



SP Transmission & Distribution

Mark Cox
Distribution Policy
Office of Gas & Electricity
Markets
9 Millbank
London
SW1P 3GE

Your ref

Our ref

Date

13 January 2006
Contact/Extension

Jeremy Blackford

0151 609 2346

Dear Mark,

Consultation on Electricity Distribution Use of System Charging Modification Proposals: Central Networks and United Utilities – Reactive Power Charges

I am writing on behalf of SP Distribution and SP Manweb in response to Martin Crouch's letter dated 1 December 2005.

Poor power factor increases a DNO's costs through both requiring additional capacity and increasing network losses. We therefore support the modification proposals of Central Networks and United Utilities.

There is no requirement in the Licence condition for DNOs to adopt the same methodology in respect of determining reactive power charges. Whilst we recognise that this may be a desirable objective, it is something for DNOs to consider as part of the long term charging arrangements.

We believe that poor power factor charges should be levied on both demand and generation customers, though we note that CN are not proposing to charge generation in this way. We also support the view that the charges should reflect the increased cost of losses, though neither CN or UU are proposing to reflect this at present.

Whilst some of the issues raised by Ofgem are useful in future considerations, it is important to recognise that the DNO is required to bring forward modifications that 'better achieve the relevant objectives' – i.e. not necessarily those matching what other DNOs do or a perceived best practice. In this context we believe that the modification proposals should be approved.

Members of the ScottishPower group

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Telephone (01698) 413000 Fax (01698) 413053

I hope that this is helpful but please call if you would like to discuss.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Blackford', written in a cursive style.

Jeremy Blackford
Regulation
SP Transmission & Distribution