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*Promoting choice and
value for all customers*

Your Ref: 0011Y/2008

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cc: Chris Allanson (by email only)

Date: 14 July 2008

Decision in relation to modification proposal 0011Y/2008: One voltage level above the point of connection

On 17 June 2008, CE Electric UK Limited ("CE") submitted a proposal to the Gas and Electricity Markets Authority ("the Authority") to modify its connection charging methodology for its Yorkshire Electricity Distribution plc ("YEDL") distribution network¹.

CE has proposed to update its connection charging methodology and statement in order to make its Condition 13 statement clearer. It aims to aid the understanding of charges for reinforcement and in particular the 'one voltage level above' rule.

Having considered the issues raised in the proposal, we have decided **not to veto** the proposed modifications.

This letter sets out the background to the modification proposal, summarises the proposed changes and explains our decision.

Background

CE has licence obligations to have in force at all times a statement of Use of System (UoS) Charging Methodology and a Connection Charging Methodology². The Connection Charging 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 objectives³.

The connection charging apportionment rules came into effect on 1 April 2005, replacing the '25% rule' that had been in place previously. The rules are detailed within the DNOs'

¹ Ofgem is the office of the Authority. The terms 'Ofgem' and 'the Authority' are used interchangeably in this letter.

² Standard licence condition 13.

³ The 'Relevant Objectives' for the connection charging methodology, as contained in paragraph 3 of standard licence condition 13 of the licence are:

- (a) that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by the licence;
- (b) that compliance with the 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 methodology results in charges which reflect, as far as is reasonably practicable (taking 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.

connection charging methodology statements and describe how much of any reinforcement costs should be born by a connectee. The rules apply to a prospective customer who request a quote for connection to a distribution system and an existing customer who requests a capacity upgrade.

This modification proposal is one of three submitted by CE Electric on 17 June 2008 to clarify the application of the apportionment rules in relation to its YEDL distribution network. Each proposal has been considered on an individual basis.

CE modification proposal

In this proposal, CE modifies its statement in relation to the apportionment rules, in order to clarify the "one voltage level above" rule. Thus, costs of reinforcements undertaken at more than "one voltage level" above the "point of connection" to the existing network will not be charged to the connectee.

Ofgem's decision

We have analysed this proposal taking into account both the relevant objectives and our wider statutory duties. We consider this modification further promotes competition in connections and distribution by making apportionment rules clearer. Moreover, it enables those who wish to connect to the distribution network to better understand the charges to which they would be subjected.

The modification improves CE's current ambiguous methodology wording, which states that reinforcement costs should not apply more than one voltage above the voltage of connection. The modification clarifies that it is the voltage at the point of connection to the existing network the one that applies. The modification is particularly relevant, so that there is consistency in the non-contestable costs.

Consequently, we have decided **not to veto** the modification to the connection charging methodology and statement.

Please contact Javier Tapia at javier.tapia@ofgem.gov.uk or on 020 7901 7074 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