

26 October 2009

Dear Rachel,

Electricity distribution structure of charges project: DNOs' proposals for a common methodology at lower voltages

Central Networks has contributed to and supports the joint DNO response to this consultation.

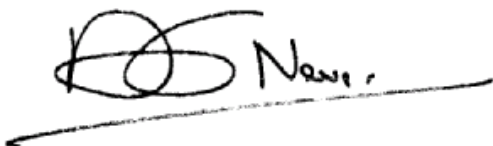
We are pleased that Ofgem is minded to approve the DNOs' proposals for a common methodology at lower voltages, but have particular concerns about one of the conditions that may be associated with that approval.

Ofgem's recent challenge of their earlier assumption that distribution networks are demand-dominated is perfectly valid. However, it may compromise a vital underpinning of the CDCM, and could therefore have far-reaching implications for stakeholders. In view of this, we believe it would be more appropriate for the issue to be examined, and for potential solutions to be developed and tested, under the open governance arrangements.

We believe it would be possible and more appropriate to make approval of the CDCM conditional on DNOs raising the issue of generation-dominated areas within the governance arrangements, and supporting the development and testing of potential solutions. Central Networks would be happy to play a leading part in meeting any such condition.

I hope these few lines are helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Neves', with a long horizontal line underneath it.

Andrew Neves
Tariff and Income Manager