



FAO the Company Secretary
Western Power Distribution
Avonbank
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Bristol
BS2 0TB

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

CC: Nigel Turvey, Simon Yeo and
Alison Sleightholm (by email
only)

Your Ref: WPD UOS015
Direct Dial: 020 7901 7174
Email: Rachel.fletcher@ofgem.gov.uk

Date: 21 December 2009

Dear Sir or Madam

**Notice of consultation in relation to Modification Proposal WPD UOS015 –
'Amendment of Use of System Methodology to revoke the LV/HV DRM
Methodology from the Implementation date of the CDCM'**

On 11 December 2009, Western Power Distribution (WPD)¹ submitted to the Gas and Electricity Markets Authority (the Authority)² a proposal to modify its use of system (UoS) charging methodology. This modification seeks to make changes to its methodology to take account of the implementation of the Common Distribution Charging Methodology (CDCM) and the final proposals of the Distribution Price Control (DPCR5).

In particular, WPD propose to make the following changes:

- Update the section entitled 'Reconciliation of LRIC and DRM output to required revenue' to ensure the calculation of the £/kVA revenue scaler remains effective;
- Update references to licence conditions;
- Replace a large section on the requirements to have a UoS agreement and the terms in those agreements with a single reference to the Distribution Connection and Use of System Agreement (DCUSA);
- Remove the 10% cap on generator charge changes;
- Update references to regulatory cost of capital following the publication of the DPCR5 final proposals;
- Introduce a capping arrangement to address the calculation of perceived excessive charges in certain circumstances; and
- Remove the exemption that excludes EHV generators connected pre-April 2005 from paying UoS charges and introduce specific arrangements to ensure that there is no undue discrimination between pre- and post-April 2005 generators.

In accordance with SLC 13.6 we are hereby notifying you of our intention to consult with the industry on your proposals. It is our intention to publish the consultation document on Ofgem's website early in January 2010.

¹ WPD (South Wales) Plc and WPD (South West) Plc are the licensees for the provision of electricity distribution services in the South Wales and South West distribution services areas. A reference to WPD in this letter is a reference to both of these licensed companies.

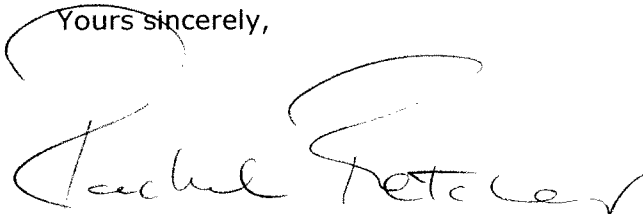
² Ofgem is the office of the Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

This modification proposal follows on from WPD's earlier modification proposal³ that was vetoed by the Authority in September because the Authority was unable to consider that modification in advance of a decision on the CDCM at lower voltages.

This latest modification proposal follows our decision on the CDCM and incorporates key differences in approach from WPD's earlier modification particularly in respect of proposed changes to the LRIC charging and regarding the treatment of pre-2005 generators. It is the importance and potential impact of these changes that has led us to decide to consult on this proposal.

Please contact Nicholas Rubin on 020 7901 7176 if you have any questions in relation to the content of this letter.

Yours sincerely,

A handwritten signature in black ink that reads "Rachel Fletcher". The signature is written in a cursive style with a checkmark at the end.

Rachel Fletcher

Partner, Distribution

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

³ Modification reference WPD UOS 013, submitted to us on 26 August 2009. Our decision is available to view on our website at:
http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/WPD_UoS013_decision_letter.pdf