

The Company Secretary
UK Power Networks Holdings Ltd
Newington House
237 Southwark Bridge Road
London
SE1 6NP

Direct Dial: 020 7901 7194
Email: rachel.fletcher@ofgem.gov.uk

Date: 01 December 2010

Dear Colleague,

Authority decision to approve the form of UK Power Networks Ltd's Use of System Charging Statements

Distribution Network Operators (DNOs) are required by standard licence condition (SLC) 14 ('Charges for Use of System and connection') to prepare a use of system (UoS) statement, in a form approved by the Authority, which sets out the basis on which charges will be made for UoS.

UK Power Networks Ltd (UKPN) own four distribution licences¹. On the 17 November 2010 UKPN requested approval of a change to the form of its charging statements in relation to its four licences. They propose that the changes take effect from 1 March 2011.

Primarily UKPN have chosen to amend their charging statements so they refer to clock time as opposed to Greenwich Mean Time (GMT). A derogation pursuant to paragraph 50.36 of Standard Licence Condition 50 was granted on 21 December 2009. That permitted UKPN to define time bands by reference to GMT, rather than UK Clock Time as required by paragraph 39, Common Distribution Charging Methodology. The derogation was awarded in recognition of the functionality of UKPN's billing system at the time and it is due to expire on 26th March 2011.

In accordance with London's summer demand for electricity, UKPN have also made specific changes to the morning peak time bands in the charging statements of their London based networks, London Power Networks plc and UK Power Networks (IDNO) limited. This is because customers' use of their London based networks peaks during summer mornings as well as winter evenings. Peak demand on their other distribution networks only occurs during winter evenings. There is no effect on customers' bills as a consequence of their proposed change to the morning time bands. This is because the adjustment reflects the fact they lose an hour by changing from using GMT to clock time.

This change to clock time has also resulted in a change to the system data flow used by UKPN to calculate energy distributed across their network.

Finally, UKPN propose to provide further clarity as to the circumstances in which a default charge is applied, to ensure that they are in line with the Distribution Connection and Use of System Agreement (DCUSA).

The Authority has reviewed UKPN's revised UoS charging statements and approves their form. We consider that the revised UoS charging statements reflect the expiry of an

¹ UKPN owns London Power Networks plc, Eastern Power Networks plc, South Eastern Power Networks plc and UK Power Networks (IDNO) Limited. Each licence formerly belonged to EDF Energy Networks Ltd.

outstanding derogation and therefore ensure they remain transparent and clear, easy for customers to understand, and in line with the requirements of SLC 14.

The Authority also acknowledges that UKPN's current CDCM derogation is due to expire on 26th March 2011. We also note that UKPN propose to make changes to their charging statements and billing systems from 1 March 2011. In light of UKPNs plans, the Authority has decided to change the expiry date of the derogation to 28 February 2011. This will allow UKPN to make changes to its charging statements and billing system on 1st March 2011. Accordingly, this letter should be considered notice of the amendment of the derogation dated 21 December 2009, as required by its terms.

This letter constitutes notice for the purposes of section 49A of the Electricity Act 1989 in relation to the decision to approve the form of the UoS charging statements.

If you have any questions in relation to this letter, please contact Stephen Perry at stephen.perry@ofgem.gov.uk or on 020 7901 1806.

Yours faithfully,

Rachel Fletcher
Director, Electricity Distribution
Signed on behalf of the Authority and authorised for that purpose by the Authority