

To: All holders of an electricity or
gas supply licence

Email: pricecapchanges@ofgem.gov.uk

Date: 4 November 2022

Price cap – Clarification letter on typographical changes to Electricity and Gas Supply Standard Licence Conditions 28AD

The Authority¹ issued a Notice on 4 August 2022 (the 'Notice') in accordance with section 4 of the Domestic Gas and Electricity (Tariff Cap) Act 2018 (the 'Act') setting out our decision to modify Standard Licence Condition (SLC) 28AD of the Electricity and Gas Supply Standard Licence Conditions (SLCs) pursuant to section 1 of the Act.²

This letter makes a number of clarifications in relation to the Notice and the SLCs it relates to. To be clear, the underlying policy intent of the modifications to the licence text is unchanged. We are simply publishing the updated text here for clarity, to assist licensees and any other interested parties to interpret the Notice and the updated SLCs following our modifications.

Clarification of the Notice

The licence text set out in Appendices 1 and 2 of the Notice contained new text to be included into SLC 28AD but, some of the new text was not double underlined in relation to SLC 28AD.33 and SLC 28AD.40³ (as appropriate). In addition, we have identified some typographical errors in the Notice, so we are taking this opportunity to clarify these points. As mentioned above, clarifying these errors does not change the underlying policy intent.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document

² Ofgem (2022), Price Cap – Decision on changes to the wholesale methodology
<https://www.ofgem.gov.uk/publications/price-cap-decision-changes-wholesale-methodology>

³ To note, the text wasn't double underlined in the draft modification notice published alongside the statutory consultation

Schedule 1 sets out the clarifications we are making to the Notice. Please refer back to the Notice published as part of the 4 August 2022 decision to view the other changes made as a result of that decision. The rest of the Notice remains as published in that August decision. To note, the changes published on 4 August 2022 entered into force at the end of the standstill period pertaining to the decision, that being 1 October 2022.

Correction of typographical and formatting errors in SLC 28AD

We are also taking this opportunity to correct some typographical and formatting errors found in SLC 28AD for both the gas and electricity supply licences⁴. As noted previously, this does not change the underlying policy intent. We list these corrections in schedules 2 and 3.

Schedule 2 sets out the typographical and formatting corrections we are making to the Gas Supply SLCs.

Schedule 3 sets out the typographical and formatting corrections we are making to the Electricity Supply SLCs.

If you have any questions regarding this letter, please contact the Price Cap Changes team at pricecapchanges@ofgem.gov.uk.

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Dan Norton
Deputy Director, Price Cap

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

4 November 2022

⁴ Ofgem (2022), Licences and licencing conditions <https://www.ofgem.gov.uk/industry-licensing/licences-and-licence-conditions>

Schedule 1 – Clarifications to the Notice

We have denoted clarifications through double underlining for additions and strike-through for removal. Yellow highlight denotes a change in format.

Modification of the standard licence conditions of all electricity supply licences: clarification of changes made in 4 August 2022 modification notice.

Clarification: The definition for 'Mid Charge Restriction Periods' should have been double underlined in the Notice, denoting an addition in text to the licence conditions. In addition, the title of 'Mid Charge Restriction Periods' should have been bolded. Similarly, part of the 'Subsequent Charge Restriction Period' definition should have also been double underlined, and the title bolded.

28AD.40 In this condition:

'Mid Charge Restriction Periods' means the six-month periods beginning on 1 April 2019 and ending on 30 September 2022;

'Subsequent Charge Restriction Period' means any 28AD Charge Restriction Period which is not the First Charge Restriction Period nor a Mid Charge Restriction Period;

Modification of the standard licence conditions of all gas supply licences: clarification of changes made in 4 August 2022 modification notice.

Clarification: The condition should specify *j* as the parameter for the Charge Restriction Period for clarity and consistency. The reference should be 28AD.6 instead of 28AD.7 for paragraph (a) and 28AD.18(c) instead of 28AD.19(c) for paragraph (b).

