

The Company Secretary  
United Utilities Electricity plc  
Dawson House  
Great Sankey  
Warrington  
Cheshire  
WA5 3LW

*Promoting choice and  
value for all customers*

Your Ref: UU/2007/003  
Our Ref: RBA/DPC/SOC  
Direct Dial: 020 7901 7255

cc: Frank Welsh (by email only)

15 December 2006

Dear Colleague,

**Decision in relation to modification proposal UU/2007/003 to the connection charging methodology: CAP097 – UU/NGET/Generators**

On 1 December 2006, United Utilities Electricity Plc ("UU") submitted to the Gas and Electricity Markets Authority<sup>1</sup> ("the Authority") a proposal to modify its connection charging methodology.

The proposal modifies the connection charging methodology statement by incorporating changes to the contractual arrangements with National Grid Electricity Transmission ("NGET") for generators connecting to UU's network under clause 6.5 of the Connection and Use of System Code ("CUSC").

Having carefully 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 reason for the Authority's decision.

*Background*

UU has licence obligations<sup>2</sup> to have in place as of 1 April 2005 three charging statements: the statement of use of system (UoS) methodology, the statement of UoS charges and the connection charging methodology. The connection charging methodology outlines the method by which connection charges are calculated. UU has a requirement to keep the methodology under review and bring forward the proposals to modify the methodology that it considers better facilitate achievement of the relevant objectives.<sup>3</sup>

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

<sup>2</sup> Standard licence conditions 4-4B

<sup>3</sup> The relevant objectives for the connection charging methodology, as contained in paragraph 3 of standard licence condition 4B of UU's licence are:

(a) that compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by this license;

### *UU Modification proposal*

UU propose to clarify the connection charging methodology statement by:

- including wording informing potential network users of the possible delay in providing an unconditional connection offer if the new connection requires confirmation from NGET whether or not works are required on its transmission network to facilitate the new connection on United Utilities' distribution network.
- stating that UU will provide a connection quotation within 3 months for its works to provide the connection. However, the final cost may vary subject to any costs incurred by NGET to facilitate the connection.

### *The Authority's decision*

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

The amendment to the CUSC sought to clarify the process and timings followed by a DNO and NGET prior to the energisation of embedded medium power stations and certain types of embedded small power stations. It sets out that NGET may charge a DNO for the provision of a statement of works. The UU modification proposal states that when NGET levies charges on UU for the cost of a study to assess the impact of the generation on the transmission system, then UU will transfer these costs onto the party seeking connection. We consider that by explicitly stating the circumstances where charges for a statement of works may be payable by a party seeking connection to the UU distribution system enhances the transparency of the methodology for users.

The Authority has decided not to veto the modification to the connection charging methodology statement.

Please contact Colette Schrier on 020 7901 7239 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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- (b) that compliance with the connection 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.
  - (c) that compliance with the connection charging methodology results in changes which reflect, as far as is reasonably practicable (taking into account of implementation costs), the costs incurred by the licensee and its distribution business; and
  - (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is practicable, properly takes account of developments in the licensee's distribution business.