

Rachel Fletcher
Ofgem
9 Millbank
London
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25 August 2010

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

Dear Rachel

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Thank you for notification of your minded to decision to delay implementation of the EDCM. ESP Electricity Ltd ('ESPE') is an IDNO with the potential for an increasing number of customers wishing to connect at EHV.

Notwithstanding our disappointment at further delay in this project, we believe that there are no compelling arguments to counter Ofgem's minded to position. ESPE fully supports the drive towards cost-reflective charging at all network levels.

Understandably, we have some general comments that we hope Ofgem will consider as this project proceeds.

Firstly, will an extension (or repeat) in the consultation period lead to further changes to the DNOs' proposals? If so, is there not a risk that further significant shifts in tariffs will arise, again leaving limited time to understand the impacts? Unless there is an agreed cutoff in changes to the methodology some weeks or months before submission, the current situation will recur.

Price volatility is a concern to ESPE, but where this is unavoidable, we would be more concerned about a limited notice period where changes are proposed. We require as much notice as possible of such changes, since we cannot invest where uncertainty exists. In this regard, IDNOs would certainly welcome a discussion of an appropriate mechanism to limit the impact of future price volatility thus allowing efficient investment. ESPE also appreciates long lead in times in order that we can understand the complex charging methodologies that we as an IDNO are required to replicate. Furthermore, we understand that it is likely that CDCM tariffs will change as a direct result of the final EDCM position. Is it clear whether and when these impacts will be published and assessed?

It is also worth noting that whilst we understand that some parties will be very concerned about the prospect of mid-year price changes brought about by this delay, there is in our view no absolute requirement to stick to April or October price changes. So long as sufficient notice is given, there may be potential to introduce some or all elements outside of these dates if appropriate.

Finally, it should not be forgotten that this is an exercise in bringing about cost reflectivity of charging. Ofgem plays an important role in communicating this clear message to all stakeholders. ESPE would be concerned were any methodology based on sound agreed principles of cost reflectivity to be rejected because the numbers produced are unattractive.

Yours sincerely

A handwritten signature in black ink, appearing to read 'DSpeake', written in a cursive style.

David Speake
ESP Electricity Ltd.