

Martin Crouch  
Director of Distribution  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Head Office  
Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

Our Reference:  
Your Reference:

Telephone: 01738 456400  
Facsimile: 01738 456415  
Email:

Dear Martin

Date: 27 August 2004

**Electricity Distribution connection and use of system charges for demand customers and generators**

At the end of July, you published an open letter on the above subject as part of the timetable for the drafting, consultation and finalisation of distribution charging methodologies for 2005/06.

We consider that actual use of system charges should be clearly presented with sufficient additional information available to allow a general understanding of the charging methodology. The statements are already quite bulky documents and our preference would be that information contained in one document, beyond necessary background and contact details, is not reproduced in another statement. Similarly, we are not convinced that it is really necessary for the methodology statements to provide great detail on licence requirements or glossaries of terms (provided that elements of charging are adequately described in the charging statements).

One significant charging development for 2005/06 will be the introduction of generator distribution use of system (GDUoS) charges. We understand that GDUoS charges are likely to be set on a relatively simple basis initially, with further development in future years. In our view, it is essential, from the point of view of minimising generator risk, for there to be clear statements on how GDUoS will be capped, or volatility otherwise restricted, for the 15 year period associated with the new incentive mechanism for funding distributed generation in the distribution price control review.

I hope these comments are helpful.

Yours sincerely

Rob McDonald  
**Director of Regulation**