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Rachel Fletcher
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26 August 2010

Dear Rachel,

Consultation on revised submission and implementation dates for the EHV Distribution Charging Methodology

We do not object to the proposal set out in the consultation to delay the submission date for the EHV Distribution Charging Methodology (EDCM) until the 1st February. Whilst we are ready to submit in accordance with the current timescales, extending the timescales will give further time for consultation with customers who are affected, particularly as the recent decision on the EHV boundary has made more customers subject to the EDCM. Whilst we do not oppose the proposed implementation date of 1st October 2011, previous feedback from customers suggests that a 1st April 2012 date would be more appropriate. Even with this later implementation date, we believe that the submission date should not be extended past the 1st February 2011 unless absolutely necessary. Ofgem should take account of the views of customers and suppliers in considering the implementation date and may want to include flexibility into the licence drafting to reflect this. The derogation also needs to reflect the delay in moving the EHV Boundary.

We have some concerns with what you are expecting the DNOs to do in the five-month extension period, particularly following Ofgem's comments made at the Common Methodology Group meeting on 24 August 2010. Our understanding is that there will be no changes to the marginal charging methodologies and that the main area of concern is the demand scaling methodology which has a significant impact on end customer's charges. The prime reason for this concern is because one DNO has identified very significant tariff disturbances under the proposed scaling methodology and has said that whilst it could explain the change in charges that are resulting from the agreed scaling approach, it could not justify many of the resulting charges.

This suggests the need for a comprehensive review of the current scaling methodology to ensure it is based on sound principles and can therefore be justified to customers. Ofgem's suggestion that the DNOs should appoint another external consultant to review the scaling approach will be helpful in providing this justification but it could introduce delays if they identify fundamental flaws. It is likely that the customer consultation could only commence at the end October/ early November and conclude before Christmas.

The sense-checking of EDCM charges should primarily be against comparison with outputs from the Common Distribution Charging Methodology (CDCM) to ensure we are not discriminating against other users of the distribution system by providing a cross-subsidy to EHV Users (or vice-versa). Comparisons with existing methodologies, whilst useful in explaining the change to customers, cannot be used as a definitive test due to the diverse approaches currently in use.

If Ofgem do decide to extend the timescales, I can assure you of Electricity North West's continued proactive support in bringing this project to a successful conclusion.

Yours sincerely,



Tony McEntee
Head of Commercial Policy