



To generators, shippers,
suppliers, network companies,
consumers and their
representatives, the sustainable
development community,
investors and other interested
parties

*Promoting choice and value for
all gas and electricity customers*

Direct Dial: 020 7901 3879
Email: Olivia.powis@ofgem.gov.uk

Date: 1 March 2013

Dear Colleagues,

UK Power Networks (IDNO) Ltd and London Power Networks plc

UK Power Networks ('UKPN') wrote to us on 11 February 2013, setting out their intention to consolidate the electricity distribution system of UK Power Networks (IDNO) Ltd ('the IDNO') into that of London Power Networks plc ('LPN') with effect from 1 April 2013. This would involve the transfer by sale of the IDNO's network assets to LPN. We have published UKPN's letter in association with this letter.

The IDNO licence was granted in January 2009¹ to facilitate the development of the electricity distribution infrastructure required for the London 2012 Olympics and for the initial development of the adjacent Stratford City site. The consultation documents that were published in the context of the licence grant are scheduled as associated documents at Appendix 2, together with the licence documents. UKPN consider that it will now be beneficial for all stakeholders to transfer the distribution system assets to LPN.

In the consultations we published before the IDNO licence was granted (associated documents a and b), and in our decision letter (associated document c) we made the following points:

- LPN could have provided and operated the infrastructure, but the granting of the IDNO licence facilitated the contractual arrangements preferred by the site developers.
- The modifications made to the IDNO licence effectively protected the interests of consumers and other stakeholders by:
 - applying a homogenous price control approach (aggregated Regulatory Asset Value (RAV) position) such that the combined outcome for LPN and the IDNO would be the same as if LPN had owned and operated the distribution system assets,
 - requiring both separate and aggregated reporting by LPN and the IDNO,
 - applying a relative price control to the IDNO so that its charges could not exceed the equivalent charges that LPN would have made, and

¹ At the time of licence grant, the licensee's name was EDF Energy (IDNO) Limited.

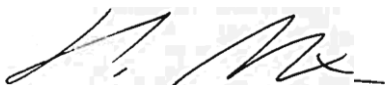
- restricting the area in which the IDNO could operate to assuage concerns raised by other independent distribution businesses.

It is relevant to note that the distribution system assets of both LPN and the IDNO have been operated and maintained by the same common service provision company within the UKPN group and would continue to be operated and maintained by that service provider going forward.

The asset transfer does not require consent as such from Ofgem, because licensee to licensee asset transfers are allowed under Standard Condition 26 of the Electricity Distribution Licence (under Disposal Category 4). However, in the context of any such transfer, the disposing licensee must remain able to fulfil the duties imposed on it by its licence. Under UKPN's proposal, notwithstanding that the IDNO would not own or operate any electricity distribution assets after 1 April 2013, it would retain its licence for approximately three years following the orderly transfer of meter point registrations. UKPN have provided summary information on key issues relating to the proposed transfer in their letter of 11 February 2013. We have provided details of the licence conditions and the procedure we will follow with regard to ongoing licence compliance relevant to the proposed transfer in Appendix 1 to this letter.

Having considered the information provided by UKPN, we consider that the transfer of the IDNO's distribution system assets to LPN should be beneficial for consumers and stakeholders generally, and that both licensees will be able to comply with the requirements of their licenses under the proposed arrangements. However, we would like to give suppliers, consumers and other stakeholders the opportunity to make any comments or raise any concerns that they have regarding any impact of the proposed transfer. Any such comments or concerns should be sent to Ofgem for the attention of Olivia Powis, Senior Manager, Smarter Grids and Governance (olivia.powis@ofgem.gov.uk) by 28 March 2013.

Yours sincerely,



Hannah Nixon

Senior Partner, Smarter Grids and Governance (Distribution)

Appendix 1 - Information on licence compliance in relation to the proposed transfer of distribution system assets

Safety and Security of Supplies Enquiry Service

We would note that particular attention should be given to standard licence condition (8), whereby the IDNO must establish and maintain the Safety and Security of Supplies Enquiry Service. The IDNO must ensure that up to, and following, the point at which assets are transferred to LPN, the relevant contact number provided to owners and managers of property affected is correct at all times.

Service Provider

UKPN has said that end user customers will not notice a change in service provision as both the IDNO and LPN use UK Power Networks (Operations) Ltd as a service provider to discharge their obligations under the licence conditions.

RAV

UKPN has said that the RAV of the IDNO will be placed into the LPN RAV from the date of the change.

Suppliers and Meter Point Administration Numbers (MPANs)

UKPN has said that although they intend to transfer the assets from the IDNO to the LPN from 1 April 2013, the replacement of 28 series (IDNO) MPANs with 12 series (LPN) MPANs, does not have to be done by this date. However they are working with the four suppliers to confirm an achievable date by which to complete this work. UKPN has confirmed that there are only non-domestic MPANs connected to the IDNO.

