

26th August 2010

Connections Policy  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

For the attention of Rachel Fletcher – Director, Electricity Distribution

Dear Rachel,

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

**Consultation pursuant to standard licence condition (SLC) 50A.38 of the electricity distribution licence in relation to proposals for the Authority issuing a derogation against licensees' obligations in Part C of SLC 50A**

Introduction

The following response is made on behalf of the Inexus Group ("Inexus"). Inexus owns Independent Power Networks Limited ("IPNL") an independent distribution network operator ("IDNO").

We welcome the opportunity to contribute to the consultation process. Inexus is committed to contributing to the EDCM process and views it as an important step in promoting competition in the electricity connections market that will ultimately benefit all customers.

Inexus' view of the Current Position with the EDCM

*As we understand it* the EDCM will become, when finally approved, the agreed methodology for calculating tariffs for DNO customers who are defined as EHV and that the model has been developed by the DNOs (with the advice of Ofgem and other interested parties) and is due to be submitted to Ofgem shortly as set out in a timetable agreed last year.

We note that the EDCM has gone through many changes recently and it appears many customers face significant price disturbance - some are seeing vast increases in charges others large reductions. Inexus understands that the DNOs have been considering a large number of alternative methods for scaling the raw tariffs produced by the model presumably to decrease the volatility.

In an earlier consultation we supported the view that the EHV boundary should be lowered. We support Ofgem's redefinition of the EHV boundary which meant that more customers fell into the EHV category and will presumably benefit from lower cost reflective charges. We have several sites which fall into the new category and where we feel current discounts calculated in the CDCM do not provide sufficient income to recover our operating costs

*Inexus's position on the derogation issue*

Inexus believes that **derogations should not be given to DNOs** in respect of SLCs 50A.16, SLCs 50A.17 and SLCs 50A.18. This is for the following reasons:

**1. The sooner that the EDCM is delivered, the sooner the benefits of a more cost reflective charging methodology can be enjoyed by IDNOs and end users. We assume that the model is 'fit for purpose' and that the only decision outstanding is really to decide on the method of scaling.**

**2. Inexus believes that any delay in implementing EDCM will be used by the DNOs as an excuse to delay making the necessary changes to the CDCM in respect of charges to IDNOs to reflect the redefined EHV boundary. This is depriving us of revenue. We would remind Ofgem that DNOs have made no progress whatsoever on addressing the issue of recalculating the HV discount on IDNO tariffs even though it was highlighted as an issue for attention nearly 12 months ago.**

**Whatever decision the Authority takes with regard to granting derogations or not we urge you to ensure the discounted IDNO tariffs currently calculated under CDCM are amended to reflect the redefined EHV boundary and are not lost in the EDCM process.**

In the meantime if you have any queries please do not hesitate to contact me on 02920 312031

Yours sincerely

*Gareth Jones*

Gareth Jones  
Commercial & Regulatory Manager