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Dear Rachel

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

We welcome Ofgem's minded to approve decision on the Common Distribution Charging Methodology (CDCM). When enacted, this decision will provide a baseline charging methodology that will be developed over time and as circumstances change and we fully support Ofgem approving the CDCM.

With regard to the conditionality of the approval decision ENW has a concern over the length of time for the generation dominated network review. The proposed short length of the review period suggests a limited review scope, but it is unclear in the consultation document the scale of the review. We would welcome further clarity on the scope of the review and/or a time extension so that the industry can undertake an appropriate review and resolve the issue to the satisfaction of all.

ENW is disappointed with the exceeded capacity charges decision. As charging and commercial policies need to encourage efficient investment whilst delivering good customer service, it seems inappropriate to revert to the disconnection clause within the connection agreement to persuade a customer to stop exceeding its maximum capacity. This will be a topic that will be progressed through the open governance arrangements.

I have responded to the consultation questions and these are contained in the Appendix 1 overleaf. Please do not hesitate to contact Tony McEntee on 01925 534499 if you have any queries on our response.

Yours sincerely,

**Paul Bircham**  
Regulation Director

cc **Ynon Gablinger, Ofgem**

## **Appendix 1 – Consultation question responses**

### **Question 1: Do you agree with our minded to positions given the arguments / analysis presented here and in the Impact Assessment in Appendix 3? If not, why not?**

ENW welcomes the minded to approve decision proposed by Ofgem on the Common Distribution Charging Methodology (CDCM). This minded to decision will give the industry an approved baseline charging methodology that can be further developed over time and as circumstances change and we fully support Ofgem approving the CDCM.

### **Question 2: Do you consider any additional areas should be conditionally approved?**

ENW has only one concern with the conditionality clauses associated with the minded to approve decision on the CDCM and that is with length of the review period for generation dominated networks. It is unclear in the consultation document the scope of the review that would be appropriate and such a short review period could potentially limit the industry in giving the required time and attention to the review.

### **Question 3: Do you consider any element of the methodology would warrant an overall vetoing of the DNOs' common methodology submission?**

Since October 2008 the DNOs with the help of the industry have worked tirelessly to develop a charging methodology for all HV and LV connected customers that is capable of being approved. ENW believes this has been achieved and we do not see a fundamental error in any area of the methodology that would warrant an overall veto for the methodology.

### **Question 4: Are there any additional areas you would like to flag as areas you consider warrant further work by DNOs in the future?**

ENW is disappointed at the limited comment Ofgem made on the subject of exceeded capacity charges although it was extensively debated by the Workstream from the beginning of the project and was a topic of discussion at the Distribution Charging Methodologies Forum (DCMF) in September 2009. Ofgem has missed an opportunity to tie together its stated themes for the price control review by recognising that this area is important to delivering efficient network development, whilst delivering efficient customer service. This will be a topic for further work by the DNOs and is likely to be discussed and debate and change proposals raised through the open governance process.