



The Company Secretary
Western Power Distribution (South West)
Avonbank
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Bristol
BS2 0TB

*Promoting choice and
value for all customers*

Your Ref: WPD/WEST/007
Our Ref: RBA/DPC/SOC
18 January 2007

Direct Dial: 020 7901 7255

Dear Colleague,

Decision in relation to modification proposal to the connection charging methodology: Clarification relating to the contestability of non-electrical off-site work

On 5 December 2006, WPD submitted to the Gas and Electricity Markets Authority ("the Authority")¹ a proposal to modify its connection charging methodology for its South West area.

The proposal modifies the connection charging statement by clarifying that any non-electrical work carried out off site is contestable and can thus be undertaken by any registered Connection provider with a valid Street Works licence.

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 Authorities decision.

Background

WPD has licence obligations² 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. WPD 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.³

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

² Standard licence conditions 4-4B

³ The relevant objectives for the connection charging methodology, as contained in paragraph 3 of standard licence condition 4B of WPD'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 licence;
- (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.

WPD Modification proposal

- Clarification that Non-electrical work (including meeting provisions of New Roads and Street Works Act) is a contestable activity.

In November 2006 WPD approached Ofgem and stated that they felt that there may be an oversight within their connection charging methodology statement. WPD sought clarification that carrying out non-electrical work off site was a contestable activity. Ofgem confirmed that such work was contestable. WPD subsequently submitted this modification proposal to correct the oversight and bring their methodology in line with that of other DNOs.

The Authority's decision

The Authority has considered the proposal against the relevant objectives and wider statutory duties. The Authority considers that the change to the connection charging statement better facilitates achievement of the relevant objectives through providing greater scope for competition in connections and updating the information available to customers within their connection charging methodology statement.

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

Please contact Nicola Love on 020 7901 7236 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 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.