



The Company Secretary
EDF Energy Networks Ltd
40 Grosvenor Place
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London
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*Promoting choice and
value for all customers*
Your Ref: EDFE017
Our Ref: RBA/DPC/SOC
DATE: 16 July 2007

Direct Dial: 020 7901 7255

Dear Colleague,

Decision in relation to modification proposal EDFE017 to the connection charging methodology: housekeeping changes and amalgamation of three statements into one

On 19 June 2007, EDF Energy Networks Ltd ("EDF Energy") submitted modification proposal EDFE012 to the Gas and Electricity Markets Authority ("the Authority")¹ to modify its connection charging methodology for its EPN, LPN and SPN distribution networks. On 12 July, EDF Energy withdrew its proposal and submitted a revised proposal EDFE017.

This proposal modifies the connection charging methodology statements for EDF Energy's EPN, LPN and SPN distribution networks by amalgamating the three statements into one. This follows a similar amalgamation of EDF Energy's use of system charging methodology statements. In addition several housekeeping changes have been proposed to provide greater clarity to explanations where necessary.

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 obligations² 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.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 EDF Energy's licence are:

EDF Energy modification proposal

- EDF Energy proposes to create a single connection charging methodology statement. This chiefly involves changing the wording of an existing statement to refer to all three of their distribution networks, and ensuring that there is data for each distribution network in the tables. EDF Energy currently has a separate statement for each of its distribution networks.
- EDF Energy proposes to remove the cap on assessment and design costs, since the maximum cost of the A&D components already limit the overall costs.
- EDF Energy also proposes to improve the wording of its statement to improve clarity, and make necessary changes related to its corporate re-branding.

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 enables the reader to better identify similarities and differences between its three distribution networks. The changes to the wording of some sections of the statement make EDF Energy's policies clearer, and take account of developments to its distribution business.

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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- (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.
 - (c) that compliance with the connection charging methodology results in charges 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.