28AD.18 For each Subsequent Charge Restriction Period, subject to paragraphs 28AD.19, and 28AD.20, and 28AD.20A the Authority will, at least 25 working days before the start of a forthcoming 28AD Charge Restriction Period *j*:

- (a) determine the updated Benchmark Maximum Charges which shall apply for any forthcoming 28AD Charge Restriction Period *j* by calculating such values in accordance with paragraph 28AD.6 ~~28AD.7~~;
- (b) in so determining the updated Benchmark Maximum Charges which shall have effect from the first day of any forthcoming 28AD Charge Restriction Period *j*, take into account any modification made to SLC 28AD, notwithstanding that any such modification may not have come into effect at the time of publication of the updated Benchmark Maximum Charges in accordance with paragraph 28AD.18(c) ~~28AD.19(e)~~, provided that any such modification has come into effect by no later than the first date of any forthcoming 28AD Charge Restriction Period *j*; and

[...]

Clarification: The licence condition referred to should have been 28AD.10 instead of 28AD.1.

~~28AD.1~~28AD.10 For the purposes of paragraph 28AD.6, the Operating Cost Allowance in 28AD Charge Restriction Period *j*, at Benchmark Annual Consumption Level *k* and for Payment Method *p* shall be calculated as follows:

[...]

Clarification: The definition for 'Mid Charge Restriction Periods' should have been double underlined in the Notice, denoting an addition in text to the licence conditions. In addition, the title of 'Mid Charge Restriction Periods' should have been bolded. Similarly, part of the 'Subsequent Charge Restriction Period' definition should have also been double underlined and the title bolded.

28AD.33 In this condition:

'Mid Charge Restriction Periods' means the six-month periods beginning on 1 April 2019 and ending on 30 September 2022;

'Subsequent Charge Restriction Period' means any 28AD Charge Restriction Period which is not the First Charge Restriction Period **nor a Mid Charge Restriction Period;**

Schedule 2 - Table of typographical and formatting corrections to standard conditions of gas supply licences.

We have included below the sections of the Gas Supply SLCs we have decided to amend for typographical and formatting reasons. Deletions are shown in strike-through and new text is double underlined. Yellow highlight denotes a change in format.

Typographical corrections

Condition	Alteration	Reason for alteration
28AD.4	(b) a Tariff chosen by a Domestic Customer in respect of which the Authority has issued a direction to the licensee under paragraph 7 <u>28AD.24</u> ...	To correct a cross-referencing typographical error
28AD.5	<i>ChargeMax(m) and ChargeMax(nil) are defined as described in paragraph (e)<u>28AD.6</u>.</i>	To correct a cross-referencing typographical error
28AD.7 28AD.8 28AD.9 28AD.10 28AD.11 28AD.12 28AD.13	For the purposes of paragraph (e) <u>28AD.6</u> ...	To correct a cross-referencing typographical error
28AD.17	(a) determine the Benchmark Maximum Charges which shall apply for the First Charge Restriction Period <i>j</i> by calculating such values in accordance with paragraph (e) <u>28AD.6</u> ; and	To correct a cross-referencing typographical error
28AD.18	(a) determine the updated Benchmark Maximum Charges which shall apply for the any forthcoming 28AD Charge Restriction Period <i>j</i> by calculating such values in accordance with paragraph (e) <u>28AD.6</u> ;	Removal of 'the' to improve clarity and update of paragraph reference to correct a cross-referencing typographical error
28AD20A	28AD <u>20A</u>	Addition of full stop to improve clarity
28AD.33	' Charge Restriction ' means the obligation set out in paragraph (a) <u>28AD.1</u> ;	To correct a cross-referencing typographical error

Formatting corrections

Condition	Alteration	Reason for alteration
Annex 2 Annex 3 Annex 4 Annex 5	.xls x file available...	Removal of double underline to improve formatting

Schedule 3 - Table of typographical and formatting corrections to standard conditions of electricity supply licences.

We have included below the sections of the Electricity Supply SLCs we have decided to amend for typographical and formatting reasons. Deletions are shown in strike-through and new text is double underlined>. Yellow highlight denotes a change in format.

