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29 July 2008

Dear Colette

Consultation and impact assessment on SP's modification proposal relating to their use of system charging methodology (Ref 86/08)

This is our response to the above consultation. It is not confidential and we are happy for this to be posted on the Ofgem website.

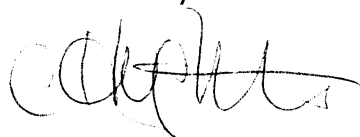
On 22 July 2008, Ofgem (Ref 104/08) determined that a common methodology for use of system charges should be mandated on all distribution network operators for implementation from April 2010. We very much support this decision. In their decision document, Ofgem stated that "Given our decision to implement a common charging methodology we urge DNOs to focus now on common charging arrangements going forward."

In the interest of stability, we seek to avoid any unnecessary change for suppliers and customers. In line with Ofgem's recommendation, we should now enter a period where no interim modification methodologies are implemented before the new common methodology comes into effect.

We believe that SP should withdraw this interim modification and instead focus their efforts on developing the common methodology. On that basis, we will not be providing any specific comments on this modification proposal. The lack of a specific response on SP's proposals should not be seen as an acceptance of their proposals, this is not the case.

Should you wish to discuss the above further, please do not hesitate to contact me on 07789 570 445.

Yours sincerely



Ceri Hughes
Senior Regulatory Manager