



Suppliers, generators, customers
and other interested parties

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value for all customers*

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Date: 4 August 2009

Dear colleague,

Impact of common distribution charging methodology and DPCR5 on distribution customer charges from 1 April 2010

The combination of the new electricity distribution price control review (DPCR5) and the proposed new charging arrangements are likely to have a significant impact on the level of charges faced by different customer groups from the 1 April next year. Some customer groups may see significant increases in their distribution use of system charges.

Rising prices are always difficult for customers but even more so in the current economic climate. We are therefore very keen to make sure that all affected parties understand the changes in distribution charges they are likely to face from next April and the purpose of this letter is to set out what opportunities there will be for you to understand these changes and make representations. Annex A sets out a detailed timeline of key events and Ofgem consultations over the coming months.

Separately I have written to the chief executive of each of the DNOs asking them to do all they can to provide large customers, customer groups and suppliers with timely and clear information about how their distribution charges could change from April next year. At this time the DNOs will not yet have a final view of the impact of the common charging methodology on customers' charges or the final outcome from the price control review to allow the new level of charges to be stated with certainty. However, we expect the DNOs to be committed to keeping the industry up to date with developments on their distribution charges and the likely impacts from April 2010. This is vital given the range of potential impacts on charges. If interested parties do not feel informed on developments affecting DNOs' charges then please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Stephen Smith".

Stephen Smith
Managing Director, Networks

Annex A: Key events affecting distribution charging for 1 April 2010

Date	Event	Detail
3 August	DPCR5 Initial Proposals	This sets out our initial views on allowed revenues from 1 April 2010.
1 September	DNOs submit common charging methodology (CDCM) for approval	This will include illustrative impacts on charges from change in methodology against a 2009/10 charging baseline.
September/ October	Consultation on CDCM	We are likely to consult on the new common methodology which will detail illustrative impact on charges and we will also indicate likely effect of DPCR5 proposals.
End of November	DPCR5 Final Proposals	This will set out our final views on allowed revenue changes from 1 April 2010. It will also provide an indicative impact on charges for key customer groups.
31 December	DNOs publish indicative tariffs	Full set of indicative tariffs for 1 April 2010.