April of this year and within such a determination was a reference to the fact that there is likely to be a further Change Proposal to agree a standard set of assumptions that (in Ofgem's words) <i>"need to be carefully considered and clearly stated so that the Shippers understand the basis of these forecasts"</i> then in our opinion we believe that this Change Proposal (DCP030) is too early in it's initiation.</p> <p>Similar issues to those raised in the Gas Change Proposal will be raised by both Suppliers and Distributors as to why this data either should or shouldn't be provided; including Ofgem's acceptance that any data provided for forecasts beyond the end of a price control period will be <i>"based on a set of highly uncertain assumptions"</i>.</p> <p>This therefore raises a number of concerns set against the DCUSA objectives:</p> <p>The first objective is:</p> <p><i>"3.1.1 the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks"</i></p> <p>We believe that this Change Proposal does not impact this objective.</p> <p><i>"3.1.2 the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity"</i></p> <p>It is not clear that the provision of this information will facilitate competition in the supply of electricity. Use Of System Charges only constitute between 15% and 20% of a Customer's overall electricity bill. This, we don't believe, is a significant element of a Supplier's cost base. With expected future increases in wholesale electricity prices this significance will reduce further.</p> <p>Based on current experience, we publish Year-ahead forecasts covering 'Allowed Demand Revenue', 'Regulated Demand Revenue' and 'Over/Under Recovery' on our website in April,</p>

	<p>July and October of each year. We very rarely receive any questions or comments on these, let alone challenge our assumptions. Likewise Suppliers do not generally question or comment on our price changes when indicative and final tariffs are published.</p> <p>Based on the rationale from the determination in the Gas market, there is a significant amount of work still to be done before it can be proven that such a Change Proposal will benefit competition. It may provide, once further development work has been completed, a level playing field for Suppliers but it doesn't guarantee competition will be any different as a consequence, that the data is accurate or provides a greater certainty of future charges or improves upon the forecasting that Suppliers equally undertake, and at what cost to provide such data, that may over time never be used. By having to provide such data it will increase the costs of the distributor and as such have an overall negative impact on this DCUSA objective.</p> <p><i>"3.1.3 the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences"</i></p> <p>There is a negative impact on this objective since we do not have an obligation to provide such data; these unnecessary provisions imposed on the DCUSA reduce the overall efficiency of DNO Parties. If the Authority believe that such a requirement is necessary this should be driven through a Licence modification.</p> <p><i>"3.1.4 the promotion of efficiency in the implementation and administration of this Agreement."</i></p> <p>We believe that this may have a negative impact in that it is adding more time and effort to discuss, agree and implement such a Change Proposal together with the potential for further work post any implementation that may result as a consequence of further development in the Gas market regarding the generic assumptions that need to be applied. It would make more sense to deal with this via a Licence modification to Licence Condition 47 and have this Change Proposal withdrawn.</p>
<p>RWEnpower</p>	<p>Yes- we believe the proposed CP better facilitates DCUSA Objective 3.1.2, 'the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity'.</p> <p>This change will clearly bring improved transparency to this area of the supply market. It can</p>

	<p>be argued this improves competition as it will allow all suppliers a broadly equal opportunity to forecast future DUoS charges regardless of company size and available analytical resource.</p> <p>Increasing certainty in future Generation DUoS charges is likely also to help facilitate prospective Distributed Generation projects thus improving competition in Generation.</p>
SP Distribution / SP Manweb	No
SSE Energy Supply Ltd	Objective 2: The facilitation of effective competition..... The information provided by Distributors under the change proposal would be useful to suppliers in forecasting and estimating if accurate.
SSE Power Distribution	We do not believe the proposal better facilitates any objective. We consider that that the information currently provided by Distributors is fit for purpose and fulfils objective 3.1.2 satisfactorily whilst maintaining, on balance, an adequate degree of commercial confidentiality for Distributors.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	<p>WPD believes that only DCUSA Objective 2 "facilitation of effective competition" is relevant to this proposal. WPD believes that the CP does not better facilitate competition as it reduces the scope for suppliers to demonstrate their commercial acumen and will not differentiate between them.</p> <p>If the implementation leads to lower prices for end users this is a benefit outside the range of the DCUSA objectives.</p>
Question Two	Do you consider there to be any legal impediment or reason why the data could not be published on the DCUSA website? Please state why and give supporting comments.
British Gas	<p>We do not believe there to be any legal impediment or reason why the data could not be published on the DCUSA website.</p> <p>The data to be published is not commercially sensitive as this relates to regulated businesses whose obligations are determined by the respective licences and the financial arrangements underpinning this are determined by the relevant price control.</p> <p>The gas network companies publish allowed revenue forecasts on the Joint Office website, and we are not aware of any different circumstances which would prevent the DNOs adopting the same approach.</p>

