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Dear Rachel,

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

Thank you for the opportunity to respond to the above consultation. This response is made on behalf of E.ON UK plc. We welcome Ofgem's decision to extend the deadline for this work which we see as an extremely pragmatic response by the regulator in order to assist Users in understanding the implications of the EDCM regime.

It is clear to us as Users of the distribution networks that there is still much work to be completed on the new methodologies until they are fully fit for purpose. As part of our analysis to understand the impact of these charges on our generation projects in particular, it has become apparent that a number of decisions are still required (such as whether to adopt LRIC or FCP, and whether scaling is to be applied and if so how) which will have a significant effect on Users' charges. For instance, we have seen different approaches which if followed would not only change the size of a liability, but its sign too.

It would be fair to say that most Users, including suppliers and generators of all sizes as well as customers are struggling to fully understand the impact that these changes could have on their businesses. The first stage of this next period of work must be for a smaller range of options to be presented to users for assessment and consultation. Then there needs to be a sensible window to implement these proposals so that users can take account of the new charging regime when pricing products for customers or for financial budgeting purposes.

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Unfortunately, we do not believe that the current proposals have progressed to such an extent that this could be achieved within the 6 months presently proposed. We do not believe that this is a criticism of the Distribution Companies, or indeed Ofgem, all of whom appear to have worked extremely hard to progress this issue. Instead, it reflects the complexity of the issues which need to be addressed in order to implement the new charging regime.

We note that the current timescales imply an October implementation date for the new charging regime. It is generally regarded that an April implementation is better in order to allow parties to account for the new charges in tariffs and budgets. Mid year changes, particularly of this magnitude, are extremely difficult to deal with and are likely to result in windfall gains and losses for parties that they have no way of avoiding. Therefore, we would urge Ofgem to consider extending the time allowed for this work by an additional 6 months for an April 2012 start. This would then give the DNOs sufficient time to finalise their approaches and most importantly educate their many affected users on the changes they will see.

Yours sincerely

Paul Jones
Trading Arrangements