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10 February 2010

Dear Rachel,

**Consultation on Western Power Distribution's (WPD) modification proposal (WPD/Wales/West/016) to introduce changes to its charging methodology at extra high voltage (EHV) level from 1 April 2010**

Scottish and Southern Energy (SSE) welcomes the opportunity to respond to Ofgem's consultation on WPD's proposed changes to its charging methodology at EHV level for the interim period prior to the introduction of a common charging methodology from 1 April 2011.

In general, we believe that WPD has proposed a charging methodology that represents a more cost reflective approach than their current methodology. However, we have some concerns with certain aspects of the proposal as set out below.

We understand the rationale behind WPD's proposal to adjust the Distribution Use of System (DUoS) charges paid by pre-2005 connected generation to exclude all assets paid for through deep connection charges under the pre-2005 deep connection charging payments. However the proposal does not appear to be transparent. We are interested to understand the methodology behind the calculation of the charges and how Ofgem would verify the basis of these. We note that Ofgem's preferred option is for DNOs to refund customers any appropriate deep connection charges paid and apply DUoS charges equally to all generators; WPD's proposal does not concur with this method.

WPD's proposal has again highlighted a flaw with the LRIC model: that in certain circumstances it produces high inappropriate charges that are not cost reflective. We are concerned that the capping mechanism proposed by WPD to address this issue effectively results in other customers subsidising these unreasonable charges.

We agree with WPD's proposal to remove the 10% cap on DG charges as this is more cost reflective. However we are aware of the continuing work in the industry to mitigate volatility in prices.

We strongly agree with WPD's proposal to apply no scaling to generators' charges as this will ensure minimum change in terms of pricing impacts on customers in the interim period before the enduring EDCM methodology is implemented on 1 April 2011.

If you have any questions or wish to discuss any of the issues raised please do not hesitate to contact me.

Yours sincerely,

Paul Hemsley  
**Regulation Manager**