



Company Secretary  
Northern Electric Distribution Limited  
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*Promoting choice and  
value for all customers*

Your Ref: CE 2008/0008N  
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Direct Dial: 020 7901 7194

7 April 2008

Dear Colleague,

**Decision in relation to modification proposal CE 2008/0008N: removal of P2/5 and IUS references**

On 14 March 2008, CE Electric UK Limited ("CE") submitted a proposal to the Gas and Electricity Markets Authority ("the Authority")<sup>1</sup> to modify its connection charging methodology and statement for its Northern Electric Distribution Limited (NEDL) distribution network.

CE has proposed to update its connection charging methodology and statement to take account of business developments and revised versions of engineering recommendations.

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*

CE has licence obligations<sup>2</sup> to have in place as of 1 April 2005 a statement of use of system (UoS) charging methodology, a statement of UoS charges and a connection charging methodology and statement. The connection methodology outlines the method by which connection charges are calculated. CE 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 the 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.

*CE modification proposal*

- CE proposes to remove a reference to Engineering Recommendation P2/5 in its current connection charging methodology and replace it with Engineering Recommendation P2/6.
- CE also proposes to remove references to Integrated Utility Services Ltd (IUS).

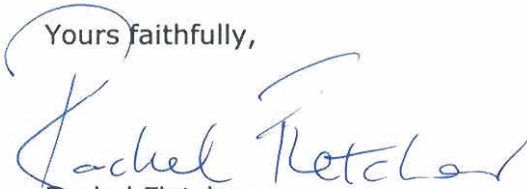
*Ofgem's decision*

We have considered this proposal against the relevant objectives and our wider statutory duties. This modification clarifies that reinforcement works will be assessed against the current Engineering Recommendation P2/6, rather than the superseded P2/5 recommendation. This will enable customers to make a more accurate estimate of the connection charges they would be likely to incur. CE has also removed references to IUS, a sub-contractor and affiliate company, and has informed us that these references are no longer valid. We consider that by removing these references CE is taking account of developments in its distribution business.

We have decided **not to veto** the modification to the connection charging methodology and statement.

Please contact Tom Handysides at [tom.handysides@ofgem.gov.uk](mailto:tom.handysides@ofgem.gov.uk) or on 020 7901 7289 if you have any queries relating to issues raised in this letter.

Yours faithfully,

A handwritten signature in blue ink that reads "Rachel Fletcher". The signature is written in a cursive style with a large initial 'R'.

Rachel Fletcher

**Director, Distribution**

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