DUoS Charges

UKPN has said that the IDNO's Distribution Use of System (DUoS) charges replicate those of LPN and therefore suppliers and customers should not see any difference in that respect. UKPN confirmed that they will continue to charge for DUoS under the IDNO until the final MPAN is transferred to the 12 series.

Top-up and Standby

UKPN confirmed there are no top-up and standby obligations for the IDNO which need to be considered.

Other Stakeholders

UKPN has said that they have been in discussion with other stakeholders that would be affected or interested by the changes.

Connections/Disconnections

UKPN has said that there are a small number of new connections in progress for the site and the disconnections for the sites no longer required have been requested. A small number of quotations for connections are also being processed. UKPN do not anticipate any impacts on this work save for ensuring it appears in the correct licensee for reporting purposes.

Street Lights

UKPN has said that the site does not contain adopted highway and the street lights are not part of the relevant local authority stock.

Ongoing Obligations

UKPN has said there are no ongoing obligations on the IDNO site as a result of it being an Olympics venue that are above the statutory requirements.

RIGs

UKPN has said in their letter that they will make separate IDNO returns under Cost and Revenue RIGs requirements for the year 2012/13, but for future years the IDNO's submission will be consolidated LPN's return.

Revocation of Licence

UKPN has said that they intend implementing the change with effect from 1 April 2013; however they do not intend seeking revocation of the licence at this point. To enable ongoing billing and a staged transfer of MPANs, the IDNO will need to continue to operate under DCUSA², the BSC³ and the MRA⁴, and participation under these codes requires the party to be a licensee. UKPN therefore intend to seek revocation of the licence towards the end of 2015 once final billing and settlements have been completed. In the intervening period, the IDNO will need to continue to comply with its licence. However, in order to avoid an unnecessary administrative burden, they propose that where possible, the IDNO seeks an exemption from their ongoing reporting requirements or seeks to have the relevant licence conditions switched off.

As a consequence of the proposed asset transfer, UKPN has highlighted that there will be an impact on the applicability of the existing licence conditions on the IDNO licence. We note that the licence conditions will remain in effect but we will issue appropriate consent and acknowledgements to reflect the circumstances of the IDNO licence.

We anticipate that each of the existing licence conditions for UK Power Networks (IDNO) Ltd will be dealt with by one of the three following ways:

1. The licence condition will remain in effect until the end of the DPCR5 price control.
2. The Authority will give derogations in respect of requirements under licence provisions where appropriate. This will be following receipt of an application from the IDNO to the Authority for the derogations concerned.
3. The licence conditions will remain in effect until the IDNO licence is revoked and the IDNO will provide detailed confirmation of management arrangements for compliance, including instances where requirements will be met through compliance by LPN with its licence, together with any relevant accompanying information.

Summary of Licence Conditions and their main obligations

Licence Condit. Number	Licence condition title	Notes/summary of main obligations
1	Definition for the standard conditions	This condition covers definitions rather than specific compliance requirements
2	Interpretation of this licence	This condition sets out the interpretation of the licence
3	Application of Section B of the standard conditions	This condition sets out how the conditions in Section B apply (they do not apply to the IDNO)
4	No abuse of the licensee's special position	This condition sets out non-discrimination obligations
5	Licencee's payments to the Authority	This condition sets out the licence fee payments
6	Provision of information to the Authority	This condition sets out the obligation for the licensee to provide information to the Authority
7	Determinations by the Authority	This condition sets out the powers of determination of the Authority in respect of the licensee's obligations.
8	Safety and Security of Supplies Enquiry Service	This condition requires the licensee to provide an emergency/power cut phone service and a statement explaining that service.
9	Arrangements for access to premises	See condition 11

