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Commercial Regulation, Electricity Distribution
Ofgem
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14th May 2008

Dear Colette

DELIVERING THE ELECTRICITY DISTRIBUTION STRUCTURE OF CHARGES PROJECT

Thank you for the opportunity to comment on the issues raised in your consultation on the above as published on 2nd April 2008.

Our response to the specific questions set out in the consultation are below.

Question 1: *Do you consider that it is necessary to place a licence obligation on DNOs to deliver use of system charging methodologies that meet the required principles and objectives by 1 October 2009?*

We fully support the proposal to introduce a licence obligation on DNOs to deliver appropriate charging methodologies. It is clearly no longer appropriate to continue on a voluntary basis given the lack of progress made over a significant period of time. The proposed deadline of 1 October 2009 appears reasonable.

Question 2: *Have we considered all the necessary high-level principles and objectives for the structure of charges project going forward?*

The high level principles and objectives appear to be appropriate and should be the key considerations for any methodology development work.

Question 3: *Has the structure of charges work to date highlighted any objectives set out here that are not appropriate for the project going forward?*

See above.

Question 4: *We welcome views on the two options presented in this chapter, including views on the timescales for the various options and how they relate to the forthcoming price control review.*

We maintain the view that option 2 – common methodology approach is the most appropriate for the reasons expressed in our previous response and summarised in the consultation paper.

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However, we believe further consideration should be given to a common governance process that managed and modified the methodologies following implementation. This would facilitate transparency and consistency on an enduring basis.

Question 5: *We welcome views on the approach for implementing the two options. In particular, we welcome views on whether integrating new licence requirements would be better achieved by amending PLC13 or by inserting a new licence condition into Section B of the Proposed Standard Licence Conditions.*

We have no strong views on the implementation approach. However, given it is the intention to remove the new licence wording once revised methodologies are in place it may be appropriate for a new separate licence condition approach to be adopted.

If you have any questions regarding the above please do not hesitate to contact me.

Yours sincerely



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