



The Company Secretary  
Electricity North West Limited  
Dalton House  
104 Dalton Avenue  
Birchwood  
Warrington  
WA3 6YF

Promoting choice and  
value for all customers

Your Ref: ENW/2008/005  
Our Ref: RBA/DPC/SOC  
Direct Dial: 020 7901 7194  
Email: [rachel.fletcher@ofgem.gov.uk](mailto:rachel.fletcher@ofgem.gov.uk)

Cc: Frank Welsh, Simon Brooke  
(by email only)

Date: 7 February 2008

Dear Colleague,

**Decision in relation to modification proposal ENW/2008/005 to introduce details of non-contestable charges to Electricity North West Limited's licence condition 4B statement.**

On 18 January 2008, Electricity North West Limited ("ENW") submitted a proposal to the Gas and Electricity Markets Authority ("the Authority")<sup>1</sup> to modify its connection charging methodology for its electricity distribution network.

ENW proposes to introduce new categories of charges for providing certain non-contestable works. ENW also proposes to amend its charging approach for auditing activity. ENW states that the purpose of this modification is to provide transparency about costs incurred by connecting parties.

Having carefully 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*

ENW has licence obligations<sup>2</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. ENW has a requirement to keep the methodology under review and bring forward 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 ENW'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.

*ENW modification proposal*

- ENW proposes to introduce new charging categories for providing substation locks, signs, nameplates and danger of death notices.
- ENW also proposes to introduce a charge for the provision of initial jointing and energisation activities.
- ENW also proposes to amend its charging approach for inspection and monitoring services. Currently a charge is levied per 100m of service cable installed. ENW proposes to change this to a charge per 10 services installed.

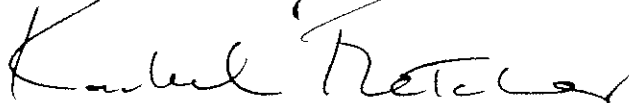
*Ofgem's decision*

We have considered this proposal against the licence objectives and wider statutory duties. We consider that the proposed changes better reflect the cost of providing non-contestable works. The introduction of new charging categories improves transparency and cost reflectivity by itemising the costs of certain activities that ENW already charge for so that a connecting party can better understand the costs it imposes on ENW's distribution network. The amended approach for inspection and monitoring services better reflects the auditing regime required to be carried out when this type of asset construction is undertaken by accredited installers for adoption by ENW.

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,



Rachel Fletcher

Director, Electricity Distribution

Signed on behalf of the Authority and authorised for that purpose by the Authority

- 
- (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.