² Distribution Connection and Use of System Agreement

³ Balancing Settlement Code

⁴ Master Registration Agreement

10	Special services and complaints procedure	See condition 11
11	Reporting on performance under Chapter 3	Conditions 9, 10 and 11 in combination are customer service based conditions requiring the provision of services to vulnerable customers and set out the licensee's obligations in respect of access to customers' premises. They also set out the need for a customer service statement and the reporting requirements for electricity guaranteed standards.
12	Requirement to offer terms for Use of System and connection	This condition sets out the requirements to offer terms for connection to the network and also for use of system.
13	Charging Methodologies for Use of System and connection	This condition sets out the requirements for the production of a connection and a use of system charging methodology along with the modification process.
14	Charges for Use of System and connection	This condition sets out the requirements for production of a connection charging statement and a use of system charging statement along with the modification request.
15	Standards for the provision of Non-Contestable Connection Services	This condition sets out the requirements for provision of services that support competition in connections.
16	Requirement to offer terms for the connection of Metering Equipment	This condition covers the connection of metering equipment.
17	Requirement to offer terms for the provision of Metering Point Administration Services	This provision covers the provision of MPAS services
18	Provision of and charges for Metering Point Administration Services	This condition sets out the requirements for an MPAS enquiry service and also the provision of a charging statement for MPAS services.
19	Prohibition of discrimination under Chapters 4 and 5	This condition sets out non-discrimination obligations.
20	Compliance with Core Industry Documents	This condition sets out the industry codes and documents that the licensee must comply with.
21	The Distribution Code	This condition sets out the process for the maintenance of the distribution code.
22	Distribution Connection and Use of System Agreement	This condition sets out the process for the maintenance of DCUSA.
22A	Governance and change control arrangements for Relevant Charging Methodologies	This condition sets out that the modification process for the charging methodologies is through DCUSA.
23	Master Registration Agreement	This condition sets out the process for the maintenance of the MRA.
24	Distribution System planning standard and quality of performance reporting	This condition sets out the distribution planning standard and quality of service performance reporting for the licensee.
25	Long-Term Development Statement	This condition sets out the obligation to produce and maintain a long-term development statement.
25A	Distributed Generation: Connections Guide and Information Strategy	This condition sets out the obligation to produce and maintain a DG Connections Guide and a DG Information Strategy.
26	Disposal of Relevant Assets	This condition sets out the restrictions on disposal of relevant assets by the licensee and relinquishment of operational control of those assets.
27	Theft, damage and meter interference	This condition sets out the obligations on reporting theft, damage and meter interference.
28	Application of statutory powers	This condition sets out how the statutory powers under the Act in respect of compulsory acquisition of land and street works have effect.
29	Restriction of activity and financial ring-fencing of the Distribution Business	This condition sets out restriction on activity that the licensee can undertake and what investments it can hold.

30	Availability of resources	This condition sets out the obligations in terms of providing resources to run the business and restrictions in respect of payment of dividends.
31	Undertaking from Ultimate Controller	This condition sets out the obligation to procure an undertaking from the ultimate controller.
31A	Accounts	This condition sets out the obligation to produce and publish accounts.
51	Regulation of charging arrangements	This condition sets out the restrictions on DUoS charging for domestic customers on the licensee's network.
52	Credit rating of the licensee	This condition sets out the requirement for the licensee to maintain a set level of credit rating.
53	Restriction of indebtedness and transfers of funds	This condition restricts the type of financial transactions that the licensee can enter into.
54	Specific restriction of activity	This condition restricts the licensee to distribution of electricity within the vicinity of the Olympic Park.
55	Regulatory accounts	This condition sets out the obligation to produce, audit and publish regulatory accounts.
56	Reporting of revenue information and associated information	This condition sets out the obligation to record and report revenue information in line with the relevant RIGs.
57	Cost reporting information and associated information	This condition sets out the obligation to record and report cost information in line with the relevant RIGs.

Appendix 2 – Associated documents

Documents published in relation to the granting of the IDNO licence

- a) EDF Energy (IDNO) Ltd – Licence application consultation (65/08) – 16 May 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=105&refer=Networks/ElecDist/Policy/IDNOs>
- b) EDF Energy (IDNO) Ltd – Licence application formal consultation (115/08) – 6 August 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=117&refer=Networks/ElecDist/Policy/IDNOs>
- c) EDF Energy (IDNO) Ltd Decision on Licence Application – 26 November 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=120&refer=Networks/ElecDist/Policy/IDNOs>
- d) Notice under Section 8(A)(3) Electricity Act 1989 - EDF Energy (IDNO) Ltd – 6 August 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=108&refer=Licensing/Work/Notices/ModNotice>
- e) EDF Energy (IDNO) Ltd – Electricity Distribution Licence
[http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fUK+Power+Networks+\(IDNO\)+Ltd+-+Licence+-+22-01-2009.pdf](http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fUK+Power+Networks+(IDNO)+Ltd+-+Licence+-+22-01-2009.pdf)
- f) EDF Energy (IDNO) Ltd – Consent under Standard Condition 54
[http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fUK+Power+Networks+\(IDNO\)+Ltd+-+Consent+\(under+SLC+54\)+-+27-01-2009.pdf](http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fUK+Power+Networks+(IDNO)+Ltd+-+Consent+(under+SLC+54)+-+27-01-2009.pdf)
- g) UKPN letter dated 11 February 2013

Hannah Nixon
Senior Partner
Smarter Grids and Governance: Distribution
Ofgem
9 Millbank
LONDON
SW1P 3GE

11 February 2013

Dear Hannah

UK Power Networks (IDNO) Ltd and London Power Networks plc

Further to a meeting between me and Paul Measday from UK Power Networks and James Veaney and Paul Darby from Ofgem on 17 January 2013, please find set out below a summary of our plans to combine UK Power Networks (IDNO) Ltd into London Power Networks plc with effect from 1 April 2013.

