



The Company Secretary
Electricity North West Limited
Dalton House
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*Promoting choice and
value for all customers*

Your Ref: ENW/2008/006
Our Ref: RBA/DPC/SOC
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Cc: Frank Welsh, Simon Brooke
(by email only)

Date: 7 February 2008

Dear Colleague,

Decision in relation to modification proposal ENW/2008/006 to revise Electricity North West Limited's interactive connection applications methodology within their 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")¹ to modify its connection charging methodology for its electricity distribution network.

ENW proposes to amend the interactive connection applications methodology for new customers applying to connect to its distribution network. ENW states that the aims of the proposal are to improve clarity and ease of use, and to better reflect developments in ENW's business.

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 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. 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.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 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;

ENW modification proposal

- ENW proposes to amend the wording of section 2.23 of its connection charging methodology, including amending the paragraph order, revision of paragraph structure and drafting.
- This proposal seeks to provide further information concerning the timescales available to applicants to accept a connection offer, should it be deemed interactive. In addition, written confirmation will be sent to all applicants in the event offers become interactive (currently this is only specified for the first applicant) with a transparent order of application priority.

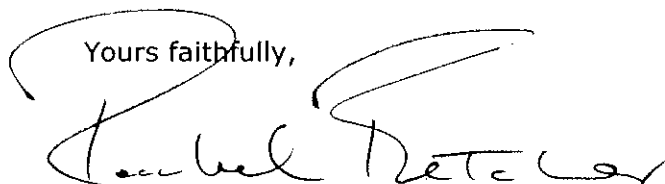
Ofgem's decision

We have assessed this proposal against the licence objectives and wider statutory duties. We consider that by providing greater clarity and detail ENW will enable connecting parties to better understand the interactive connections process. By providing further information associated with the timescales in which applicants may accept a connection offer should it become interactive with other parties, ENW's proposal will provide applicants with a greater awareness of the offer acceptance periods and greater transparency to all applicants in the case of competing applications. We consider this to be of value in helping to prevent applicants from exceeding their connection offer validity period and facilitating competition in generation.

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

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- (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.