

Central Networks

A company of **e-on**

Mr Mark Cox
Networks - Distribution
Ofgem
9 Millbank
London
SW1P 3GE

07 May 2004

Licence modifications: Structure of electricity distribution charges

Dear Mark,

I refer to the Section 11A(3) notice issued 6 April 2004, in relation to the proposed licence modifications to implement changes to electricity distribution charges. A response to the Update document is being sent under separate cover and is consistent with the position outlined below.

This letter constitutes our statutory objection to the proposed licence modifications as set out in the notice dated 6 April 2004, in respect of both Central Networks East plc and Central Networks West plc (each a 'relevant licence holder' for the purposes of section 11A of the Electricity Act 1989).

We would however be happy to accept alternative license modifications if these were adjusted to accommodate the following representations, and will work positively with Ofgem to ensure a satisfactory outcome.

Condition 4(1) and Condition 4B(1) & (4b)

As drafted, there is no limitation on Ofgem's ability to not approve a methodology / statement. These may fulfil all the relevant objectives, but Ofgem may wish to impose additional requirements beyond the scope of the licence. Ofgem could then choose not to approve a DNO's methodology / statement in such circumstances. To remedy this, Ofgem should be placed under an obligation to approve a methodology / statement if it meets all of the relevant objectives. We believe that this is Ofgem's policy intent as indicated in the Update document and that this should be reflected in the drafting, or by reference to other appropriate documentation, to provide transparency and certainty.

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Condition 4A(5)(b)

The drafting reflects, in part, existing obligations under section 9 of the Electricity Act 1989 (as amended) and Condition 4A(4) of the distribution licence. We are unclear as to why the word 'effective' is added, although this may be reference to Ofgem's principal objective under section 3A of the Electricity Act 1989 (as amended). We do not consider it necessary and it may be interpreted as placing a more onerous obligation on DNOs than applies under the legislation. As such, we believe the word 'effective' should be deleted.

Condition 4B(9ciii)

This clause refers to a proportionate share of 'increased' capacity requirement. Appendix 2 refers to 'new network' capacity. We believe that the licence should refer to the latter, or be more generic and provide for flexibility in the detail in the methodology statements.

In our separate response to the Update document, we also seek clarification on a number of other points. It should be noted that these do not form part of the basis for our statutory objections.

Finally, I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

Please contact Richard Smith (0121 530 7539) or Andrew Neves (01332 393323) if you would like to discuss any particular point.

Yours sincerely,

Paul Eveleigh
Regulation Manager