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Dear Mark

### **Response to ARODG Working Group Report**

We have been following developments within the Transmission Price Control Review (TPCR) and welcome the opportunity to respond to this working group report. Our interests are focused on the proposals for changes to the current security arrangements in the form of FSL, and the options for allocation of restricted access rights.

Although the report concentrates on the issues related to access arrangements for generators connecting directly to the transmission network, we are aware that these can also affect Distribution Network Operators with connections to the Grid. Our recent experience with a generation project, proposing a connection to our network but requiring a modification application to National Grid, has given us an appreciation of the significance of the issues in this report. Given the Government's commitment to a low carbon future and the contribution expected from renewable generators, it is important that connection issues do not present an insuperable barrier to new projects.

We are aware of the potential scale and volatility of liabilities under the current regime, and appreciate the need to introduce greater certainty into the process. However, it is also right to consider the impact on other transmission system users and the interests of the transmission licensees themselves.

With regard to the options for change to security arrangements set out in chapter three of the report, we believe that option five has potential to provide the right balance of fairness for both users of the transmission network and the transmission companies. In providing a facility for security against both local works and a contribution to the wider, deeper reinforcement costs, it will maintain a reasonable level of cost reflectivity, whilst also improving an applicant's ability to predict their maximum exposure. We would apply the

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notion of 'Date Stamping' to the local cost element of option five, whereby the security required of a user increases over time in line with a pre-defined and fixed profile. This should reduce the size and volatility of the liability for the applicant. We agree that a fixed sum is most appropriate for securing the cost of deeper reinforcement, acting to reduce the risk of volatility of these costs. Careful consideration should be given to the method for calculating the fixed sum.

In making the above comments we believe that the suggested approach is in harmony with other recent policy decisions, for example in relation to bad debt. FSLs are designed to leave licensees unexposed to risks beyond their control and stranded costs. We believe that transferring some risk from developers to customers-in-general is acceptable, and in keeping with the approaches agreed for bad debt, provided there are tests to demonstrate that licensees have done everything reasonable to minimise those risks.

With regard to restricted access rights, discussed in chapter 4, we support a wider range of products provided from transmission companies. In order to contribute to the government's climate change goals we believe it is important that distributed generators are able to operate as soon as possible, even if this means output must be constrained while waiting for new transmission capacity.

I hope that you find these comments useful and would be pleased to discuss this further should you have any questions.

Yours sincerely

Mike Boxall  
Electricity Regulation Director