CE Electric UK (YEDL and NEDL)	We are not in a position to offer a full legal opinion on this aspect, but we believe that there are issues of commercial confidentiality and we do not wish to put the data on the DCUSA website. Furthermore there is the possibility that the website may become more open in the future given Ofgem's apparent aims in relation to their review of code governance, this may include accessibility being extended to non-parties.
Central Networks	Central Networks does not believe that there are any legal impediments preventing the data from being published on the DCUSA website.
EDF Energy Networks	<p>We have been advised by our Paris Finance Department that such disclosures raise a legal issue.</p> <p>"First, this a material information at EDF Energy level and at EDF Groupe level, and, as is, it shall be disclosed only through appropriate supports and timing (i.e. : be disclosed everywhere in the same time, for the avoidance of selective disclosure, and after appropriate diligences, for example for their impact on the Group consolidated accounts)".</p> <p>We consider that this has two impacts</p> <ul style="list-style-type: none"> • That data should be published more widely than the restricted areas of the DCUSA website, either by being placed on the public area of the DCUSA website or on the DNO's own website • That there may be occasions when, because of financial reporting or stock exchange disclosure rules, it is not possible for a DNO to publish a forecast.
E.ON UK	We are not aware of any legal reason why this data could not be published, but would be happy with it only being made available to contract managers if that was felt to be more appropriate.
Electricity North West Limited	At present we do place the year end predictions on our website. If such a Change Proposal is approved we may have to reconsider such an activity as well as whether we would support such information being placed on the DCUSA website. Our initial view is that providing a twelve month snap shot is sensible but that a five year view (in the detail being proposed) is likely to be based on uncertain assumptions. It must also be noted that the distribution market is also competitive and as such the availability of such information will be deemed sensitive information and should not be made available to other distributors. We would

	therefore urge that any such data being placed into the public arena is inappropriate.
RWEpower	No- similar information is already published centrally, on the Joint Office web-site, by the Gas Distribution companies.
SP Distribution / SP Manweb	SPEN takes issue with the provision of the proposed information which we believe to be of a commercial/financial market sensitive nature, e.g. "the percentage change to charges required at the next charging year" could be used by analysts in financial markets to estimate changes to revenues and profits in DNO businesses and thereby influence share prices. Consequentially we have strong reservations about publishing this information on the DCUSA website.
SSE Energy Supply Ltd	We are not aware of any legal impediment.
SSE Power Distribution	The provision of the extended forecast financial information proposed under DCP030 is commercially sensitive and arguably price sensitive, as its gives information on a Distributor's financial outlook which is either not readily available, or, is released at different dates to others e.g. the Distribution company's shareholders, creditors, potential investors and the market generally. We believe therefore the data should not be published on the DCUSA website.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	We are seeking advice on this point and will input our opinion as soon as we are able.
Question Three	If you consider there to be a legal impediment to publishing the information on the DCUSA website, do you consider that the provision of the information on a party by party basis would meet the requirements of this modification? Please state why and give supporting comments.
British Gas	n/a
CE Electric UK (YEDL and NEDL)	Again we question the overall value of the proposal, but if it were to become a feature of DCUSA we would rather provide the information on a party by party basis. This is in part to address the aspect of confidentiality and would limit the provision of the information to parties that pay use of system charges, but also because we understand that not all suppliers intend to use the forecast information.

