

Inveralmond House  
200 Dunkeld Road  
Perth PH1 3AQ

Lewis Hodgart  
Distribution Policy  
The Office of Gas and Electricity Markets  
3<sup>rd</sup> Floor  
Cornerstone  
107 West Regent Street  
Glasgow  
G2 2BA

Tel: 01738 456400  
Fax: 01738 456415

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Dear Lewis,

**Collective Licence Modification (CLM) Proposal intended to deliver the electricity distribution structure of charges project at higher voltages and governance arrangements ref. 91/09**

I am writing on behalf of our two licensees: Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc, with regard to the above Collective Modification Proposal ref. 91/09.

We agree with Ofgem that the proposed approach to EHV distribution charging offers a pragmatic solution and we look forward to working with Ofgem over the coming months to further develop and implement the structure of charges project.

We note that Ofgem intend to review the capital expenditure of those Distribution Network Operators (DNOs) implementing the common Forward Cost Pricing methodology; however we would comment that we cannot see how Ofgem can carry out this review equitably without a similar review of those DNOs implementing Long Run Incremental Cost methodology.

Nevertheless I can confirm our acceptance of the Collective Licence Modification.

Yours sincerely,



Rob McDonald

**Director of Regulation**