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Making a positive difference  
for energy consumers

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Date: 21 September 2015

Dear Ian,

**Application for the approval by the Authority<sup>1</sup> of a charging methodology statement from a distribution exemption holder**

This letter contains our approval of your charging methodology statement.

**Background**

From 12 October 2011 distribution exemption holders (DEHs), also known as licence exempt distribution network operators, have been required to provide access to their network when they receive an expression of interest from a party connected (or wanting to connect) to their network. If a DEH proposes to charge for the use of its system it is required to produce a methodology for doing so and submit it to us for approval.

**The approvals process**

In deciding whether to approve the charging methodology we consider whether the methodology complies with the charging principles set out in our "Guidance on third party access charges for licence exempt gas and electricity distribution networks".<sup>2</sup> These principles can be summarised as follows:

- the resulting tariffs must be justified by reference to the costs of the distribution network; and
- costs must be allocated to individual network users on an objectively, justifiable and non-discriminatory basis.

You have provided us with information on your total distribution network costs and an explanation of how you intend to allocate these costs to your network users. Your approach is consistent with the above charging principles as we explained in the 'reasons for our decision' that we have published alongside this decision.

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<sup>1</sup> The terms "the Authority", "Ofgem", "we" and "us" are used interchangeably in this letter. The Authority is the gas and electricity markets authority. Ofgem is the office of the Authority.

<sup>2</sup> <http://www.ofgem.gov.uk/Networks/Policy/Documents1/TPA%20network%20charging.pdf>

## Approval

We have approved the charging statement containing details of the proposed methodology provided for the use of LCP Management Limited's distribution network. The reasons for our decision are explained in the 'reasons for our decision published alongside this decision.

If you have any questions relating to the issues discussed in this letter please contact Neil Copeland at [Neil.Copeland@ofgem.gov.uk](mailto:Neil.Copeland@ofgem.gov.uk) or on 0207 901 7193.

Yours sincerely,



James Veaney

**Head of Distribution Policy**

**Signed on behalf of the Authority and authorised for that purpose**