Typographical corrections

Condition	Alteration	Reason for alteration
28AD.5	(b) a Tariff chosen by a Domestic Customer in respect of which the Authority has issued a direction to the licensee under paragraph 7 -28AD.25	To correct a cross-referencing typographical error
28AD.7	<p>[...]</p> <p>$OC_{j,k,l,p}$ means the Operating Cost Allowance in 28AD Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p calculated in accordance with paragraph 7-28AD.11;</p> <p>$PA_{i,j,k,l,p}$ means the Payment Method Adjustment in Charge Restriction Region i, in Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p calculated in accordance with paragraph 7-28AD.12;</p> <p>$E_{i,j,k,l,p}$ means the Earnings Before Interest and Tax Allowance in Charge Restriction Region i, in Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p, calculated in accordance with paragraph 7-28AD.13;</p> <p>$H_{i,j,k,l,p}$ means the Headroom Allowance in Charge Restriction Region i, in 28AD Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p calculated in accordance with paragraph 7-28AD.14.</p>	To correct a cross-referencing typographical error
28AD.8	...the sum of the Direct Fuel Cost Component and the Capacity Market Cost Component and, subject to paragraphs 7 -28AD.15 and 7 -28AD.16 below...	To correct a cross-referencing typographical error
28AD.9	... calculated based on the data within the published charging statements of the Network Companies and, subject to paragraph 7 -28AD.15 and 7 -28AD.16 below, in accordance with the methodology and data sources set out in Annex 3. The day:night split used for calculating network charges shall be 58:42, unless the Authority issues a direction pursuant to paragraph 7 -28AD.38 amending the percentages in...	To correct a cross-referencing typographical error
28AD.10	...is the cost of the environmental and social schemes set out in Annex 4 and, subject to paragraphs 7 -28AD.15 and 7 -28AD.16,...	To correct a cross-referencing typographical error
28AD.16	(a)... efficient level of any of the Wholesale Cost Allowance, Network Cost Allowance, Policy Cost	To improve clarity of drafting

	Allowance or Smart Metering Net Cost Change <u>or</u> Adjustment Allowance; or	
28AD.37	(b) when historic data are not available in relation to a particular Tariff, the licensee must: (i) notify the Authority as per paragraph 28AD.37(a)-2228A.22(a) its forecast...	To correct a cross-referencing typographical error

Formatting corrections

Condition	Alteration	Reason for alteration
28AD.7	AA _{i,j,k,l,p} means the Adjustment Allowance in Charge Restriction Region <i>j</i> , in Charge Restriction Period <i>j</i> ,...	To improve formatting - algebraic letters should be italicised
28AD.19	(b) in so determining the updated Benchmark Maximum Charges which shall have effect from the first day of any forthcoming 28AD Charge Restriction Period <i>j</i> , take into account any modification made to SLC 28AD, notwithstanding that any such modification may not have come into effect at the time of publication of the updated Benchmark Maximum Charges in accordance with paragraph 28AD.19(c), provided that any such modification has come into effect by no later than the first date of any forthcoming 28AD Charge Restriction Period <i>j</i> ; and	To improve formatting - algebraic letters should be italicised
28AD.20	... In that event, the Authority will publish the alternative value(s) it has used to determine the Benchmark Maximum Charges <u>s</u> at the same time as publishing the Benchmark Maximum Charges.	To improve formatting - removal of double-underline
28AD.40	'Earnings Before Interest and Tax Allowance' means the amount to reflect a return on capital, calculated by applying the Earnings Before Interest and Tax Margin Percentage by the sum of the Wholesale Cost Allowance, the Network Cost Allowance, the Policy Cost Allowance, the Operating Cost Allowance and the Payment Method Adjustment, in Charge Restriction Region <i>i</i> , Charge Restriction Period <i>j</i> , at Benchmark Annual Consumption Level <i>k</i> , for Benchmark Metering Arrangement <i>l</i> , for Payment Method <i>p</i> , which the Authority is to calculate for the periods and within the timeframes specified in this condition 28AD in accordance with paragraph 28AD.13;	To improve formatting - removal of double-underline from algebraic letters
28AD.40	'Prepayment' means...	To improve formatting – title of definition should be in bold
28AD.40	'Single-Register Metering Arrangement' ... does not vary according to the time of use <i>j</i> ;	To improve formatting – removal of strike-through bracket
28AD.40	'Smart Metering Pass-Through Net Cost Change' means: (a) an amount calculated to reflect the costs <u>s</u> (if any)...	To improve formatting – removal of strike-through s
Annex 2 Annex 3	.xls <u>x</u> file available...	Removal of double underline

Condition	Alteration		Reason for alteration
Annex 4 Annex 5			to improve formatting
Annex 6	Prepayment		To improve formatting - algebraic letters should be italicised
	Region, <i>i</i>	Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
		Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
		Nil kWh m (3,100kWh)	Nil kWh m (3,100kWh)