Central Networks	n/a
E.ON UK	See answer above
EDF Energy Networks	In light of the above opinion it would not be appropriate for this information to be disseminated by this means.
Electricity North West Limited	If such a Change Proposal is implemented this would be our favoured approach.
RWEpower	n/a
SP Distribution / SP Manweb	The provision of said information on a party by party basis would go some way to resolving SPEN's concerns regarding publication, however, appropriate disclaimers as to accuracy, liability, etc, etc. and also obligations as to the use and disclosure of this data by the recipient party would also be required.
SSE Energy Supply Ltd	If it was agreed to implement the change proposal, then the information should be made generally available in the simplest possible way, which would presumably be via the DCUSA website.
SSE Power Distribution	See above. We have concerns that this commercial sensitive information should be released at all, regardless of how it is undertaken and when.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	See above
Question Four	Do you consider the frequency of provision of this information i.e. 4 times a year to be appropriate? Please state why and give supporting comments.
British Gas	<p>The frequency of provision of this information is appropriate.</p> <p>Publishing on a quarterly basis will allow Suppliers to update their forecasts in a timely manner and will fit with Suppliers current forecasting and budgeting time periods.</p> <p>We do not consider 4 times per annum to be onerous, the gas networks adopt this approach and we are not aware of any specific factors which would justify a different frequency on the part of DNOs.</p>

	<p>Reducing the frequency would greatly mitigate the benefits of this proposal – the drivers behind allowed revenue estimates can vary significantly over time, and reports can quickly become out of date. If the estimates cannot be relied upon to be reasonably current, Suppliers will need to produce their own interim forecasts on the basis of limited information.</p>
CE Electric UK (YEDL and NEDL)	<p>No we do not believe that the proposed frequency is appropriate. Given the likely fluctuations and anticipated inaccuracies we believe a reduced frequency would still provide adequate information. We do not believe that the proposed frequency will greatly improve the robustness of the forecast data.</p>
Central Networks	<p>We do not agree that the information should be provided for the reasons stated in this response.</p> <p>However, setting this aside for the moment, the proposed frequency is excessive, especially in relation to forecasts for future years. We do not believe any DNO updates internal forecasts as frequently as would be required by this proposal, as such updates would be spurious.</p>
E.ON UK	<p>Yes. We believe this will enable suppliers to be more accurate in their cost forecasting and is in line with the recent modification in the gas market.</p>
EDF Energy Networks	<p>Twice per year would be more appropriate - in April & October. DNOs have obligations to publish indicative charges three months in advance of taking effect which, when combined with clauses within DCUSA, make 1 January and 1 July target dates for publishing such prices. To publish a forecast concurrent with prices would not be of value to suppliers because the event DCP030 is intended to assist suppliers predict has already happened.</p>
Electricity North West Limited	<p>Four times a year is too frequent, too onerous and in our opinion would not provide additional value to recipients. Circumstances giving rise to changes in the forecast of allowed revenue are not frequent enough to warrant quarterly reporting.</p> <p>Our current business planning process does not include quarterly updates.</p> <p>When you consider the data already being provided, which includes our Licence obligation to provide indicative charges three months in advance, together with the forecast values during April, July and October, we believe that this is sufficient and calls into question whether 'indicatives' going forward add any additional value. This supports our view that such a change should be considered as a Licence obligation and such indicative charging requirements reviewed at the same time.</p>

RWEnpower	Yes- a balance is required between ensuring data is reasonably up-to-date and not making the requirements on DNOs onerous. Quarterly appears to be an appropriate balance.
SP Distribution / SP Manweb	SPEN considers the quarterly requirement to be excessive. The Change Proposal gives no explanation or justification for this and SPEN would propose that (should it be agreed that the Change Proposal is progressed to implementation stage) the frequency obligation should be reduced to an annual basis.
SSE Energy Supply Ltd	Although updates 4 times a year would be useful in an ideal world, there would be a question over reliability and accuracy of information if Distributors were mandated to provide data on too frequent a basis. Genuine estimates issued say twice a year would suffice, more importantly linked to changes to directives from Ofgem. See also comments below on reliability and accuracy of information.
SSE Power Distribution	Currently, forecast information is provided to Suppliers in April, July, October each year. We and believe that this is an appropriate reporting level. Specifically wrt quarterly reports on "Incentive Payments and Adjustments", we consider the provision of such reports is impractical as the necessary data is only available or known after the year end. A Distributor's over/under recovery for the year is already published quarterly. The assumed inflation rate is provided by Ofgem.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	WPD believes that providing the information at a lower frequency would not reduce the value to be gained for example the frequency of the forecast provision is such that the long term forecast is unlikely to be revised at each update. The short term forecast will not change significantly at each quarterly revision.
Question Five	Do you consider that the level of information to be provided within Schedule 14 to be appropriate? Please state why and give supporting comments.
British Gas	We believe that the level of information to be provided in Schedule 14 is appropriate. The DNOs already have this level of data as required to meet their license conditions. The CP is merely seeking that this data is published for the benefit of the stakeholder community. Ideally, we would seek considerably more detail, but have reduced the level of information to a minimum for reasons of practicality. We have split the allowed revenue estimates into 3 line items – this is essential so that we can see trends over time in these areas and flex certain of them for scenario forecasting. Reducing the granularity would lead to a "black box" approach

