

Your ref

Our ref RA/THS

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Dear Andrew

Regulation of New Electricity Distribution Licence Holders

Thank you for your letter of 16 April 2003 on the above and for the opportunity to comment on Ofgem's licence modification proposals. Please note that I am providing this response on behalf of both Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL).

We generally support the approach and licence modifications proposed by Ofgem in relation to new licensed distributors, but are concerned about a potential inconsistency in the treatment of distributor metering and data services in relation to new distribution licensees. We fully support the transfer (proposed in a parallel Ofgem consultation) of the obligation to provide MPAS services from Section C to Section B of the distribution licence. However, given the considerable advances in competition in metering services, we are also of the view that the obligations set out in paragraphs 1(a) and 1(b) of Condition 36B should be moved into Section B of the Distribution Licence. To require distributors to provide or procure MPAS but not meters appears inconsistent.

We also have a few more detailed comments as follows:

- The Section 8A notice should perhaps make clearer that these modifications relate to new licensed distributors only – the licences of ex-PES DNOs would also fit the description in paragraph 1 of the notice.
- The terms “distribution services” (paragraph 1) and “Distribution Services Obligations” (paragraphs 4 and 5) in proposed Standard Condition 50 do not appear to be defined.
- Further clarity will need to be provided in respect of newly-licensed distributors' charging arrangements – particularly with regard to the pricing rules if a new licensee's network should extend across more than one distribution services area.
- The inference to be drawn from the words on the page headed “Changes to Section C Standard Licence Conditions for New Electricity Distribution Licence Holders” is that all Section C conditions other than 43, 44, 45, 46 and 47 will apply to newly-licensed distributors. If such an inference were correct, this would make unnecessary Ofgem's

parallel transfer of MPAS obligations from Section C to Section B of the distribution licence. Additionally, if condition 32A remained, new distributors would find that all their customers fell within the definition of “convenience customers” in condition 1.

- As a corollary to the previous point, definitions in Condition 1 which do not occur in conditions relating to new distributors could usefully be excluded from their licences.

In addition, there are a small number of typographical errors in the proposed new licence conditions, as follows:

- there should be a comma after “specify” in the first line of para 5 of condition 50;
- “licence” in the second line of para 7 of condition 50 should be changed to “licensee”;
- the closing bracket after “10” in the first line of para 8(iii) of condition 50 should be moved to appear after “condition” in the next line;
- the comma after “effect” in the last line of para 8(iii) should be deleted; and
- one of the two occurrences of “to” in para 1(a) of condition 52 should be deleted.

I hope that you will find these comments helpful. If you would like to discuss any of them further, please do not hesitate to contact me.

Yours sincerely

TONY SHARP
Regulation Manager