



Company Secretary
Northern Electric Distribution Limited
Lloyds Court
78 Grey Street
Newcastle upon Tyne
NE1 6AF

*Promoting choice and
value for all customers*
Your Ref: CE 2008/0009N
rachel.fletcher@ofgem.gov.uk
Direct Dial: 020 7901 7194

7 April 2008

Dear Colleague,

Decision in relation to modification proposal CE 2008/0009N: live jointing on unmetered connections

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

CE has proposed to update its connection charging methodology and statement to indicate that live jointing for unmetered connections is now contestable, and explain further the types of live jointing that are contestable and who may undertake these contestable works.

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 obligations² 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 proposals to modify the methodology that it considers better achieves the relevant licence objectives.³

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 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

This modification proposal follows our review of competition in connections⁴, where we stated that more could be done to promote competition in unmetered connections. For example, the promotion of tripartite contractual arrangements to allow third party connections providers to undertake unmetered connections works.

CE modification proposal

- CE proposes to state that certain tasks associated with unmetered connections may be carried out by suitably accredited independent connection providers (ICPs). This includes live jointing work, subject to an agreed live jointing trial.
- Though an ICP could undertake live jointing on service cables it could not undertake jointing of or to mains cables.

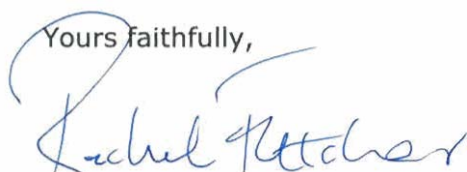
Ofgem's decision

We have considered this proposal against the relevant objectives and our wider statutory duties. We consider that this modification further promotes competition by establishing a framework to support live jointing for unmetered connections, which is a growing area of interest for local authorities. We consider that this modification helps CE to better meet its licence objective not to restrict, distort or prevent competition in the distribution of electricity.

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 or on 020 7901 7289 if you have any queries relating to issues raised in this letter.

Yours faithfully,



Rachel Fletcher

Director, Distribution

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

(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.

⁴ For further information see '26/07 - Review of Competition in Gas and Electricity Connections Proposals Document' (Ofgem, 2008)

<http://www.ofgem.gov.uk/Networks/Connectns/CompinConn/Documents1/16982-2607.pdf>