

To: MRA Parties
MRASCo (c/o Gemserv)

Our Ref: SUPPLY/43/APP/1/02
Direct Dial: 020 7901 7176
Email: Catherine.Monaghan@ofgem.gov.uk

13 September 2002

Dear Sir/Madam,

Notice of WPD Appeal Against MRA Forum Decision Regarding MCP107

On 22 August 2002 the Chairman of the Gas and Electricity Markets Authority received an appeal from Western Power Distribution plc, in accordance with Clause 7.26 of the Master Registration Agreement (MRA). The appeal was in respect of a decision taken at the MRA Forum on 6 August 2002 that MCP 107 (Revise Distributor Funding Arrangements) could not proceed.

Clause 7.26 of the MRA provides for any MRA party to appeal a MRA Forum decision, within 10 working days of receiving the minutes of the relevant MRA Forum meeting. The MRA party may raise an appeal where the party reasonably believes that a resolution passed by the MRA Forum will or is likely to unfairly prejudice the interests of that party, or will cause the party to be in breach of the MRA, its licence or the Electricity Act.

WPD lodged an appeal within the period specified in Clause 7.26 and a copy is attached for information, see Attachment 1.

Procedure for Determining a Dispute

The procedure Ofgem, on behalf of the Authority, will adopt in determining this appeal is based on 'Ofgem's Procedures for Determining Disputes Affecting Customers' and is summarised as follows:

- 1) Any addressee of this notice who wishes to make a written representation in relation to this appeal may do so.
- 2) All such representations must be sent to myself, as the case officer, **no later than 4 October 2002**. If any party wishes to provide confidential information, it should provide notice before doing so and explain why it is confidential. The non-confidential

representations will be published on the Ofgem website and they can be found by either selecting Electricity Infrastructure from the drop down window or by using the following link:

http://www.ofgem.gov.uk/newprojects/electrastructure_index.htm

- 3) Any written comments by an addressee on the representations made by others must be sent to myself, **no later than 11 October 2002**.
- 4) While it is Ofgem's intention that the exchange of information leading to determinations should be largely written, any party may present its case in person to the decision-maker (Iain Osborne – Director of Supply). Any such hearing will only take place after the written process has been completed.
- 5) I will be responsible for setting time limits at all stages of the process and I will have complete discretion as to the admissibility of submissions received late.
- 6) The decision-maker will make his decision on the basis of the statement prepared by the case officer, the written submissions of each party and any hearings. This decision and the reasons for it will be recorded on the above webpage and I will provide a copy to each addressee.

If you wish to comment on any of the points raised in this letter then please contact me on Catherine.Monaghan@ofgem.gov.uk or 020 7901 7176.

Yours sincerely,



Catherine Monaghan (Case Officer)
Market Infrastructure
Supply Directorate

Attachment 1

Callum McCarthy
Chairman, The Gas & Electricity Markets Authority
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London
SW1P 3GE

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Feeder Road
Bristol
BS2 0TB

Telephone 0117 933 2277
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Email bwestlake@westernpower.co.uk

Our ref
RGW

Your ref

Date
22 August 2002

Dear Mr McCarthy

MRA FORUM – Western Power Distribution Appeal to MDB Decision to Reject MCP107

Further to the MRA Forum of the 6th August 2002 at which the above was rejected. WPD now formally appeal to The Authority in accordance with MRA clause 7.26 to overturn this decision and to rule in favour of the changes proposed.

The issue of Distribution Funding is being addressed at the Distribution Service Providers Forum. To date the only proposals that have been developed which are agreeable to all existing License holders is continued Equal Share funding. Whilst we have been prepared to support these proposals in the interest of attaining a consensus between interested parties, it is evident that these proposals do not have the support of many of the interested parties. We consider that all alternate proposals with the exception of funding by all License holders based on numbers of connected MPANs will unfairly prejudice our interests.

The issue has now been outstanding for twelve months and WPDs proposal is intended to resolve this, now pressing, issue.

As you are aware the WPD proposal outlined in MCP107 was intended to achieve two major objectives:

1. To bring the MRASCo funding arrangements for Distribution in line with that of Suppliers.

2. To revise MRASCo Distribution funding to allow new Licence holders to be incorporated within the funding process on an equitable basis both for themselves and the current Licence holders.

The basis of the proposal is that future funding is based on MPAN count per licence holder rather than the current even shares basis. At present WPD contribute 14% of the Distributor share of MRASCo funds whilst our area accounts for only 10% of MPANs.

The WPD proposal provides an equitable solution to the issue in hand, and benefits from a number of favourable characteristics as outlined in our appeal and noted in the MRASCo Forum Minutes :

1. Funding rationales for both categories would be aligned;
2. No development costs are required;
3. The data for the MPAN counts is readily available in existing reports
4. The solution works for both existing and new Distribution businesses
5. No one is disadvantaged
6. Robust for future developments – e.g. if the network transfers, the MPANs transfer to the new owner and contributions change accordingly

WPD believe that the proposal provides an equitable solution to Distribution Licence holder funding and recommend OFGEM to rule in our favour in this matter.

I would be pleased to provide you with any additional information you require.

Yours sincerely

R G WESTLAKE
Regulatory & Government Affairs Manager