



Company Secretary
EDF Energy (IDNO) Ltd
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Cc: Chris Ong and Paul Measday
(by email only)

*Promoting choice and value for
all gas and electricity customers*

Your Ref:
Our Ref:
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Date: 09 November 2009

Dear Colleague

Authority decision on EDF Energy (IDNO) Ltd's proposed Use of System Charging Methodology

Under standard licence condition ("SLC") 13 of its Electricity Distribution Licence, EDF Energy (IDNO) Ltd ("EDF") is required to have in force a Use of System (UoS) Charging Methodology which has been approved by the Authority on the basis that it achieves the Relevant Objectives¹.

Under amended standard licence condition ("ASLC") BA51, EDF is required to set domestic customers' UoS charges such that the standing charge, unit rate and other components of the charge shall not exceed the UoS charges to equivalent domestic customers connected to a host Distribution Network Operator's ("DNO's") network. This constitutes a relative price control for IDNOs.

On 16 October 2009 EDF submitted a UoS Charging Methodology to the Authority for approval.

The Authority has considered EDF's UoS Charging Methodology against both the Relevant Objectives and the charging principles outlined in ASLC BA51 and has decided **to approve** it. This letter sets out the reasons behind the Authority's decision.

The Methodology states that EDF will replicate the UoS charges and associated Line Loss Factors in the host DNO's distribution service area for demand and generation customers connected to EDF's system. Each DNO has, since February 2005, had in place a UoS Charging Methodology which has been approved by the Authority.

¹ The relevant objectives for the UoS charging methodology, as contained in paragraph 3 of SLC 13 of EDF's licence are:

- (a) that compliance with the UoS charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and its licence;
- (b) that compliance with the UoS charging methodology facilitates competition in generation and supply of electricity, and does not restrict, distort or prevent competition in the transmission or distribution of electricity;
- (c) that compliance with the UoS charging methodology results in changes which reflect, as far as is reasonably practicable (taking into account of implementation costs), the costs incurred by the licensee and its distribution business; and
- (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the UoS charging methodology, as far as is practicable, properly takes account of developments in the licensee's distribution business.


As EDF's IDNO network, in general, forms the final section of the distribution network, in adopting the UoS charges of the host DNO EDF's charges will broadly reflect the costs which EDF's customers impose on the total distribution network. Consequently, this methodology provides a reasonable proxy to the "all the way" costs. Replicating the host DNO's charges ensures compliance with ASLC BA1, which aims to facilitate competition in supply through maintaining consistent distribution UoS charges.

The Authority considers that EDF's UoS Charging Methodology provides a practical way to meet the requirements of both SLC 13 and ASLC BA1. Therefore, the Authority has decided to approve EDF's UoS Charging Methodology.

EDF should note that under SLC 13.2 it must review its UoS Charging Methodology at least once every year and make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives.

If you have any questions surrounding the issues raised in this letter, please contact Donald Smith at donald.smith@ofgem.gov.uk or on 0207 901 7483.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is positioned above the printed name and title.

Rachel Fletcher
Partner, Distribution

Signed on behalf of the Authority and authorised for that purpose by the Authority