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Dear Mark,

**Regulation of Independent Electricity Distribution Network Operators:
Decision Document July 2005**

Thank you for the opportunity to respond to your decision Document.

United Utilities are pleased that many of our recommendations during the consultation have been incorporated into the final proposals as detailed in Ofgem's Decision Document of July 2005. The proposals help to establish a greater degree of consistency of approach to the regulation of network operators, a greater level playing field for competition and provide additional protection to connected customers regardless of ownership of the network.

Against the specific proposals and issues raised in the document we make the following comments:

- We continue to believe it is in the best interests of customers for IDNOs to be subject to price controls based on a similar methodology as that used for DNOs ie RPI-X applied to their own specific cost base.
- We fully support the proposals to implement similar revisions to the IDNO financial ring-fencing licence conditions in line with the DNO conditions.
- We are pleased that Ofgem accept the need for boundary protection and isolation equipment and for use of system metering. We fully support the principle that the operator requiring the connection should pay for the appropriate equipment.

- The applicability of general powers to both DNOs and IDNOs, such as acquisition of land, the breaking up of the highway to execute appropriate works and the obligation to compensate a supplier who has become a supplier of last resort, is welcomed.
- Arrangements for credit cover should be appropriate to minimise the risk to the DNO from a defaulting IDNO whilst minimising the administrative costs to the parties involved. We support the use of the existing arrangements of parental guarantee or a security deposit. Ofgem's alternative proposal whereby supplier payments are held by trustees who ensure the payment of upstream use of system charges has priority, is likely to introduce cashflow delays and would not be our preferred option.

I hope our comments are of assistance to you. If you wish to discuss any aspect of our response, particularly arrangements for credit cover, please do not hesitate to contact me.

Yours sincerely

Mike Boxall
Electricity Regulation Director