

ELECTRICITY DISTRIBUTION PRICE CONTROL INFORMATION

We have agreed with the Office of Gas and Electricity Markets (Ofgem) to periodically publish the forecast electricity distribution price control financial position in the following format. These figures are published for indicative purposes only and given on a without prejudice basis.

PRICE CONTROL REVENUES:

Revenue	SEPD		SHEPD	
	Year t-1	Year t	Year t-1	Year t
	2006/07	2007/08	2006/07	2007/08
31st July 07 (i), (ii)				
Allowed Demand Revenue	373.1	386.0	153.4	159.5
Regulated Demand Revenue	371.9	387.4	150.3	158.7
Over/Under (-) Recovery	-1.2	1.4	-3.1	-0.8

Note: all figures are in £M.

- (i) This is the audited actual position for “Year t-1”
- (ii) This is an updated forecast of what the position will be at the end of “Year t”

The “allowed demand revenue” is the sum of money derived from the application of the price control formulae in the special conditions of the distribution licence. This represents the maximum revenue that a distribution licensee will be allowed to recover through regulated distribution charges for the provision of services to demand customers in a given financial year.

The “regulated demand revenue” represents the actual regulated revenue that the licensee derives from regulated distribution charges for the provision of services to demand customers in a given financial year.

The “recovery” sum of money is the difference between the above two quantities. If regulated demand revenue turns out to be higher than allowed demand revenue, then the recovery figure is positive. The formulae for the allowed demand revenue will carry this figure forward, allowing for the application of interest, and it will be subtracted from the allowed demand revenue in the following financial year. Conversely, if the regulated demand revenue turns out to be lower than the allowed demand revenue, then after the application of interest, the recovery figure will be added to the allowed demand revenue in the following financial year.