



Rachel Fletcher
Director, Distribution
Ofgem

22 January 2009

Dear Rachel,

Next steps in delivering the electricity structure of charges project

I am responding on behalf of Central Networks to the above consultation document.

We do not support reference to the Competition Commission of the blocked Collective Licence Modification.

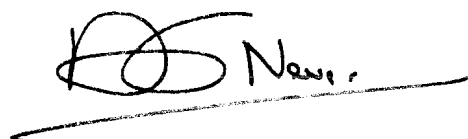
As you are aware, since the blocking of the CLM the DNOs have been working together on a voluntary basis to deliver significant elements of the common methodology. In addition to the joint work that's already well underway, the ENA's Price Control Group recently added another workstream to the project structure which will develop ideas around governance of common methodologies. Significant progress has been made and we are on target for delivery for April 2010. Whilst we do not feel a licence modification for the HV/LV elements of the common methodology is necessary we would not object to one if Ofgem believed otherwise. A Competition Commission enquiry at this stage, however, would divert DNO and Ofgem resources from these tasks and make it impossible to deliver the many valuable elements of common methodology currently targeted for delivery in 2010.

We believe that the wider industry greatly prizes the various elements of commonality that the DNOs are planning to deliver. In particular common tariff types, structures and application policies will create efficiencies, and a common pricing methodology will reduce supplier risk. We would expect these improvements in efficiency and reductions in risk to feed through as lower prices to customers.

We expressed our strongly held views on the deficiencies of the LRIC methodology (and superiority of FCP) in our response to last year's decision letter, and I do not propose to rehearse our arguments here. If called upon by the Competition Commission to give evidence to any enquiry however, we would argue strongly that LRIC, as set out in your decision letter, is not a suitable basis for locational charges.

I hope that these few comments are helpful to you.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized circular scribble followed by the name "Neves" written in a cursive-like font. A horizontal line is drawn underneath the signature.

Andrew Neves
Tariff and Income Manager