

Your ref

Our ref Reg/THS

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29 October 2010

Dear Roberta

Proposed licence modifications: governance arrangements for electricity distribution use of system charging methodology

I am writing on behalf of CE Electric UK Funding Company (CE) and its wholly-owned electricity distribution licensees Northern Electric Distribution Limited (NEDL) and Yorkshire Electricity Distribution plc (YEDL). This letter provides our response to Ofgem's 20 September 2010 open-letter consultation on the above.

We agree in principle with the proposed modifications, subject to the following points:

- The timing of the introduction of these licence modifications will need to tie in with the timing of any necessary complementary changes to DCUSA. We believe that around three months could be required for DCUSA changes to be implemented.
- The proposed wording of paragraph 22A.18 of standard condition 22A needs to be modified on three counts:
 - The policy intent behind the words "is to" in the first line should be clarified, ie if it is intended that they should impose an obligation, the use of the word "must" instead would be preferable.
 - The wording as currently proposed would place a licensee in breach of its licence if an authorised electricity operator or any person whose interests are materially affected by a relevant charging methodology opted not to meet with the licensee for the purpose of discussing the further development of a relevant charging methodology. An acceptable alternative would be to express the obligation in terms such as "The licensee must, in conjunction with other Distribution Services Providers, offer periodically to meet with other Authorised Electricity Operators and any other persons whose interests are materially affected by a Relevant Charging Methodology, and provide requisite facilities for such meeting, for the purpose of discussing the further development of a Relevant Charging Methodology."
 - As reflected in the suggested alternative wording above, the word 'for' needs to be inserted immediately before "the purpose" in the third line of Ofgem's currently proposed wording, in order for the sentence to make sense.

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I hope that you will find these comments helpful: if you should require anything further in connection with them, please do not hesitate to contact me.

Yours sincerely,

Tony Sharp

TONY SHARP
Regulation Manager