Background

On 15 February 2008 EDF Energy (the then owners of UK Power Networks' licensees) applied for an IDNO licence which was granted on 22 January 2009 in the name of EDF Energy (IDNO) Limited. The granting of the licence followed a consultation by Ofgem and a number of additional conditions and restrictions being placed on the licensee by Ofgem.

As part of the sale of its distribution business to the Cheung Kong Group on 29 October 2010, the IDNO licensee became UK Power Networks (IDNO) Ltd [herein known as the IDNO].

The IDNO was a successful vehicle for the implementation of the electricity network on the London 2012 Olympic Park in Stratford, but now the games are over, UK Power Networks has taken the opportunity to revisit the need to have a separate licensee providing distribution of electricity to the customers on that site. This review concluded that it is in the interests of UK Power Networks' shareholders, stakeholders and customers to transfer the approximately 400 MPANs to the London Power Networks plc [herein known as LPN] licensee. The transfer would be effected by way of a purchase by LPN of the IDNO's assets and liabilities.

It is also worth noting at this point that the original application considered the licensee being involved in multi-utility work in a joint venture. I can confirm that this did not take place so has no impact on the plan.

I have set out below, under individual headings, a summary of the main points which will be of interest to you regarding the plan.

Service Provider

End user customers will not notice a change in service provision as both the IDNO and LPN use UK Power Networks (Operations) Ltd as a service provider to discharge their obligations under the licence conditions. It is for this reason that we are confident of our ability to ensure minimal customer impact and ongoing compliance with licence conditions throughout the transfer.

RAV

In terms of the RAV impact of the changes, the RAV of the IDNO will be placed into the LPN RAV from the date of the change.

DUoS Charges

We can confirm that the IDNO's DUoS charges replicate those of LPN and therefore suppliers and customers should not see any difference in that respect. We will shortly be issuing our "40 day" notice letters to suppliers and sending a copy to Ofgem. These will include an IDNO notice. We will continue to charge for DUoS under the IDNO until the final MPAN is transferred to the 12 series, as mentioned earlier in this letter.

Top-up and Standby

We can confirm that there are no top-up and standby obligations for the IDNO which need to be considered as part of the plan.

Suppliers and MPANs

UK Power Networks intends implementing the change with effect from 1 April 2013. With this in mind stakeholder engagement has already commenced and it has been identified that one of the larger pieces of work, involving the replacement of 28 series (IDNO) MPANs with 12 series (LPN) MPANs, does not have to be done by that date. UK Power Networks is actively working to confirm an achievable date for the four suppliers to be able to complete this work by. I am also able to confirm that there are only non-domestic MPANs connected to the IDNO.

Other Stakeholders

Since our meeting we have had initial discussions with other stakeholders that would be affected or interested by the changes. These include Elexon and the MRA.

Connections/Disconnections

Currently there are a small number of new connections in progress for the site and the disconnections for the sites no longer required post Games have been requested. Both of these sets of work are in the process of being delivered. A small number of quotations for connections are also being processed. We do not anticipate any impacts on this work save for ensuring it appears in the correct licensee for reporting purposes.

Street Lights

In respect of street lights, the site does not currently contain adopted highway and the three lights are not part of the relevant local authority stock.

Ongoing Obligations

We can confirm that there are no ongoing obligations on the IDNO site as a result of it being an Olympics venue that are above the statutory requirements.

RIGs

We can confirm that in respect of the RIGs returns for the 2012/13 actuals, we will include the five returns as per previous years. For future years' actuals and forecasts we will revert to the three DNOs' RIGs only, with the IDNO's submission being included within LPN's return.

Revocation of Licence

As stated above, we intend implementing the change with effect from 1 April 2013; however, we do not intend seeking revocation of the licence at this point. To enable ongoing billing and a staged transfer of MPANs, the IDNO will need to continue to operate under DCUSA, the BSC and the MRA, and participation under these codes requires the party to be a licensee. With this in mind, once final billing and settlements have been completed (which we expect to be towards the end of 2015), we would then intend seeking revocation of the licence.

In the intervening period the IDNO will need to continue to comply with its licence. However, in order to avoid an unnecessary administrative burden, we propose that where possible the IDNO either seeks an exemption from its ongoing reporting requirements or seeks to have the relevant licence conditions switched off.

With the above in mind I attach a confidential appendix listing the licence conditions and the impact of the change on them, along with a summary of the reporting/derogation possibilities for the licence conditions.

If you have any queries on the above or the attached, please do not hesitate to contact me in the first instance.

Yours sincerely



Keith Hutton
Head of Regulation

Copy Paul Measday, Regulatory Returns & Compliance Manager