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Dear Rachel

APPLICATION BY EDF ENERGY (IDNO) LTD FOR AN ELECTRICITY DISTRIBUTION LICENCE

Thank you for your letter of 16th May 2008 requesting views on EDF Energy's application for an electricity distribution licence.

We believe that it is worthwhile establishing some key principles with regard to this type of application which should then be reflected in the detailed licence drafting.

- a) there should be no general restriction on DNOs establishing IDNO affiliates;
- b) where an IDNO affiliate is providing services within its affiliated DNO(s) area(s) then the licence conditions of the affiliate DNO should apply. The revenues and costs of the affiliate IDNO should be treated as if they were incurred by the affiliated DNO itself. Charging should be in accordance with the DNO's published charging statements;
- c) where an IDNO affiliate, or the DNO itself, is providing services outside its affiliated DNO(s) area(s) then the standard IDNO licence conditions should apply to the affiliate DNO should apply. The revenues and costs of the affiliate IDNO should be ignored in any review of the affiliated DNO costs.

We therefore support the EDF Energy (IDNO) Ltd application which is required for a particular contractual purpose. We also support the licence modifications proposed by Ofgem which implement the principle set out in b) above. We remain concerned however, that principle c) is not explicitly covered in the licence, and further clarity with this regard could assist DNOs in competing outside their Distribution Services Areas on a level playing field with IDNOs.

I trust you find these comments helpful.

Yours sincerely,

Paul Bircham
Regulation Director
Electricity North West Limited