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*Promoting choice and
value for all customers*

Your Ref: UU/2007/007.1
Our Ref: RBA/DPC/SOC
25 April 2007

Direct Dial: 020 7901 7255

Dear Colleague,

Decision in relation to modification proposal UU/2007/007.1 to the connection charging methodology: clarification relating to the application of the one voltage above rule and the definition of the relevant objectives.

On 28 March 2007, United Utilities submitted to the Gas and Electricity Markets Authority ("the Authority")¹ proposal reference UU/2007/007 to modify its connection charging methodology. It subsequently withdrew this version and on 23 April 2007 resubmitted the modification proposal, version UU/2007/007.1.

The proposal seeks to amend the wording within the reinforcement section of the charging methodology chapter to provide greater clarity as to the scope of the reinforcement assets within the one voltage above rule. It is also proposed to define correctly the relevant objectives within the glossary of terms.

Having carefully considered the issues raised in the proposal, the Authority has decided not to veto the proposed modification.

This letter sets out the background to the modification proposal, explains briefly the proposed changes and sets out the reason for the Authority's decision.

Background

United Utilities has licence obligations² to have in place as of 1 April 2005 three charging statements: the statement of use of system (UoS) methodology, the statement of UoS charges and the connection charging methodology. The connection charging methodology outlines the method by which connection charges are calculated. United Utilities has a requirement to keep the methodology under review and bring forward the proposals to modify the methodology that it considers better facilitate achievement of the relevant objectives.³

¹ Ofgem is the office of the Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

² Standard licence conditions 4-4B

³ The relevant objectives for the connection charging methodology, as contained in paragraph 3 of standard licence condition 4B of UU's licence are:

(a) that compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and by this license;

United Utilities modification proposal

- Amendment to the wording within the reinforcement section of the charging methodology

The proposal clarifies that connection charges will include a share of the cost related to reinforcement assets up to one voltage level above the point of connection to United Utilities' existing distribution network. The aim of the change to the description of the one voltage above rule is to make the terminology consistent with that used for connections throughout the document, and to ensure greater clarity as to the application of the one voltage above rule.

- Amendment to the wording of the relevant objectives within the glossary for correct definition

The aim of amending the definitions is to describe correctly the definition of the relevant objectives within the glossary of terms as prescribed in standard licence condition 4B.

The Authority's decision

The Authority has considered the proposal against the relevant objectives and wider statutory duties. The Authority considers that these changes to the connection charging methodology better facilitate achievement of the relevant objectives by providing greater clarity to consumers.

The proposed wording of the one voltage above rule removes the potential for misinterpretation by providing clarity as to which voltage level the rule refers. Amendments in the glossary ensure that the reader refers to the correct charging methodology.

The Authority has decided not to veto the modification to the connection charging methodology statement.

Please contact Alberto Prandini on 020 7901 7281 if you have any queries in relation to the issues raised in this letter.

Yours faithfully,



Martin Crouch
Director, Distribution

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

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- (b) that compliance with the connection charging methodology facilitates competition in generation and supply of electricity, and does not restrict, distort or prevent competition in the transmission or distribution of electricity.
 - (c) that compliance with the connection charging methodology results in changes which reflect, as far as is reasonably practicable (taking into account of implementation costs), the costs incurred by the licensee and its distribution business; and
 - (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is practicable, properly takes account of developments in the licensee's distribution business.