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value for all customers*

The Company Secretary
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CC: Nigel Turvey and Tim Hughes (by email
only)

Date: 23 April 2009

Dear Company Secretary,

**Decision in relation to Western Power Distribution ("WPD") South West plc
proposal: 'Modification to Connection Charging Methodology' (WPD/011)**

On 26 April 2009, WPD submitted its Amendment proposal WPD/011 to the Gas and Electricity Markets Authority ("the Authority")¹ to modify its Connection Charging Methodology.

WPD has proposed to modify its Connection Charging Methodology, required under Standard Licence Condition ("SLC") 13 of the Electricity Distribution Licence ("the Licence"), to reflect recent industry changes, to introduce an application form for connection requests and to make other minor housekeeping changes.

Having considered 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

In accordance with SLC 13 of the Licence, WPD is required to have in force at all times a Use of System Charging Methodology and a Connection Charging Methodology which the authority has approved on the basis that it achieves the relevant objectives². The Connection Charging Methodology outlines the method by which connection charges are

¹ Ofgem is the office supporting the Authority. The terms 'Ofgem' and 'the Authority' are interchangeable for the purposes of this letter.

² 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 this 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 reasonably practicable, properly takes account of developments in the licensee's Distribution Business.

determined. WPD must review its methodologies at least annually and subject to the procedure set out in SLC 13 and the Authority's relevant approval make such modifications of the methodology as are necessary for better achieving the relevant objectives.

WPD has proposed to modify its Connection Charging Methodology to reflect recent industry changes - including the introduction of the Energy Ombudsman, industry developments in competition in connections and the 2008 standard licence review - to make housekeeping changes and to introduce a standard application form for connection requests.

The modification proposal

WPD's proposals to modify its Connection Charging Methodology Statement are summarised below:

- changes to reflect the introduction of the Energy Ombudsman in relation to disputes following the closure of energywatch;
- changes to reflect amendments that were made to the SLCs of the Licence following Ofgem's review of the Electricity Distribution Licence;
- changes to reflect recent industry developments related to competition in connections;
- changes to express a number of methodology items more clearly to readers;
- changes to ensure that the main text and the glossary of the connection charging methodology are consistent; and
- general house-keeping changes.

Ofgem's decision

We have analysed this proposal by taking into account both the relevant objectives and our wider statutory duties. We consider that the proposed modifications better achieve relevant objectives (a) and (d) by properly taking into account recent industry changes, as well as making WPD's Connection Charging Methodology Statement clearer to readers. To that end we welcome the changes that are being proposed as the Connection Charging Methodology Statement needs to be clear so it is fully understood by users.

Consequently, we have decided **not to veto** WPD's proposed modifications to its Connection Charging Methodology Statement. We would encourage all DNOs to review their methodology statements to reflect the introduction of the Energy Ombudsman and to ensure that the associated process for handling disputes is up to date and clear to customers.

Please contact Donald Smith at donald.smith@ofgem.gov.uk or on 020 7901 7483 if you have any queries in relation to the 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.