	<p>which would greatly mitigate the benefits of this proposal.</p> <p>As above, the gas networks currently provide this level of information and we cannot see any circumstances which would justify less disclosure on the part of the DNOs.</p>
CE Electric UK (YEDL and NEDL)	<p>We appreciate why some suppliers may want as much visibility of information as possible, and although the provision of the information may not be a particularly difficult or a very time consuming task, we believe that visibility of our allowed income by high-level licence variable (base demand revenue etc) is unnecessary as the key information required by suppliers appears to be how much charges are going to move by on an annual basis.</p> <p>Therefore it may be more useful and usable for DNOs to simply provide the overall percentage change required in order to achieve a neutral over/under-recover position i.e. what overall percentage the tariffs need to increase/decrease by in order for our forecast actual revenue to match the allowed demand revenue in that year. We would also detail our inflation assumptions etc.</p> <p>Parties considering this proposal should bear in mind that moves towards more cost reflective charging structures that send price signals to end users may increase the volatility of income where end user behaviour changes, this may be significant in relation to specific supplier portfolios.</p>
Central Networks	<p>We do not agree that the information should be provided for the reasons stated in this response.</p> <p>However, setting this aside for the moment, the proposed level of information is excessive and unnecessary.</p>
E.ON UK	<p>Yes we are happy with the work that has been done by the working group to establish the correct level of information.</p>
EDF Energy Networks	<p>The level of information provides a good balance between the ease of understanding to a reader and complexity of production for the DNO.</p>
Electricity North West Limited	<p>The level of information to be provided is too comprehensive and current processes do not provide this level of detail and frequency. If adopted, the level of information should be aggregated into:</p>

	<ul style="list-style-type: none"> • Total Allowed Demand Revenue, ('Final' is not correct in this context) • Expected Collected Revenue, (prefer this than Forecast) • Under/Over Recovery for the year, and • Percentage Change to Charges Required at the next charging year, <p>Any commentary and assumptions would be provided on a without prejudice basis.</p>
RWEnpower	Yes- the level is a close equivalent to that provided in Gas. However, it should be noted that we view this to be evolutionary process. The expectation is that as this new data is utilised, the data-set will be reviewed and refined.
SP Distribution / SP Manweb	We do not believe all the component parts are essential to aid the competition objective and insufficient justification has been put forward in the proposal to justify how their provision would support it. See alternative solution below.
SSE Energy Supply Ltd	As above, the detail would be useful but there would be a question over the level of accuracy that could be provided. It would be useful to distinguish between regulated costs and those outside the scope of the DPCR. The historic breakdown for the previous year would be particularly useful. It enables suppliers to form a view on forthcoming price changes due to unregulated activities. We would prefer to see information given as a steer, with indicative ranges, rather than detailed information at a level where accuracy cannot be guaranteed.
SSE Power Distribution	Referring to previous responses above, we believe that the extended scope of information being proposed is both more commercially and price sensitive and therefore should not prescribed within Schedule 14 or obligated in DCUSA. We hold that the current level and scope of information provided to Suppliers is reasonable, adequate and appropriate for their needs and requirements.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	Yes
Question Six	Do you consider the information requested should only refer to the current Price Control Period other extend into the next Price Control Period (recognising that such data within the next Price Control Period would be estimated)? Please state why and give supporting comments.

