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Chris Chow
Distribution Policy
Ofgem
9 Millbank
London SW1P 3GE

6th July 2010

Dear Mr Chow,

Consultation Ref: 72/10 - Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages

I write on behalf of Heathrow Airport Ltd in connection with your consultation paper published on 15 June 2010. I am pleased to provide our response in respect of three options (options 1, 2 and 3), as set out below.

Preferred option - Option 3 (ORB).

Customer choice is inherently non-discriminatory. In a perfectly competitive market Customers would be free to choose the options to ensure that they pay the lowest Use of System charges. Customers have to operate in a continually changing environment and must respond in an agile manner to changing customer needs; it is perverse that DNOs should be entirely sheltered from such economic signals.

Second preferred option - Option 1 (NC).

The connection voltage was determined at the time of connection and the boundary that was in place at that time should determine use of system charges thenceforth.

Arguments against Option 2 (RB)

We oppose RB strongly for the following reasons.

The assumptions fundamental to previous investment decisions, such as connection voltage and infrastructure ownership decisions, may now become redundant. This carries an unacceptably high risk of significant adverse impact on those investment decisions.

This option carries an unacceptably high risk of major shocks in Use of System charges:

- Your consultation document includes cost estimates that indicate that Heathrow Airport's charges could increase by c. 46%, were Option 2 to be implemented.
- The potential increases to charges for other Class B Customers will be even higher (previous responses have indicated up to eightfold in some cases).

A relatively small number of Customers would be disproportionately affected by this proposal. Major impacts would thus be experienced by few customers, rather than minor impacts by many. Particularly in the context of generally weak economic circumstances, this is likely to have a


negative impact on Customers' confidence in the change as some parties may well consider that a key motivating factor of the proponents of RB is to minimise Customer complaints rather than implement an objectively equitable solution.

If RB is adopted it is essential that:

1. A Customer who has physical metering on the 11kV side of a transformer but whose connection is effectively metered at 22kV or above should be treated as taking its connection at such higher voltage.
2. Transitional relief is given to allow effective commercial planning within the context of both short-term business plans and long-term financing structures. A five year period would be appropriate as this would align both with the regulatory cycle and many Customers' long-term business planning and financing arrangements.

I thank you for inviting our response to your consultation and trust that you will give due consideration to the views I have expressed.

Your sincerely,



Rob Harries-Harris
Head of Utilities