

The Company Secretary
EDF Energy Networks Ltd
40 Grosvenor Place
Victoria
London
SW1X 7EN

*Promoting choice and
value for all customers*
Your Ref: EDFE019
Our Ref: RBA/DPC/SOC
DATE: 27 July 2007

Direct Dial: 020 7901 7255

Dear Colleague,

Decision in relation to modification proposal EDFE019 to the connection charging methodology: clarification of the definition of the boundary of reinforcement and network extension.

On 19 June 2007, EDF Energy Networks Ltd ("EDF Energy") submitted proposal EDFE014 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 On 28 June 2007 this proposal was withdrawn, and a revised proposal EDFE016 was submitted. Further revisions then necessitated the withdrawal of EDFE016 on 12 July 2007, when a revised proposal EDFE018 was submitted. Finally, further revisions necessitated with withdrawal of EDFE018 on 20 July 2007, when a revised proposal EDFE019 was submitted.

The proposal adds further details to the connection charging methodology that clarify the boundary of reinforcement and network extension.

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', the 'Authority' and 'we' 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:

(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 licence;

EDF Energy modification proposal

- EDF Energy proposes to add various sections to the glossary that explain that the point of connection and voltage of connection are where a network extension connects to the existing distribution system. The modification also clarifies that the apportionment rules apply to assets upstream of this point.
- A customer may specify a three phase supply and/or a particular voltage level. However, if the customer's request is not necessary to meet the maximum demand requirement, the customer would be charged in full for any reinforcement to the distribution system to facilitate this extra service.
- EDF Energy also sets out that an Exit Point is the point at which a customer's installation or another distributor's system connects to an EDF Energy distribution network. Export and Import Capacity definitions in the glossary have been added and tie into this.
- EDF Energy also introduces the term 'non-sole use project costs' in relation to charging generators for projects which cost more than £200/kW. This is a term used in the Ofgem distributed generation regulatory instructions and guidance document, and is used in this context to describe a type of system reinforcement costs.
- In the text of the methodology itself, EDF Energy proposes to insert several words to clarify that connection charges generally do not consider reinforcement undertaken at more than one voltage level above the voltage at the point of connection.

Ofgem's decision

We have considered this proposal against the licence objectives and wider statutory duties, and believe that it enables those who wish to connect to the distribution network to better understand the charges to which they would be subjected. The term point of connection better clarifies which voltage the methodology refers to. This better the current wording of EDF Energy's methodology which states that reinforcement costs should not apply more than one voltage level above the voltage of connection; the current wording is ambiguous in terms of applying the one voltage above rule. EDF Energy's modification clarifies that it is the voltage at the point of connection that applies.

We have decided not to veto this 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

-
- (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 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.