British Gas	<p>We consider that the information provided should extend into the next price control even if it has been estimated. This information is still of value to Suppliers even if estimated as it will allow us to input better information into our forecast models.</p> <p>We accept that any information provided may be included with a number of caveats and understand that it may need to be changed and updated by the DNOs as more information becomes available. The assumptions section of the CP will enable the DNOs to state the basis of any assumptions used.</p> <p>During Ofgem's decision document relating to the equivalent gas proposal (186: Provision of cost information), which they approved, Ofgem noted that:</p> <p style="padding-left: 40px;">"We note the concerns of several respondents that the assumptions required for making forecasts beyond the price control period run the risk of producing misleading forecasts on which users may place undue reliance. However we consider that the primary users are likely to be shippers and large customers, whose business decisions entail a sophisticated assessment of forecast information on a regular basis and so, provided the assumptions are clearly stated, the risk of undue reliance is very low. As one respondent noted, these parties are often attempting to produce forecasts themselves in any case, and this would simply be an additional source of information for them to use as appropriate."</p> <p>We recognise that at certain times, price control estimates will be very high level – for example, at the time of progressing this CP we are at the beginning of the 2010-2015 price control process. However, as time moves on, price control assumptions will be solidified (e.g. as interim/ final proposals are adopted). The solution to this issue is to come up with some easily understood high level assumptions which can be applied to future price control periods, rather than amending the proposed template which is designed for the long term.</p> <p>Whatever assumptions are adopted, the networks are in a much better informed position than suppliers to provide (even very high level) allowed revenue estimates and removing this requirement would significantly mitigate the benefits of this proposal.</p>
CE Electric UK (YEDL and NEDL)	<p>We feel that any information provided should be limited to the prevailing price control and not extend into the next price control period. Estimated data for the next price control period would need to be based on significant assumptions such that the value of any data would be considerably undermined.</p>
Central Networks	<p>We do not agree that the information should be provided for the reasons stated in this</p>

	<p>response.</p> <p>However, setting this aside for the moment, we do not believe that there would be any value whatsoever in forecasts for future price control periods; when the form of the price control itself could well be different from the current, and key strategic decisions are yet to be made by Ofgem on key matters such as efficient costs, levels of investment, cost of capital, depreciation periods, etc. Such decisions have huge potential impacts on the overall level and profile of allowed revenues that would render any forecast virtually worthless and potentially extremely misleading. Also, even if DNOs were able to forecast the outcome of future price control reviews, it would unfairly unbalance and prejudice the process if their view of the likely outcome was required to be revealed ahead of the negotiations.</p>
E.ON UK	<p>We believe that the information should extend into the next price control. Suppliers currently have to try and forecast into the next price control and so are aware of the possible uncertainties that this inevitably brings. However any information that the DNO can give is better than nothing and we accept that this data will be estimated.</p>
EDF Energy Networks	<p>Information is likely to be much less clear once it extends across a price control period boundary. Provided assumptions are stated there is no reason not to forecast across a price control boundary. However, anyone using the information must take consideration of this fact and asses any DNO assumptions against their own views.</p>
Electricity North West Limited	<p>Cost information can be provided on the current price control with greater certainty. The mechanisms for incentives and allowances can in a new price control change significantly, sometimes to such an extent as to make resulting forecast projections meaningless or at worse, misleading.</p> <p>It would, at this stage, be pointless providing any information for the next price control period and could raise conflict between data provided in Ofgem submissions due to different reporting timescales.</p>
RWEpower	<p>It is recognised that DNOs will be unable to give any firm information regarding the outcome of any Price Control Review. Standard assumptions for post-Price Control periods (for example, simple indexation) could be agreed which will allow the information to be maintained for a standard number of years. This will also permit factors not directly influenced by the Review (such as the recovery position) to continue to be reflected.</p>

