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to customers

The Company Secretary
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Our Ref: RBA RBA/DPC/SOC/26/1
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01 April 2005

cc: Tony McEntee by email only

Dear Sir/Madam,

Use of system charging methodology: conditional approval

On 11 February 2005 the Authority issued its decision to conditionally approve Scottish Power's (SP) use of system (UoS) charging methodology¹ (for both the SP Manweb and SP Distribution licensed areas) in accordance with standard licence condition (SLC) 4(9), subject to the following condition:

- a. Provision of a more detailed policy on the recovery of NGC charges and business rates.

SP action

On 22 February 2005 SP submitted redrafted words clarifying the treatment of business rates for generators, setting out that generator costs do not include a contribution to business rates. On 30 March 2005, SP removed references to generators being charged NGC connection charges within the generator use of system (GDUoS) charge.

Authority conclusion

The Authority considers that SP has satisfactorily clarified the treatment of business rates. Similarly, SP's removal of wording regarding NGC connection charges clarifies the policy that generators will not be charged NGC connection charges. Any change in the future to these charging policies would need to be the subject of a methodology change proposal, and the Authority would reach a decision at that time on the appropriateness of the policy as proposed by SP.

¹ This decision document also set out the Authority's decision to approve SP's connection charging methodology without conditions.

Final statements of distribution use of system charges 2005: form approval

SP's statements of final April 2005 distribution use of system (DUoS) charges for the SP Manweb and SP Distribution licensed areas were submitted to Ofgem on 18 February 2005.

The Authority approves the form of SP's two charging statements (SP Manweb and SP Distribution), in accordance with SLC 4A(1).

Any queries about this decision should be directed to Mark Cox on 020 7901 7458, or mark.cox@ofgem.gov.uk.

Yours sincerely,

Martin Crouch
Director, Distribution