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Our Ref: AKP/PF  
Your Ref

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Catherine Monaghan  
Ofgem  
9 Millbank  
London  
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Dear Catherine

### **Distributor provision of MPAS Services**

I am pleased to provide the views of Aquila Networks plc ("Aquila") on the issues raised in the April consultation paper.

Aquila supports the proposals to ensure that customers connected to any licensed distribution network have access to the competitive supply market. However, this is on the basis that ex-PES DNOs are able to fully recover any costs arising from meeting their licence obligation to provide MPAS to other licensed distributors.

The paper raises a number of issues which require further consideration and clarification and I set these out below.

#### Provision of MPAS to suppliers and charging statement

At the moment, charges for the provision of MPAS fall within the scope of both SLC 4 (Basis of Charges for Use of System and Connection to System) and SLC 36 (Basis of Charges for Distributor Metering and Data Services). As such, the 'day-to-day' costs of providing MPAS are recovered via the fixed element of Use of System charges and any additional services are charged for on a transactional basis.

Whilst the paper is not explicit, the proposed SLC14A obligation to prepare a stand-alone MPAS Charging Statement implies a requirement to unbundle MPAS charges from Use of System. We cannot see any cost-benefit in this, given that day-to-day MPAS costs are de-minimis as a proportion of both Use of System costs and the end customer's bill.

We therefore believe that the existing charging arrangements described above should be maintained. The new distributor would incur Use of System charges from the ex-PES DNO, including a negligible MPAS cost in respect of the meter on the boundary of both networks. A supplier to the new distributor's network would incur use of system costs from that distributor, which would include the day-to-day MPAS costs in respect of MPANs on his network (whether the service is provided in-house or procured from outside).

It follows that the proposed stand-alone MPAS charging statement should, as now, only deal with those additional/transactional services.

#### Cost recovery for the provision of MPAS Services to new distribution licensees

The paper is also silent on the treatment of additional costs arising from a new distribution licensee procuring MPAS from an ex-PES DNO.

MPRS software is currently being developed to cater for the BSC 'P62' industry solution, such that there will be further development costs incurred in enabling the software to cater for an ex-PES DNO providing MPAS services to a new licensed Distribution Businesses operating within its GSP Group.

Such additional costs incurred by an ex-PES DNO in meeting its licence obligation to provide MPAS within its services area must be recoverable. This would be dealt with in formulating terms for the provision of MPAS, should a new distributor elect to procure the service.

In summary, whilst Aquila is happy to facilitate competition in supply, subject to equitable cost recovery, we believe that this should not disturb current charging arrangements in the absence of any cost-benefit from unbundling MPAS.

We look forward to Ofgem clarifying these issues in the forthcoming decision document.

I hope our comments are helpful and should you wish to discuss any particular point, please contact Paul Finch of my office on extension 05 2964.

Yours sincerely,

PF

**For A K Phelps  
Regulation Director**