

Rachel Fletcher
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Office of Gas and Electricity Markets
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8 January 2010

Dear Rachel

**Standard Licence Condition 13 – Charging Methodologies for Use of System and Connection –
“Change EDFE032”**

Further to your letter of 18 December 2009 to Laurent Ferrari, and in accordance with paragraph 13.2 of Standard Condition 13 of the Electricity Distribution Licence, we have reviewed the connection charging methodologies of the following licensed distribution businesses:

EDF Energy Networks (EPN) plc;
EDF Energy Networks (LPN) plc; and
EDF Energy Networks (SPN) plc.

An updated methodology document is attached for your approval. The justification and explanation for this change are set out in the appendix to this letter, together with an explanation as to how the relevant objective(s) will be better achieved.

While not requiring approval, we have also supplied a copy of the full connection charging statement, which will be published as soon as practicable following approval of the relevant charging methodology.

If any aspect requires further explanation or clarification, please do not hesitate to contact me.

Yours sincerely

Paul Measday
Regulation Manager

Cc distributionPolicy@ofgem.gov.uk

Appendix

SECTION /PAGE	Section 2.3 Page 14	
TEXT CHANGES	<p>[the non-underlined paragraphs below are text of the existing approved methodology to show where the new paragraph fits]</p> <p>The ‘new equipment fault level capacity’ is the fault level rating of the relevant section of network following reinforcement of the assets.</p> <p><u>Where a customer requires an augmentation to an existing connection, both the Security and Fault Level CAFs will be based on the increase in Required Capacity and increase in Fault Level Contribution from the Connection respectively. Any related increases within the previous 5 year period will be taken into account in determining the Required Capacity or Fault Level Contribution from the Connection to be applied within the CAF.</u></p> <p>On some projects there may be a degree of interaction between the two CAF considerations above. In such cases, the security CAF will be applied to the reinforcement works which are driven by compliance with the security requirement. The fault level CAF will be applied to any other costs not already apportioned according to the security CAF that are associated with works required to maintain the network within fault level limits.</p>	
RELEVANT OBJECTIVES UNDER LICENCE CONDITION 13	a) facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;	See below
	(b) facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;	See below
	(c) results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business; and	See below
	(d) so far as is consistent with sub-paragraphs (a), (b), and (c), the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee’s Distribution Business.	See below
COMMENTS	<p>The proposed change is the result of discussions between Ofgem and EDF Energy Networks (EDFEN) over the application of CAF rules, specifically the request from Ofgem for EDFEN to bring its interpretation on the CAF rules in line with the rest of the industry. The proposed wording is that which forms the current drafting of this section of the proposed common methodology, which is being worked on by Work Stream 4 of the structure of charges project.</p> <p>In respect of the change better meeting the relevant objectives, we refer back to Ofgem’s letter of 18 December 2009 which describes the above approach as being in line with the requirements of Licence Conditions 13, 14 and 19. It is our interpretation of this statement that Ofgem believes that the proposed modification better meets relevant objective (a) and Licence Condition 19 through not discriminating between existing customers requesting additional capacity and new customers requesting capacity.</p> <p>We propose to implement this change 28 days after the submission, namely 5 February 2010.</p>	