SP Distribution / SP Manweb	<p>The information requested should only refer to the current Price Control Period. As future allowed revenues and their components will be unknown DNOs are unable to provide meaningful estimations of data beyond the current price control period. To emphasise this point, it is worth noting the significant factors that will influence the DNOs' allowed revenues in the forthcoming DPCR5. These include: cost of capital; capital expenditure allowances; operating cost allowances; scope, nature and extent of incentive mechanisms; treatment of depreciation; DPCR3 and DPCR 4 reconciliations; etc, etc.</p> <p>The question (above) could be read to suggest that information provided within the current Price Control Period <u>will not</u> be estimated. This is incorrect. Indeed the DNOs' ability to provide the level of requested information during the period of the current Price Control Period is also severely limited. Reasons include: (i) the unpredictability of a number of the incentive mechanisms, e.g. CI/CML are highly subject to weather patterns and reported losses rely heavily on the use of electricity settlement data; and (ii) the growth term is highly sensitive to fluctuations in reported customer consumption, including: fluctuations in electricity settlement; energy consumptions initiatives; retail energy prices, weather patterns, etc.</p> <p>As a result, any information provided by DNOs during a Price Control Period would also need to be done on an indicative basis only. DNOs cannot and would not be able to accept any responsibility for the accuracy or completeness of data provided, nor accept any necessary or implied link to charging decisions made as a result.</p> <p>The earliest occasion in which data relating to the next Price Control could be provided would be when initial proposals are published accompanied by an appropriate disclaimer.</p>
SSE Energy Supply Ltd	<p>We do need forecasts after the end of the present Price Control Period. When the end of a Price Control Period is approaching there is still a need for distribution price information for the next Price Control Period. The distributors are in a better position to supply this information than anyone else.</p>
SSE Power Distribution	<p>For any information that is provided, we believe it must be limited to the then current Price Control period. Any forecast information beyond such period would require a level of assumption which would introduce higher level of contingency and negate any potential benefit to the user of the information.</p> <p>It is also questionable if the information provided would be sufficiently precise (such information presumably being provided by Distributors on a reasonable endeavours basis) or determined consistently across the Distributor community to aid trend analysis and decision</p>

	making processes.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	WPD considers that the treatment of forecasts is inadequate and will not be beneficial to suppliers. The impact of a price control review will be an assumption and distributors will be free to make their own assumption so there will be no consistency in the data provided.
Question Seven	Are there any other alternative solutions you would like to be considered by the Working Group? Please state why and give supporting comments.
British Gas	No
CE Electric UK (YEDL and NEDL)	We feel it would be more appropriate to provide information for the current price control period only and only the percentage change in tariffs, as was suggested during the working group discussions. Suppliers are not supportive of this even though it would appear to meet their needs and minimise the effort to be expended by DNOs.
Central Networks	Suppliers should make use of the price control information currently published on each DNO's own website as well as centrally on the Ofgem website. We would have no objection to formalising the current voluntary arrangements through the DCUSA, if this was thought appropriate. We see no pressing need to do this however, as all DNOs currently publish the relevant information on a voluntary basis.
E.ON UK	No
EDF Energy Networks	No
Electricity North West Limited	No, the current provision of forecast allowed and actual revenue for the forward 12 months, as per the modified Licence Condition 47 should be maintained.
RWEpower	No
SP Distribution / SP Manweb	Proposed data would be forecast price change only supported by RPI and growth assumptions. This would only be for the current Price Control Period as future Price Controls have too little uncertainty.
SSE Energy Supply Ltd	It may be that Distribution businesses could make a counter proposal based on how they can provide a realistic steer to the market.
SSE Power Distribution	None

Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	None
Question Eight	Please indicate if you expect to incur any costs to support the CP (particularly where these are related to internal system changes).
British Gas	We do not expect to incur any costs.
CE Electric UK (YEDL and NEDL)	We anticipate some costs associated with people's time; time that could be spent on other matters.
Central Networks	<p>We do not agree that the information should be provided for the reasons stated in this response.</p> <p>However, setting this aside for the moment, if we were required to reforecast four times a year the additions cost to us would probably be in the order of £10,000 annually in staff time.</p> <p>As indicated above, we see no value in forecasting beyond the current price control period. Any such forecast that were prepared would necessarily be very high level and speculative in nature and would certainly not contain the level of detail set out in the proposal.</p>
E.ON UK	No
EDF Energy Networks	<p>There are no internal system charges however we have been advised by our Paris Finance Department that that such disclosures raise a legal issue.</p> <p>"such information are forecasts... and there is as very straight [strict] regime regarding forecasts now : law and market regulations have significantly changed since a couple of years [ago] regarding such informations, which requires a very high level of comfort & diligences before any disclosure, and auditors certificates & opinions and management warranties..."</p> <p>This will lead to increased management and audit costs, probably in the order of £25k per annum, were such a regime to be implemented.</p>
Electricity North West Limited	Additional labour costs would be incurred due to time expended in areas of data collection, analysis and forecasting, especially if the quarterly provision was implemented together with time agreeing a common set of assumptions and/or receiving and dealing with enquiries for a

