



The Company Secretary
Western Power Distribution
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*Bringing choice and value
to customers*

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cc: Nigel Turvey (by email only)

18 November 2005

Dear Sir/Madam,

Use of system charging methodology: conditional approval – EHV transition¹

On 11 February 2005 the Authority issued its decision to approve Western Power Distribution's (WPD) use of system (UoS) charging methodology for its South West and South Wales areas in accordance with Standard licence condition (SLC) 4(9), subject to various conditions. Amongst these was the following condition requiring WPD to carry out a:

- Revision of the approach on the transition of EHV charges to set out:
 - a transition for EHV charges effective from 1 April 2005 in the methodology (by 1 April 2005); and
 - a transition (if any) for EHV charges effective from 1 April 2006 (by October 2005).

In its subsequent letter on 22 March 2005, the Authority set out that the first part of this condition had been met and reiterated that the latter part of the condition relating to 1 April 2006 stood, pending further action by WPD and further consideration of this issue by Ofgem and the industry.

Ofgem open letter

Ofgem published an open letter on the EHV transition applicable from 1 April 2006 on 19 October 2005². This document set out that Ofgem considered that EHV charges should be increased in line with the retail price index (RPI).

Following publication of Ofgem's open letter WPD submitted a proposal on 20 October 2005. This proposal sets out that charges for EHV demand customers with effect from 1 April 2006 will be increased in line with the retail price index (RPI).

¹ This letter is only in reference to the conditional approval (EHV transition) issue. Decisions on WPD's modification proposals will be issued separately.

² '2006-07 electricity distribution use of system EHV charges' – Ofgem document reference 227/05

Authority conclusion

The Authority considers that WPD has determined the transition of EHV charges for 1 April 2006 in a suitable manner. The Authority considers that WPD has met this condition.

Yours sincerely,

Martin Crouch
Director, Distribution