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Dear Rachel,

**COLLECTIVE LICENCE MODIFICATION PROPOSAL ref. 91/09 (putting in place a licence obligation on Distribution Services Providers to deliver revised charging and governance arrangements for the extra high voltage levels of the electricity distribution networks for implementation with effect from 1 April 2011 and a licence obligation on all licensees to ensure that both the common distribution charging methodology for charging at the lower voltage levels and the revised extra high voltage distribution charging methodology for charging at the extra high voltage levels are incorporated within the Distribution Connection and Use of System Agreement from the time of their implementation)**

We will not be issuing a statutory objection to the above Collective Licence Modification. Whilst we continue to believe that it is better for licensees to develop their own charging proposals which reflect their own particular circumstances, we recognise that common approaches to charging are the accepted way forward.

As we said in our response to CLM on the HV/LV CDCM we remain concerned with the absolute nature of the obligation placed on DSPs but we recognise the reassurances you have given previously that you would not take enforcement action against a particular DSP where the DSP could demonstrate that it had done everything within its power to comply with the obligations.

We note again your statements in the decision document that you intend to undertake post investment reviews on DSPs who select the FCP approach but not on those who select the LRIC approach to EHV charging. Ofgem have a general duty to ensure that each DSP invests efficiently and the degree of scrutiny of investment decisions should not be a function of the methodology chosen. We intend to model both approaches and select the one, following a robust and objective analysis, which best meets the relevant objectives and ensures, in our view, compliance with competition law. As we have said previously, if an investment review is

undertaken then it should apply to all DSPs and it should not only look at DSP investments but also look at connection applications that were not progressed due to excessive charges. Excessive charges which do not reflect costs could block efficient investments by developers and jeopardise the Government's renewable energy targets.

I hope you find these comments constructive and I can assure you that we will do everything we can to bring this project to a successful conclusion.

Yours sincerely,

**Paul Bircham**  
**Regulation Director**