



Our Ref: GL/5.3

26 September 2007

Mr M Crouch
Director, Electricity Distribution
Office of Gas and Electricity Markets
9 Millbank
London
SW1IP 3GE

For the attention of Martin Crouch

Dear Mr Crouch,

**RE: CONSULTATION ON UNITED UTILITIES PROPOSAL TO INTRODUCE ASSET
ADOPTION PAYMENTS. PROPOSAL UU/2008/002.1**

As a customer within the United Utilities area we would like to make some comments on their proposal to introduce asset payments for the adoption of electrical infrastructure.

While we, as a developer, are not qualified to offer any comments on charging methodologies for the Use of Systems we are interested in obtaining competitive costs for the installation of utility assets on our developments.

Competition in the installation of utility assets has been prevalent in the North West of England for almost 10 years and, where appropriate, Lovell Partnerships has made use of this competition. The introduction of Independent Gas Transporters and Independent Distribution Network Operators in recent years has increased competition even further.

Initially the competitive elements of installation were based on the installation costs and the asset value offered by an IGT. The water asset values were based on a design by the water company and their assumed installation costs and were common to all ICPs. The current trend is for most of the ICPs to be both an IGT and an IDNO or a subsidiary of one of them. While the non contestable charges from the water company, CSEP charges from the host gas transporter and POC costs from the host REC are usually identified in tenders, any discount in the cost of installation based on future electric transportation income is not transparent.



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In the North West there are several ICPs who are suitably qualified, but not IGTs/IDNOs, and will tender for work and offer the gas assets to several IGTs in order to reduce costs to the developer. Because of technical issues and the requirements of the host REC they are reluctant to offer the electric assets to anyone other than them and therefore receive no asset value to reduce their price further. United Utilities Electric's proposal to offer asset values would allow truly independent ICPs to be more competitive with the ICPs who are also IGTs and/or IDNOs.

United Utilities proposal would also appear to redress what we believe to have become a less competitive situation and add further transparency to ICP tenders.

We welcome and support the United Utilities initiative and hope that their proposals are accepted.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Yates', with a stylized flourish at the end.

Nigel Yates
Regional Director
For and on behalf of Lovell Partnerships Limited

c.c. G Lamb / FILE

