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DISTRIBUTION NETWORKS PRICING CONSULTATION PAPER DNPC05

E.ON UK welcomes the opportunity to comment on the consultation above. Please find our response to the specific questions raised in the consultation below.

1. Should the methodology for determining the balance of revenue recovery Between LDZ System charges and Customer charges be changed from the Current national basis to a DN specific estimate of the split of the relevant costs?

We believe that the change proposed represents a more cost reflective charging methodology, and therefore support the change.

2. Should the balance of costs relating to LDZ System and Customer charges be assessed using an average of an appropriate number of years for which data on a consistent basis is available for each network? An alternative would be to use the cost analysis for just the latest year available.

Using an average from a number of year's data should be the best approach. However an average of two years data is not robust as results can be skewed by such few data points being used. An alternative may be to use the latest year's data, but it is not the only alternative. Implementation could be delayed to enable more data to be gathered and produce more cost reflective charges.

3. Should the balance of charges relating to LDZ System and Customer charges be reviewed at the beginning of each Price Control period, except in exceptional circumstance?

This seems the most sensible approach.

4. Is there any reason why the proposal should not be implemented from 1st April 2010?

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There may be merit in delaying implementation to enable further years data to be used to calculate the charges.

Yours sincerely

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Retail Regulation