



Central
Networks

Mr Duncan Mills
Ofgem
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Jonathan Ashcroft
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15th March 2007

Dear Duncan,

RE: NOTICE UNDER SECTION 11A OF THE ELECTRICITY ACT 1989 OF LICENCE AMENDMENTS RELATING TO METERING SERVICES OBLIGATIONS FROM 1 APRIL 2007, and

NOTICE UNER SECTION 11 OF THE ELECTRICITY ACT 1989 OF LICENCE AMENDMENTS RELATING TO PPM PREMATURE REPLACEMENT

Thank you for the opportunities to comment throughout the implementation of these changes. I hope our input has been positive and helpful to you. Central Networks is broadly happy with both of these proposed licence amendments and this letter is formal notice of our acceptance in respect of both of our distribution licences.

We would however reiterate our concern about **Ofgem** retaining basic meter asset provision and basic meter operation as part of the distribution business and classifying them as excluded services. Excluded service status generally relates to services we are **obliged** to offer but that are not recovered through Use of System Charges. We believe that the correct drafting, in line with the policy intention, would have been to treat such services as unregulated. If companies had exceeded de **minimis** levels, then they would have been able to apply for a specific derogation. Whilst therefore **Ofgem** has made a pragmatic decision to draft these activities as excluded, we would urge you to make a clear statement such that, when you review the metering market in 18 months time, you more appropriately define metering in the Licence having given sufficient notice.

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2366923

Central Networks West plc
3600574

Central Networks Services Limited
3600545

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Related to this, we would also question why the reference to 1 June 2003 is required for "excluded" meter asset provision and meter operation from 1 April 2007. The reference to 1 June 2003 was required in the licence as part of the DR4 settlement so as to align the level of service provided by Distributors with the basis on which the price control was set. We do not see the necessity for such alignment from 1 April 2007 since the services of new meter asset provision and meter operation will be fully competitive. This point is included in the table in appendix one which includes some other very minor drafting corrections.

We also attach an appendix which contains our detailed comments on Ofgem's Guidelines on Methodology and Application Process. We are broadly comfortable with these guidelines, subject to our comments in the appendix, and accordingly we will, within the next week, be making an application for an adjustment factor with a view to implementing revised tariffs by 1 June 2007 allowing 28 days for Ofgem to validate our application and a further 40 days for the appropriate notice to suppliers.

If we can be of any further assistance, please do not hesitate to contact me.

Yours sincerely

Jonathan Ashcroft
Regulation and Commercial Manager

Appendix 1: Corrections to drafting of proposed licence changes

Appendix 2: Comments on Ofgem's Guidelines on Methodology and Application Process



Appendix 1: Corrections to drafting of proposed licence changes

Licence Condition	Reference	Comment	Correction
Standard Condition 1	Definition of "basic meter asset provision"	We do not understand why basic meter asset provision after 1 April 2007, other than legacy basic meter asset provision (which is covered by the reference to para 3 of condition 36), should still be required to be "of the same functionality as that provided by the licensee on 1 June 2003". Such activities are now competitive and all meters can be included. The definition also needs a full stop at the end.	Delete “, where the metering equipment is of the same functionality as that provided by the licensee on 1 June 2003” in lines seven to nine.
Standard Condition 1	Definition of "basic meter operation"	As above, we believe basic meter operation after 1 April 2007 need not be restricted to the same functionality as that "provided by the licensee on 1 June 2003" since the activity is now fully competitive.	Delete “, where these services are of the same standard of performance, quality and timeliness as that of the services provided by the licensee on 1 June 2003.” in lines four to seven.
Standard Condition 1	Definition of "legacy basic meter asset provision"		Definition needs a full stop at the end.
Standard Condition 36	Para 10		Reference to paragraph 1 should be paragraph 3.
Special Condition F1	Para 5; Definition of AF,		Delete erroneous full stop in “and.shall”

