



Your Ref

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Date: 14 May 2007

Dear Martin

Structure of electricity distribution charges progress and next steps

CE Electric UK Funding Company (CE) is the UK parent company of Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL).

We welcome Ofgem's summary of progress and the proposed next steps in the review of the structure of electricity distribution charges.

Throughout 2006, CE UK has been actively involved in the collaborative working with the other DNOs and has welcomed the contributions of the interested parties who attend the workshops and responded to the consultations.

We feel this has been a valuable process and has led to a greater understanding of the key principles and cost drivers within the industry. We agree with Ofgem that it is important to build on the benefits of the work to date, whilst acknowledging that there is still some significant work to be carried out in order to develop and implement models which clearly demonstrate the potential benefits and also quantify the impact on end-users, who still expect to see a high level of transparency and predictability.

CE UK is currently exploring developments to include distributed generation in the newly developed DRM model and we would expect this to evolve via the distribution charging methodology forum (DCFM).

We are also progressing work on the development of an LRIC type model with a proposed implementation date of April 2009. With this timescale in mind we are cognisant of the need to consult with the industry and present our proposals to the Authority no later than September 2008.

We welcome the DCMF as a vehicle to progress the issues which have already been established via the ISG and will continue to support the development of consistent approaches wherever possible.

Yours sincerely

Harvey Jones

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