



Our Ref: UK-D/S&I/R&LC/THS

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Your Ref:

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Dear Chris

Ofgem Proposed Corporate Plan 2004/05

CE Electric UK Funding Company (CE) is the UK parent company of Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL). This letter represents the views of CE, NEDL and YEDL on the draft corporate plan 2004/05 that was published by Ofgem on 23 March last.

We are in agreement with the broad strategy themes which Ofgem are pursuing and, in relation to them, would seek only to underline the point that was endorsed at the meeting at Ofgem's offices on 14 April regarding the need for regulator and licensees alike to be in a position to be informed about, and able to react to, proposed European legislation that impacts on our businesses at a much earlier stage than is currently the case. This would avoid the need for hasty reaction, particularly desirable if major change programmes or formal instruments such as licence modifications should ultimately be envisaged, and would hopefully prevent proposals such as that relating to "actual time of use" metering in Article 13 of the proposed directive on energy end-use efficiency and energy services from progressing to such a stage.

We fully support Ofgem's commitment to developing and refining the usage of regulatory impact assessments (RIAs) and look forward to participating in Ofgem's planned review of RIAs during 2004. We note the requirement since December 2003 for RIAs to be produced on important decisions and would welcome the extension of this to all major proposals: this would optimise value in accordance with the Comptroller and Auditor General's report of 2001 which stressed that RIAs that added value tended to be characterised, inter alia, by starting at a sufficiently early stage. We fully support also the need for RIAs to analyse appropriately the likely costs and benefits of proposals.

With regard to the planned deliverables relating to regulating network monopolies, there is an apparent omission in that the penultimate item (decision on possible reform of connection and use of system agreements) does not appear to be preceded by a

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consultation exercise. We would welcome also seeing resolution of the outstanding issues surrounding credit cover appropriately referenced within the deliverables.

Finally, with regard to Ofgem's proposed performance indicators, whilst we believe the proposed 16-week turnaround time for connection determinations to be quite laudable, we wonder to what extent this may be affected by paragraph 5 of Article 23 of Directive 2003/54/EC, which would appear to cover (amongst other things) connection-related disputes.

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

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