

Central Networks

A company of **e-on**

Mark Cox
Distribution Policy
Ofgem
9 Millbank
LONDON SW1P 3GE

Central Networks
Pegasus Business Park
Castle Donington
Derbyshire
United Kingdom
DE74 2TU
central-networks.co.uk

Geoff Huckerby
T 01332 393820
F
geoff.huckerby
@central-networks.co.uk

22 September 2005

Regulation of Independent Electricity Distribution Network Operators. Decision Document July 2005 176/05. Response by Central Networks.

Dear Mark

Thank you for the opportunity to further respond to the Ofgem proposals in the above document. Our comments broadly follow those in our original response; however, we are surprised at the comments made in section 4.32 where a new issue has been raised into this document which is primarily a decision document. We therefore feel that it would be more appropriate to consult the industry on such matters to ensure that the required level of detail can be explored. We would be willing to participate in any meetings/workshops in order to take this issue forward to a satisfactory conclusion.

Price Control Arrangements.

In our original response we supported Relative Price Control which was designated as Option 1. We continue to support this option and note that this is Ofgem's preferred proposal. With regard to the implementation date we agree that this should be implemented from the start of the next regulatory year, i.e. 1 April 2006.

Central Networks East plc
No 2366923
Central Networks West plc
No 3600574
Central Networks Services
Limited
No 3600545

Registered in England and
Wales

Registered Office:
Westwood Way
Westwood Business Park
Coventry, CV4 8LG

Financial Ring Fencing of IDNO's

In our original response we supported the proposal to implement revisions to conditions BA2 to BA6 and the trigger event for BA6 as outlined in section 3.12. We continue to support this option and note that this is Ofgem's preferred proposal.

Aligning gas and electricity structures

In our original response we opposed the alignment of the commercial arrangements for gas and electricity due to the high adverse cost to benefit effects and the substantial industry and contractual changes that would be required. We note that it is not now Ofgem's intention to align the structures which we strongly support.

Boundary Equipment

We note Ofgem's views on this matter but are not convinced that the installation of two sets of protection equipment will only occur in exceptional circumstances.

As Ofgem correctly state it is for each licensee to ensure that they are compliant with the Electricity Safety, Quality and Continuity Regulations 2002, additionally each Distributor will be required to comply with the appropriate Distribution Safety Rules. In complying with each of these requirements it may be necessary to install two sets of isolating equipment. In these circumstances the costs should be borne by the IDNO. This is analogous to a domestic property where the end consumer will have the ability to control their supply at the consumer unit and where the DNO also has that ability at the cut-out., these costs being attributed to the consumer.

Boundary Metering

In our original response we supported the need for appropriate metering at the boundary between a DNO and an IDNO. We note that it is now Ofgem's view that such boundary metering is essential which we strongly support.

Credit Cover

We would expect that so far as is reasonably practical an IDNO should follow Ofgem's Best Practice Credit Cover Guidelines for Gas and Electricity Network Operators, also Central Networks generally agrees with Ofgem's comments contained within the decision document particularly in respect to the Credit Cover requirements for IDNO's detailed section 4.27.

Under the Credit Cover requirements for IDNO's outlined in section 4 of the decision document, where it was deemed that an IDNO had to provide some form of security to cover 6 months operating costs and asset replacement expenditure for the provision of Cover, then Central Networks would expect that the IDNO provide the cash deposit direct to the DNO to cover the upstream DUoS charges, which could be offset against the amount given to Ofgem.

Central Networks considers that there may be merit in an alternative approached as described in Section 4.31. However, consideration would need to be given to and arrangements would need to be developed in order to allow for a supplier failure situation. Central Networks would be willing to participate in any meetings

Other licence conditions

In our original response we raised a concern regarding the implementation of SLC35 which has the potential effect of multiple circuits of different ownership in the same highway. We remain strongly concerned about this issue and whilst we understand Ofgem's comments in section 5.13 regarding a Distributor utilising safe practices, our major concerns surround other parties such as cable television, telecommunications, highway authorities etc excavating a highway under the New Roads and Street Works Act 1991 without realising the need to contact all licensed distributors. This particular issue was raised by Ofgem in an open letter as opposed to a formal consultation; we note that there are no responses to this letter appended to the original document on the Ofgem web site. Our preference would be for this issue to be subject to a formal consultation. As a minimum we would expect assurances that the HSE and DTI Safety Inspectorate were formally consulted and responded that multiple circuits of different ownership in the same highway was acceptable.

We note Ofgem's other comments regarding SLC's 34, 48,36B and 49 and whilst we still believe that 36B, should 49 should apply to IDNO's we will not be pursuing this through this consultation.

If you require any further information then please do not hesitate to contact me on 01332 393820.

Yours sincerely

Geoff Huckerby