

Nicholas Rubin
Ofgem
9 Millbank
London
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Dear Nicholas

Charges for pre-2005 Distributed Generators' Use of DNOs' Distribution Systems – Compensation and Use of System Charges: Bundled or Unbundled – Chapter 3 Response

Thank you for the opportunity to comment on the above consultation, dated 21 July, and specifically Chapter 3. This response should be regarded as a consolidated response on behalf of EDF Energy's four distribution licence holding companies – EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc, EDF Energy Networks (SPN) plc, and EDF Energy (IDNO) Ltd. For convenience, the four licensees are collectively referred to as "EDF Energy" throughout.

EDF Energy is responding to this consultation in two separate parts, as requested by Ofgem. Please note that our answers to the questions in Chapter 3, on the interaction between any compensation payments relating to connection charges and the EHV Distribution Charging Methodology, do not imply that we believe that any compensation for connection charges paid by customers is necessarily appropriate. We will set out our views on this matter, and the other questions in Chapters 2 and 4 of your consultation, in a further response.

We agree in general with Ofgem's six points of merit in favour of an unbundled EDCM model and similarly, we agree that a bundled approach presents the issues and problems set out by Ofgem. Unfortunately the considerations identified by Ofgem, whilst being reflective of the positions of Ofgem and pre-2005 generators, exclude a number of considerations applicable to DNOs. Ofgem's DPCR5 final proposals incorporated the principle of "logging up" any compensation payments made for "efficiently incurred" expenditure, for inclusion within the DPCR6 settlement. We understand this to mean an agreement to make an addition to the RAV to account for all parts of the connection charge which will be refunded, be they the physical cost of the assets or the capitalised O&M.

In conclusion, EDF Energy agrees in principle with Ofgem's minded to position on an unbundled approach. However, our acceptance of the unbundled model is conditional upon Ofgem's explicit inclusion within any decision on an unbundled EDCM that all compensation payments made by DNOs for efficiently incurred costs and/or as determined by Ofgem, irrespective of customer type or cost type, will be logged up for inclusion within the DPCR6 settlement.

If you require further assistance or have any queries, please do not hesitate to contact me on 01293 657853 or my colleague, Jonathan Purdy, on 07575 113017.

Yours sincerely

Paul Measday
Regulation Manager
EDF Energy Networks