ENA COG Update

Apportionment Rules

- When is network reinforcement not network reinforcement?
  - DNOs generally consistent in that interconnection work is treated as reinforcement (and hence apportioned) if reinforcing the existing network but not apportioned if merely to provide additional network security for the connection.
- What is the voltage of connection – voltage of supply or point of connection?
  - The point of connection is used in the application of connection and reinforcement charging methodology.

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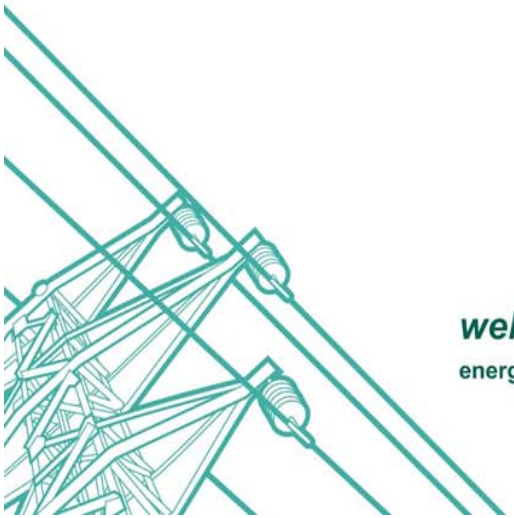
Apportionment Rules cont'd

- In what circumstances can parties connecting to the network be charged for existing reinforcement?
  - Parties can be charged reasonable costs, which may include a contribution to existing reinforcement. This follows same principles as the Electricity Connection Charges Regulations and the apportionment rules. Some DNOs do not charge for existing reinforcement though they may be able to.



Apportionment Rules cont'd

- How do the apportionment rules apply to existing customers requesting a connection upgrade?
  - There is a divergence of opinion amongst DNOs on this issue. Some have established their policy in light of a discussion paper, whereas others were not aware of the paper as the additional detail was not in the guidelines issued in the Structure of Charges decision document of April 2004.
  - For companies applying the guidelines, the rule is:

    SCAF = Required Capacity/Net Network Capacity

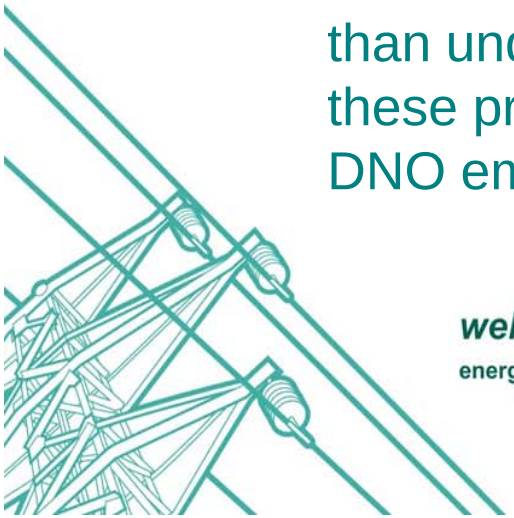
    (with no allowance for recovered plant).

Apportionment Rules cont'd

- For companies applying the discussion paper, the rule is:

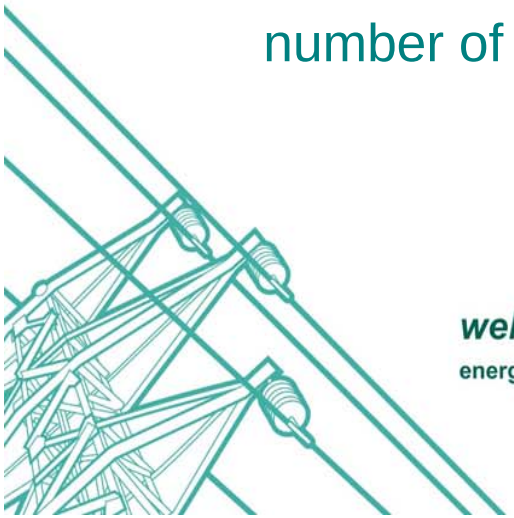
  SCAF = Incremental Required Capacity/Net Network Capacity

  (with no allowance for recovered plant).
- Some DNOs are using the former apportionment rule, as it discourages small incremental applications.
- Ofgem clarification is sought as the discussion paper is no longer on Ofgem's website.
- DNOs to ensure greater clarity in their C4B statements rather than undertaking joint work at this stage as the application of these principles is closely related to the design principles each DNO employs.



Charging Review Update

- Third Workshop was held on 12 July and was well attended.
- Areas covered included Cost Attribution and Revenue Reconciliation.
- Attendees becoming familiar with issues and raising important questions.
- A charging model is being developed to illustrate the conversion of various cost inputs into tariffs. This will allow DNOs to compare the modelled cost outputs for a range of cost inputs and to model a number of scaling approaches.



Charging Review Update cont'd

- DNOs have undertaken detailed analysis on their networks of the various 'economic' costing methodologies.
- Scottish Power has developed an alternative approach to address problems it sees with Bath's LRIC methodology.
- Work has been shared with other DNOs.
- SSE is applying this approach to a number of its networks.
- SSE has engaged external consultants to review and comment on the approaches.