

17 June 2011



By email only to:
Ynon Gablinger
Distributionpolicy@ofgem.gov.uk

Energy House
Woolpit Business Park
Woolpit, Bury St Edmunds
Suffolk IP30 9UP
T 07920 238095
F 01359 243377

www.gtc-uk.co.uk

mike.harding@gtc-uk.co.uk

Dear Ynon

Response to Ofgem consultation on "*Electricity distribution charging methodologies: DNOs' proposals for the higher for the higher voltages*" – Implementation Date

We welcome the opportunity to respond to this consultation. The focus of our response is on how DNOs' proposals impact on LDNOs connecting networks to DNOs at higher voltage levels. Whilst the closing date of your consultation is 4 July, you have asked for early feedback on implementation. This letter provides our comments on the implementation date. We will comment on other aspects of the consultation before 4 July 2011.

We do not support further delays to the introduction of the EDCM in respect of tariffs to LDNO networks. The implementation of the EDCM has already been delayed a year; delaying the introduction of the "extended model m" will only serve to exacerbate regulatory uncertainty for LDNOs. The current treatment has the potential to distort competition since, for some networks connected at EHV, an LDNO may not be able to recover sufficient margin to recover the costs of operating the downstream business.

At present LDNOs have no certainty as to what margins may be available to them when they connect networks to DNOs at EHV. This is because EHV charges are site specific and may not be known until after the connection assets have been installed. Even when such networks are connected, LDNO margins may be compromised because of work the DNO undertakes in respect of the upstream network. The current approach for LDNOs connecting networks at EHV is fundamentally different to the way the DNO treats its own downstream networks where, for its own customers connecting at HV and LV the DNO allocates EHV costs on an average cost basis.

Yours sincerely

Mike Harding
Head of Regulation
GTC