	<p>further understanding associated with our assumptions. Such an impact on the latter is unknown since it will be based on the number of enquiries received.</p> <p>It is our perception that this would be a waste of valuable distributor resources as it is not a current Licence requirement.</p> <p>There will also be system change costs. If a common set of assumptions are to be incorporated this also may impact system costs.</p>
RWEpower	None
SP Distribution / SP Manweb	SPEN would expect to incur additional costs to support the Change Proposal.
SSE Energy Supply Ltd	No
SSE Power Distribution	We anticipate that we would face increased internal administrative costs.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	-
Question Nine	Do you support the proposed implementation date of 06 November 2008? Please state alternative if applicable and state why.
British Gas	We support the implementation date of November 2008 on that basis we wish to receive this information as soon as possible.
CE Electric UK (YEDL and NEDL)	No, we do not support the proposed implementation date as we feel that it is too early.
Central Networks	<p>We do not agree that the information should be provided for the reasons stated in this response.</p> <p>However, setting this aside for the moment, new mechanisms would need to be put in place to facilitate the additional re-forecasting and therefore we would not be able to implement any such a change before April 2009.</p>
E.ON UK	We believe this timescale is probably a bit too stretching and would be happy with a February implementation date.

EDF Energy Networks	This is the most appropriate date, should DCP030 be implemented.
Electricity North West Limited	<p>This question is somewhat of a surprise when read in conjunction with the minutes of the meeting number 1, Para 9.1 where the Working Group agreed that a February 2009 implementation date would be a more appropriate date with the first set of data being required by the 1st April 2009. Add this to the fact that it is not possible to meet the November 2008 date because it is a Part 1 matter and there is insufficient time to meet such a deadline, we would have thought the decision to ask this question is redundant.</p> <p>If however the question was directed at a February 2009 implementation, it would seem more appropriate and effective to deliver this in February 2010 in readiness for the next price control period. By delaying the Change Proposal and the implementation date we could benefit from the Gas market in having a number of reporting cycles to gain experience from and (if raised by the industry) a common set of assumptions that we could benefit from. Add this to the time needed for system changes once such information is known we could develop an improved Change Proposal and delivery of data in readiness for the next price control period.</p>
RWEnpower	Yes- given that April 2010 will be the first of new Price Control period, unless this data is available for April 2009 it will be of limited use until April 2011.
SP Distribution / SP Manweb	Yes but only for current Price Control Data. Future Price Control Forecasts could be provided following the publication by Ofgem of initial proposals.
SSE Energy Supply Ltd	Do not believe the change proposal in its present form can be implemented in this timescale
SSE Power Distribution	We would prefer the proposed implementation date to be 1 April 2009 as we are in process of publishing forecast information, on its current basis, on 30 October 2008.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	The implementation date is acceptable.
Question Ten	Please state any other comments or views on the Change Proposal
British Gas	Distribution charges form a significant element of the supplier cost base and there is limited transparency under the existing regime which has hampered our ability to accurately predict

	<p>these costs.</p> <p>This CP will allow suppliers to improve their forecasting ability and so provide the best possible value to their customers.</p>
CE Electric UK (YEDL and NEDL)	-
Central Networks	Central Networks has no other comments on this Change Proposal
E.ON UK	None
EDF Energy Networks	None
Electricity North West Limited	<p>Overview</p> <p>Having considered the questions above, we strongly oppose this Change Proposal. Any requirement to publish more information at a greater frequency should be instigated by Ofgem through changes to the Licence Conditions.</p> <p>The required level of detail is unjustified considering the volatility of other cost inputs to Suppliers which have recently resulted in large price increases by them.</p> <p>Much of the data is already provided which with their own year-ahead forecasts and their own inflation assumptions should allow them to estimate Use of System Charges to an acceptable level of accuracy.</p> <p>It would make more sense to seek feedback from the Gas market after a period of providing such data and agreement on a standard set of assumptions to aid a modification to the Licence Condition(s).</p> <p>General</p> <p>In the minutes of the first meeting, Para 5, it infers that IDNO's would seek feedback from the IDNO Panel member and also be consulted as to clarify the potential impact on their business. This specific question has not been asked within this consultation document. Since there are no minutes available on the website covering the second meeting it is unknown whether this was subsequently amended.</p> <p>Legal drafting</p>

