

Mr Martin Crouch
Director, Distribution
Office of gas and Electricity Markets
9, Millbank
London
SW1P 3GE

Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone 0117 933175
Fax 0117 9332428
Email lasleightholm@westernpower.co.uk

Our ref

Your ref

Date

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Dear Martin

Consultation on use of system charges to new electricity distribution licensees: WPD and SP proposals

This is the response of both Western Power Distribution (South West) and Western Power Distribution (South Wales) plc's to the above consultation. Our comments are restricted to matters that relate to the SP proposals.

In response to the request for views on whether the modification proposal better achieves the relevant objects:

1. Are the proposals more cost reflective than the current methodology?

WPD believes that the use of a dedicated profile for IDNO connections will lead to more cost reflective pricing. However, as can be seen from the WPD proposal, we do not believe that a profile based on domestic consumption patterns is applicable in all cases. WPD has chosen to differentiate between predominantly domestic sites and those which are not. We have no reason to believe that the yardstick applied for non-domestic customers connected to the DNO network should be different for an IDNO connection. For sites which are not predominantly domestic the existing profile used in our yardstick calculations is more appropriate and will lead to a more cost reflective price.

As the market develops and more data becomes available it should be possible to reassess this assumption.

2. Does the method better facilitate competition in generation and supply and not restrict, distort or prevent competition in transmission and distribution.



A more cost reflective price should not distort or prevent competition. However, again as can be seen from the WPD proposal, we believe that the removal of capacity charges for predominantly domestic sites will put IDNO's on a similar footing to WPD during the development phase of a connection and does not restrict competition in distribution. Margins per customer for small predominantly domestic sites are constant with no barriers to IDNO's wishing to connect small sites.

Other Issues

Reactive Power Charging

WPD agrees that it is not necessary to levy reactive power charges for predominantly domestic sites.

Metering

WPD concurs that a maximum demand meter is sufficient to provide the information required for billing and system planning. Nevertheless in practice WPD expects that data for IDNO sites will be delivered by meters with a half hourly capability but without the need for daily data collection. There will therefore be no significant cost implication.

For small LV IDNO connections WPD agrees with SP that they would consider the use of settlement data. However WPD expect this data to be provided on a site by site basis in order to facilitate the needs of system design.

If you wish to discuss anything further please contact Nigel Turvey on 0117 9332435.

Yours sincerely



ALSTON SLEIGHTHOLM
Regulatory & Government Affairs Manager