



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

Your Ref: ENW/2008/010  
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/2008/0010 to make housekeeping changes to Electricity North West Limited's licence condition 4 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 use of system (UoS) charging methodology for its electricity distribution network.

ENW proposes to update the statement to provide clarity to the reader about the recent changes in ownership of the electricity distribution network and the awarding of the contract to United Utilities Electricity services as its agent for the provision of construction, operation and maintenance and administration services.

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 UoS charging methodology, the statement of UoS charges and the connection charging methodology. The UoS charging methodology outlines the method by which UoS 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.<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 UoS charging methodology, as contained in paragraph 3 of standard licence condition 4 of ENW's licence are:

(a) that compliance with the UoS charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by this license;

*ENW modification proposal*

- ENW proposes to amend all references to ownership of the distribution network to 'Electricity North West'. This follows ENW's recent acquisition of the distribution business formerly owned by United Utilities Electricity Limited.
- All references to provision of distribution services are to be updated to 'Electricity North West's agent United Utilities Electricity Services', to cover all instances of provision of construction, operation and maintenance, or administration services.

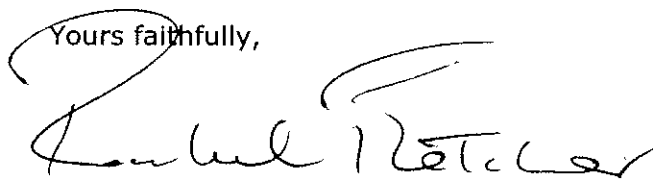
*Ofgem's decision*

We have considered this proposal against the licence objectives and wider statutory duties. We consider that the proposed changes are necessary to make the reader aware of ENW's ownership of the distribution network, and United Utilities Electricity Services' contract to construct, operate, maintain and administer ENW's distribution network.

We have decided not to veto the modification to the UoS 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 UoS 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 UoS 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 UoS charging methodology, as far as is practicable, properly takes account of developments in the licensee's distribution business.