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Dear Ynon

Electricity distribution charging methodologies: DNOs' proposals for the higher voltages.

Thank you for giving SSE the opportunity to respond to the consultation of 20th May 2011 on the above. We have not provided answers to all of the specific questions raised, but instead set out our broader thoughts on the proposals from a supplier and network perspective.

SSE has two main concerns over the proposals. Firstly, the methodology does not provide stability to charges, which suppliers and customers prefer. If Ofgem's plan is to significantly amend the elements of the charges regularly, as indicated by potential for additional conditions over the coming years, then this further exacerbates the uncertainty for end users. The impact on the distribution business has already been significant in the resource that we have had to dedicate to this project, which would be set to go on should Ofgem continue to make changes to the methodology.

We would prefer Ofgem to settle on an enduring regime that achieves balance between cost reflectivity and stability. The current proposal is overly complex, which means when the inevitable amendments are made the complexity will increase. This instability is not helpful for any of the parties involved.

Our second concern is the excessive increase that some customers will face if the EDCM is implemented. Ofgem has identified 33 customers whose charges will increase by more than £500,000 per year. We do not believe that the worst affected customers should be asked to pay these increases immediately, if at all. It is therefore disappointing that the consultation focuses more on the technicalities of the methodology than the financial impacts for customers associated with transition. It is an additional concern that the increases for EHV customers may be passed on to domestic customers to protect them from the full impact of the rise.



Whilst we support Ofgem's intention to move towards a more consistent approach, we feel that these detrimental impacts cannot be ignored. We therefore believe that before any methodology is approved, these issues are addressed to mitigate the negative consequences for customers.

If Ofgem would like to discuss any of this further, then please contact me on the telephone number above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gareth Shields', with a long horizontal flourish extending to the right.

Gareth Shields
Networks Regulation