



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/2008/008
Our Ref: RBA/DPC/SOC
Direct Dial: 020 7901 7194
Email: 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/2008/008 to clarify the methodology concerning land rights and acquisitions within 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")¹ to modify its connection charging methodology for its electricity distribution network.

ENW proposes to clarify its methodology associated with any land rights and acquisitions that must be obtained when parties make either statutory or competitive connections to its electricity distribution network.

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 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 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 clarify that where the developer is responsible for obtaining land rights, the acquisition must be carried out by a qualified agent approved by ENW's agent United Utilities Electricity Services and that all legal documentation must be submitted to United Utilities Electricity Services.
- Where the document currently refers to 'you' or 'your contractor', ENW proposes to refer to 'the developer' since it is the developer who typically deals with land rights and acquisitions.

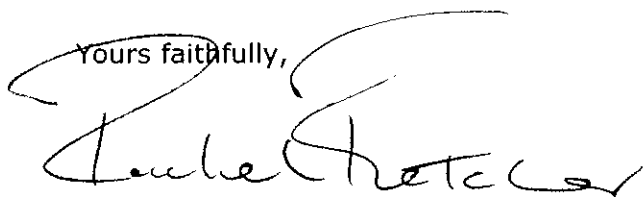
Ofgem's decision

We have considered this proposal against the licence objectives and wider statutory duties. We consider that the additional information relating to necessary land rights and acquisitions will help connection applicants to better understand the requirements of the connection application process. It may also streamline the process by ensuring that applicants and developers have a clear understanding of their responsibilities with respect to land rights and acquisitions.

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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- (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.