



The Company Secretary  
United Utilities Electricity Limited  
Dawson House  
Great Sankey  
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*Promoting choice and  
value for all customers*  
Your Ref: UU/2008/003  
Our Ref: RBA/DPC/SOC  
DATE: 25 Oct 2007

Direct Dial: 020 7901 7255

Dear Colleague,

**Decision in relation to modification proposal UU/2008/003 to the use of system charging methodology: housekeeping changes**

On 17 October 2007, United Utilities Electricity Limited ("UU") submitted modification proposal UU/2008/003 to the Gas and Electricity Markets Authority ("the Authority")<sup>1</sup> to modify its use of system (UoS) charging methodology.

This proposal modifies the use of system charging methodology by changing the company name and updating a worked example to take account of a recent price change.

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**

UU has licence obligations<sup>2</sup> in place since 1 April 2005 to publish three charging statements: the statement of UoS charging methodology, the statement of UoS charges and the connection charging methodology. The UoS charging methodology outlines the method by which connection charges are calculated. UU 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>3</sup>

<sup>1</sup> Ofgem is the office of the Authority. The terms 'Ofgem' and 'the Authority' are used interchangeably in this letter.

<sup>2</sup> Standard licence conditions 4-4B

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

## **UU modification proposal**

- UU proposes to update all references to its company name, which has changed from United Utilities Electricity Plc to United Utilities Electricity Limited.
- UU also proposes to update two tables of charges in a worked example. They can be found in paragraph 3.14 of UU's UoS charging methodology. The purpose of these changes is to bring the figures in line with changes made to UU's UoS statement of charges as of 1 September 2007.

## **Ofgem's decision**

We have considered this proposal against the licence objectives and wider statutory duties, and consider that these changes to the UoS charging methodology are necessary updates to make the reader aware of the company's change of name, and to bring the UoS methodology in line with the revised UoS statement of charges. By providing clarity and consistency between statements, this change better facilitates achievement of the relevant objectives and allows UU to better discharge its duties under the licence.

We have decided not to veto the modification to the UoS charging methodology.

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