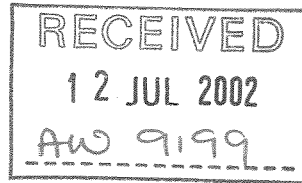


Your ref

Our ref RA/THS/LA

Andrew Walker  
Director Regulation & Financial Affairs  
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11 July 2002

Dear Andrew

**Regulation of Electricity Distribution Licence Holders**

Thank you for the opportunity to comment on Ofgem's interim proposals relating to the regulation of electricity distribution licence holders without distribution services area obligations and price controls. Do please accept my apologies for the late submission of these comments, which I am providing on behalf of both Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL).

We broadly agree with the proposed interim measures in terms of both principles and particulars. However, we perceive that the proposed charging arrangements might create logistical problems with regard to timing of publication, in that a non-ex PES distributor would be unable to publish charges until some time after seeing those of the relevant ex-PES distributor. It would also be necessary to address the potential for discrimination on the part of a new licensee owning two separate but adjoining inset networks, each connected to a different ex-PES distributor's network and each therefore having a different charge ceiling.

Our main concerns arising from the advent of new licensed distributors revolve around the interface between the new licensee and the ex-PES distributor within whose distribution services area the new licensee's network is located. These concerns include:

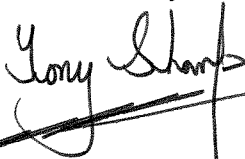
- the reliance of a new licensee on the relevant ex-PES distributor for the provision of services which may not be mandatory in all cases. For example, a new licensee would be unable to receive settlements dataflows without an arrangement with the relevant ex-PES distributor.
- the current lack of means by which to fulfil the Condition 36B obligation to provide MPAS services within an inset network and the lack of definition of the mandatory extent of MPAS distributor data services in such situations, pending the delivery of an industry solution (which appears to be by no means imminent);
- the need to ensure that ex-PES distributors' IIP performance cannot be affected by incidents on inset networks;

- the need to ensure absolute clarity on the part of customers connected to an inset network as to where they should look for emergency services etc; and
- the need to address the question of distributor insolvency and distributor of last resort.

It would also be useful if, in considering more fully the requisite licensing arrangements for new distributors, Ofgem were to address the implications of existing ex-PES distributors owning and operating inset networks outside their own distribution services areas. Whilst the existing licence is Great Britain-wide, it is not clear how the costs and revenues associated with remote inset networks would be treated in the context of the existing price control.

I hope that you will find these comments helpful. If you would like anything else in connection with them, please do not hesitate to let me know.

Yours sincerely

A handwritten signature in black ink that reads "Tony Sharp". The signature is written in a cursive style with a long horizontal stroke extending to the right.

**TONY SHARP**  
Regulation Manager