	<p>Where is Clause xx being suggested as a location within the agreement?</p> <p>xx.1 – The Company - is this applicable to IDNO's or not? If not then the 'Company' will need to change to the 'DNO Party'.</p> <p>xx.1 – the use of 'Schedule 14'. It is not appropriate to infer that this will be Schedule 14 since this Change Proposal has now been delayed, and we have a potential change (DCP023) with a proposed implementation date of November 2008 which equally has a Schedule as part of the change. It should be referred to Schedule NN.</p> <p>xx.1 – we disagree with any such publication on the DCUSA website. If there is such a requirement it should be sent to the Supplier Party Contract Manager's.</p> <p>xx.1 – delete 'on the 10th calendar day of each of' with 'during' or 'at the end of'. No doubt the 10th of each month at some stage will be a Saturday and a Sunday and we do not believe that this is an efficient use of DCUSA Secretariat resource.</p> <p>xx.1 – the dates should align with current practice. There is significant distributor activity in submitting indicative charges at the end of December (effective from 1st of April) and if deemed necessary at the end of June (effective from 1st of October) in line with the wishes of Suppliers due to DCP001. To request additional activity in and around these times is impracticable. We do submit on our website, data during April, July and October but whether we can continue with this will depend on the outcome of the requirement. Therefore, it should be limited to April and October, but may stretch to July.</p> <p>xx.2 – see xx.1 re reference to the use of 'the Company'.</p> <p>xx.2 – this should be limited to current year only.</p> <p>xx.3 – see xx.1 re reference to 'the Company'.</p> <p>xx.3 – the table does not adequately cater for commentaries. We will end up with a mishmash of information being provided here. Is it really relevant if you have provided a set of criteria to populate based on a set of common assumptions? It seems that this needs to be thoroughly thought through and perhaps this Change Proposal has been raised too early. Let the Gas market settle in by providing such data and benefit from improvements identified there, rather than end up dealing with two distinct groups in parallel, when we suspect that Suppliers really want similar guidelines being introduced across both markets.</p> <p>Schedule</p>
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	<p>As mentioned in our earlier comments, we believe the data being requested is far too detailed. It is understood that there is a question looking at this area but it would have been helpful to have asked Suppliers what data they currently use and equally if the requested data within this schedule was made available are Suppliers actually going to use all the data or just the summation of the calculations? .</p> <p>'Inflation rate assumed' is an assumption and should be catered for under the heading of Assumptions.</p>
RWEnpower	-
SP Distribution / SP Manweb	<p>SPEN questions the value of this Change Proposal, especially given the factors of greater significance that impact on the Supplier's ability to forecast accurately. These include:</p> <ul style="list-style-type: none"> ▪ The volatility of wholesale prices ▪ Changes in DNOs' Long Term DUoS Charging Methodologies – these are currently at different stages of development across DNOs and Ofgem has a current Structure of Charges consultation. These could lead to significant changes to structures of charges, hence further reducing the value of any aggregate revenue forecasts <p>We note also that Suppliers that operate across the UK have in effect some ability to hedge against the uncertainty of the incentive mechanisms, over / under recovery etc as a function of operating across a number of DNOs.</p>
SSE Energy Supply Ltd	None
SSE Power Distribution	To facilitate consistency, we believe there is a good case for all Distributors to publish the current scope of forecast information on the basis of a common template.
Western Power Distribution (South West) plc Western Power Distribution (South Wales) plc	<p>The above comments have been made on the basis that the data to be provided will be the items specified in the proposed legal drafting and not as set out in the change proposal.</p> <p>The wording of new clause 3 is very poor and should be revised for improved clarity.</p>