

Our Ref DPCR/CN

Your Ref

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Date 18th January 2005

Dear Colin,

Electricity Distribution Price Control Review – Draft Price Control Licence Modifications

Thank you for the opportunity to comment on the draft price control licence modifications. EDF Energy fully supports the joint submission to Ofgem by the DNO Legal Issues Working Group.

We are, however, concerned that there are a number of policy issues which still require resolution. In addition, we are disappointed that a number of significant proposals have only been detailed in the draft licence modifications e.g. the proposed regime for the restatement of revenue returns.

Our main areas of concern are listed below:

- The scope and application of the uncertainty provisions (special condition A3)
- The introduction of a dual incentive rate policy for distribution losses (special condition C1)
- The failure to provide for pass-through of distributed generation expenditure incurred in 2005/06 (special condition D1)
- The proposed regime for the restatement of revenue returns (standard condition 50)
- The treatment of under-recoveries of demand and generation revenue (special condition E1)
- Clarification of a number of aspects of the metering price control policy (special condition F1 and standard condition 36)
- The policy for the definition of "distribution business" (standard condition 1) and the apparent conflict with obligations detailed in standard condition 43.
- The obligation of the auditors to provide assurance to Ofgem that a DNO has not been behaving in a discriminatory manner (standard condition 42)
- The internal coherence and change control provisions of the various Regulatory Instruction and Guidance conditions (standard conditions 49 to 51)

Where practicable, the industry has provided alternative drafting on each of these issues which we feel improves the clarity of the licence conditions.

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In our view, a number of these issues should be relatively uncontentious, as they appear to have arisen due to drafting errors. However, if there are any issues of substance, between the DNOs and Ofgem, then we believe it is vital that sufficient time is given to debate them at the Ofgem-DNO page turning session on 26th January.

If you have any queries on this response please do not hesitate to contact me.

Yours sincerely

Jim Tame
Managing Director, Regulatory Affairs