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Dear John

P2/5 System Security Derogations

Further to your open letter dated 28 February, Central Networks has the following comments on the proposed introduction to simplified arrangements related to the management of compliance with P2/5.

The company certainly welcomes, in principle guidance on Ofgem's requirements in respect to the interpretation of the requirements of P2/5, and the circumstances in which derogation should be sought. Whilst it is fully appreciated that it is beneficial for network operators to make some judgement around the development needs of particular networks in order to avoid uneconomic investment, there is a need for more specific guidance on interpretation.

Network reinforcement plans are progressively developed as analysis suggests that future loads are projected to exceed the relevant constraint. However, there is almost inevitably ambiguity over timing and the extent of the potential breach. Indeed, some of this company's investment plans were challenged by Ofgem's consultants during the price review process, not out of any concern for the schemes themselves, but because the plan actually reduced the number of networks expected to fall outside compliance during the five year period, and the company's overall level of risk exposure was said to have reduced. This issue raised a number of questions about the precise interpretation of P2/5, in particular the number of customers / load and number of hours each year of potential non-compliance, and the extent

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to which lower voltage alternative supplies might be deployed to provide compliance.

Whilst the proposed amendment acknowledges the need for clarity, the potential for differing interpretation is significant in a number of areas within the text including 'significant impact', 'timely identification', 'measures are identified to mitigate the impact of the non-compliance'. It seems appropriate to develop a form of understanding of the assumed interpretation, particularly the impact, such that DNOs are able to engage the derogation process where appropriate, and Ofgem, and it's consultants have the benefit of some guidance to afford a level of consistency.

I will contact with Bridget Morgan, as suggested in your letter to discuss the specific issues and concerns.

I trust this information meets your current requirements, but should you need any further details, please do not hesitate to contact either myself or Jonathan Ashcroft.

Yours sincerely

Jeff Douglas

Network Manager