



Electricity Distributors and
Interested Parties

*Promoting choice and
value for all customers*

Our Ref: Distribution
Telephone: 020 7901 7000
Email: connections@ofgem.gov.uk

26 November 2008

Dear Colleague,

**Application by EDF Energy (IDNO) Ltd for an electricity distribution licence –
Ofgem's Decision**

1. On 6 August 2008 we published a letter (Ref 115/08) which summarised the responses we had received to our earlier consultation document (Ref 65/08 dated 16 May 2008) on the application by EDF Energy (IDNO) Ltd ['the Applicant'] for an electricity distribution licence. We stated at that time that, having carefully considered the issues raised in the consultation, we were minded to grant a distribution licence to the Applicant subject to consent by EDF Energy ['EDFE'] to modification of the Applicant's licence upon granting and to modification of the special conditions of those EDFE group distribution network operators ['DNOs'] in whose distribution services areas ['DSA'] the Applicant would be operating.
2. Accordingly, on 6 August 2008 we gave formal notice of proposals to modify the distribution licence of the Applicant upon granting and the special conditions of the distribution licences of EDF Energy Networks (LPN) plc ['LPN'] and EDF Energy Networks (SPN) plc ['SPN']. As required under sections 8A and 11 of the Electricity Act 1989 respectively, copies of those notices were sent to the Secretary of State who did not give a direction that modifications should not be made.
3. We have considered the responses received to our letter of 6 August 2008 and to the formal licence modification notices. Those responses/objections (except where marked confidential) can be viewed on the Ofgem website. In summary the points raised in the responses were:
 - The granting of a distribution licence to an affiliate of an existing DNO could adversely affect competition in the market for electricity distribution services
 - Protection for consumers under licence conditions will be difficult to enforce and will be an inadequate substitute for increased competition. There are recent examples of situations where licence conditions failed to protect consumers
 - The detrimental effect on consumers will be aggravated in the present economic climate

4. We acknowledge the sincerity of the representations but believe the first two areas of concern to have been addressed in our letter of 6 August, in which we also said that we would keep matters under active review and consider any particular issues brought to our attention in the future. We recognise that the general economic climate has worsened over recent weeks and have reviewed the position in that light. In the circumstances of this licence application we do not consider the validity of our findings to have been affected.
5. We have now received consent from EDFE for modification of the Applicant's licence upon granting and to modification of the distribution licence of LPN. We have been informed by EDFE that a modification of the licence of SPN plc is no longer required/appropriate since the Applicant no longer proposes to carry on distribution activities in SPN's DSA.
6. Having carefully reviewed the issues raised by respondents to the formal consultation and having received the consents referred to above, we have decided that an electricity distribution licence should be granted, provided that the Applicant promptly supplies the requisite information and documentation to the Authority. A modification of LPN's licence in accordance with the notice previously issued would be effected at the same time as the grant of a licence to the Applicant.
7. Queries relating to the content of this letter should be sent to the above address for the attention of Paul Darby, Distribution Policy Manager, or emailed to connections@ofgem.gov.uk.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Rachel Fletcher', is written over a light blue rectangular background.

Rachel Fletcher
Director, Distribution