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23 November 2010

Consultation on the provision of third party access to licence exempt electricity and gas networks.

Dear [REDACTED]

I am responding on behalf of RWE npower, which holds licences for the generation and supply of electricity and the shipping and supply of gas. Part of our business activities includes the provision of energy to sites that are on private networks and in some cases we own or operate parts of private networks.

We understand that some customers connected to private network already have access to the competitive supply market. Extending this concept more widely is to be welcomed as long as it can be done in a cost effective manner. The number of such customers which may wish to take their energy supply from another supplier is unknown; they are connected to exempt networks most of which are not part of the industry arrangements. There may be additional costs associated with supplying such customers and as a general principle we would expect users causing such costs to meet them.

The challenge that industry parties face is how best to extend the energy retail arrangements to these customers without incurring excessive costs or administrative burdens. The proposals to extend competition to this group of customers raise some concerns about how it can be done easily. One concern is how to include such parties into the trading arrangements in such a way to allow customers to benefit but also enable industry parties to fulfil their obligations under the commercial and regulatory framework.

Licensed suppliers are required by their licences to comply with the industry's codes and agreements; these put in place arrangements to ensure that parties can measure, balance and reconcile their energy supplies. Private network operators are not bound by such arrangements and would either have to cooperate with industry parties or become bound by those codes and agreements for the proposals to work.

Under the present arrangements licensed suppliers supply such operators, which in turn act as exempt suppliers to customers on their networks. If customers on private networks wish to be supplied by another supplier they will need the consent and co-operation of the private network operator. The operator, suppliers and the customer would have to enter into some form of arrangement to enable a new supplier to supply to that customer. The agreement would have to ensure a number of things; the new supplier had

access to the private network to install and read the meters; the network was operated to industry standards and was safe; the private network operator (as the existing supplier) did not bill the customer for energy; the new supplier provided bills and the private network operator's

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supplier was aware of the customer's energy use so it could adjust its purchasing and settlement arrangements accordingly.

In the majority of cases we would hope that private network operators consent to these types of arrangements. However, in some cases where the parties did not enter into an agreement customers may not be able to switch suppliers. As private network operators are licensed exempt there is at present no mechanism to require them to facilitate these kinds of arrangements. It would seem that the redress for a customer in these circumstances may be through the courts.

The alternative would be to put in place some form of licensing that would bind private network operators into the commercial and regulatory framework. This poses a number of concerns. First, the requirements on network operators to maintain meter point administration services would have to apply to private network operators. This may involve only a few meter points, but they would have to keep this up to date, which would be a burden to those businesses.

Second, the change of supplier processes requires all parties to communicate with each other and maintain a registration system and communications network. If the industry adapted its arrangements to reduce the burden on private network operators it would have to propose and adapt changes to all the major codes and agreements to accommodate them. Typically, this would take twelve to eighteen months to implement and would be at a high cost to all parties.

Moreover, the benefits of making these changes are not yet clear; DECC's proposals are to enact a judicial decision rather than in response to customer demand. The Regulatory Impact Assessment gives little indication of the scope of take up of the proposals. The energy supply industry is currently preparing for widespread change to implement smart metering. It would be inefficient to start making changes to the industry's systems and processes to accommodate these proposals in the period leading up to other major changes, especially when the extent of customer take-up of the opportunity is still unclear.

The third concern relates to private network operators using a common charging methodology. The costs of building, developing and maintaining networks will vary from place to place. Owners and operators of such networks may have built them to meet their business needs rather than to facilitate third party supply; even seemingly similar networks may have different configurations and hence costs. Implementing a common charging methodology will not only give operators high costs, but the resultant Use of System charges may vary widely. Regulating this will be costly and burdensome; there should be provision for parties entering into the proposed supply arrangements to agree Use of System charges without the need for regulation.

In conclusion, the pragmatic approach to this policy issue should be to encourage the use of Commercial Arrangements. This is the least cost solution, and although it may have some drawbacks, it has the merit of being available quickly. Following its adoption, parties can use their knowledge and experience of the arrangements to improve their access to them. Other solutions set out in Annex A would all require changes to the codes and agreements and perhaps the licensing regime to make them work.

In the light of this, we hope that DECC proposes that private network operators adopt Commercial Arrangements to enable customers on their networks to switch. Despite DECC's proposals, such arrangements will be voluntary in nature, but we anticipate that where commercially viable parties should be willing to make them work.

Yours sincerely

[REDACTED] (sent by email and not signed)