

Company Secretary
EDF Energy Networks Plc
40 Grosvenor Place
London
SW1X 7EN

cc: Oliver Day (by email only)

Your Ref: EDFE001
Our Ref: RBA/DPC/SOC
Direct Dial: 020 7901 7255

12 April 2006

Dear Sir / Madam,

Decision in relation to Modification Proposal EDFE001 to the Use of System Charging Methodology: Housekeeping Changes

On 7 April 2006, EDF Energy Networks Plc ('EDF Energy') submitted a proposal to the Gas and Electricity Markets Authority (the 'Authority')¹ to modify EDF Energy's use of system ('UoS') charging methodology statement.

The proposal modifies the UoS charging methodology statement for various changes to enable formal documentation of the version change.

Having considered the issues raised in the proposal, the Authority has decided not to veto the proposed modification.

This letter sets out the background to the modification proposal, explains briefly the proposed changes, and sets out the reasons for the Authority's decision.

Background

EDF Energy has licence obligations² to have in place as of 1 April 2005 three charging statements: the UoS charging methodology statement, the statement of UoS charges and the connection charging methodology statement. The UoS charging methodology statement outlines the method by which distribution UoS charges are calculated. EDF Energy has a requirement to keep the methodology under review and bring forward proposals to modify the methodology that it considers better achieves the relevant objectives³.

¹ Ofgem is the office of the Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

² Standard Licence Conditions (SLC) 4-4B

³ The relevant objectives for the use of system charging methodology, as contained in paragraph 3 of standard licence condition 4 of EDF Energy's distribution licence are:

- (a) that compliance with the use of system charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by this licence;
- (b) that compliance with the use of system charging methodology facilitates competition in generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;

EDF Energy Modification Proposal

EDF Energy proposes to modify its UoS charging methodology statement by:

- Revising EDF Energy's visual brand incorporating new logo, endorsement and front cover format;
- Updating contact details due to office relocation;
- The addition of Appendix 3: Statement of Loss Adjustment Factor Methodology.

EDF Energy states that the housekeeping changes do not alter the content of the approved charging methodology. The proposed modification has been submitted to enable formal documentation of the version change.

The modification proposal report submitted by EDF Energy can be found on the Ofgem website as an attachment to this document.

The Authority notes that EDF Energy are also proposing to make modifications to Appendix 2: Glossary.

The Authority's decision

Changes to the charging methodology require approval from the Authority in line with SLC4. For the purposes of modification, the Authority is solely considering the second item, the update to contact details due to office relocation.

The Authority has considered the proposal against the relevant objectives and wider statutory duties.

The updating of contact details takes account of developments in EDF Energy's business. The amendments to the glossary improve the clarity of the methodology statement.

The Authority has decided not to veto this modification.

Please contact Mark Cox on 0207 901 7458 or Cherie Davis on 0207 901 7210 if you have any queries in relation to the issues raised in this letter.

Yours faithfully,

Martin Crouch
Director, Distribution
Signed on behalf of the Authority and authorised for that purpose by the Authority

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- (c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its distribution business; and
 - (d) that, so far as is consistent with sub-paragraphs (a), (b), and (c), the use of system charging methodology, as far as reasonably practicable, properly takes account of developments in the licensee's distribution business.