



The Company Secretary  
EDF Energy Networks Ltd  
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Promoting choice and  
value for all customers  
Your Ref: EDFE013  
Our Ref: RBA/DPC/SOC  
DATE: 16 July 2007

Direct Dial: 020 7901 7255

Dear Colleague,

**Decision in relation to modification proposal EDFE013 to the connection charging methodology: description of the CUSC process for referral of larger distributed generation connections to NGET<sup>1</sup>**

On 19 June 2007, EDF Energy Networks Ltd ("EDF Energy") submitted a proposal to the Gas and Electricity Markets Authority ("the Authority")<sup>2</sup> to modify its connection charging methodology for its EPN, LPN and SPN distribution networks.

This proposal adds a description of the CUSC process to the connection charging methodology; larger connections are referred to NGET, who would pass on connection-related design and construction costs to the connecting customer via EDF Energy.

Having considered the issues raised in the proposal, we have decided not to veto the proposed modification.

This letter sets out the background to the modification proposal, summarises the proposed changes and explains our decision.

*Background*

EDF Energy has licence obligations<sup>3</sup> to have in place as of 1 April 2005 three charging statements: the statement of use of system (UoS) charging methodology, the statement of UoS charges and the connection charging methodology. The connection charging methodology outlines the method by which connection charges are calculated. EDF Energy has a requirement to keep the methodology under review and bring forward the proposals to modify the methodology that it considers better achieves the relevant licence objectives.<sup>4</sup>

<sup>1</sup> NGET is National Grid Electricity Transmission; CUSC is NGET's connection and use of system code.

<sup>2</sup> Ofgem is the office of the Authority. The terms 'Ofgem' and 'the Authority' are used interchangeably in this letter.

<sup>3</sup> Standard licence conditions 4-4B

<sup>4</sup> The relevant objectives for the connection charging methodology, as contained in paragraph 3 of standard licence condition 4B of EDF Energy'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;
- (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.

*EDF Energy modification proposal*

- EDF Energy proposes to add a new paragraph to its connection charging methodology to outline how demand or generation projects connecting to EDF Energy's distribution network (typically large projects) may trigger works on the transmission system.
- EDF Energy sets out that where NGET applies charges to it for assessing the impact of a new connection on its system and for any subsequent transmission system works (if required), EDF Energy will reflect the cost of this activity in its charges to the requesting party.

*Ofgem's decision*

We have considered this proposal against the licence objectives and wider statutory duties, and consider that this change to the connection charging statement better reflects the costs incurred by the licensee in its distribution business. By making processes known and transparent EDF Energy sends more effective cost signals to those considering a connection to the distribution network.

We have decided not to veto the modification to the connection charging methodology statement.

Please contact Tom Handysides on 020 7901 7289 if you have any queries relating to 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.