

Decision

Decision on the housekeeping changes to the electricity distribution standard and special licence conditions

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We are issuing our decision on changes to the electricity distribution licence. These changes are to clarify and, where necessary, correct and remedy, the standard licence conditions, and special licence conditions, that were implemented for the electricity distribution network companies to give effect to our RIIO-ED2 settlement.

This document provides an overview of the responses that we received through our consultation as well as our consideration of these responses. We will publish the non-confidential responses we have received alongside this decision on our website.

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1.Introduction

Section summary

This section sets out the purpose of our consultation, the relevant stakeholders, a summary of the changes we are proposing and the proposed process for consulting upon, and subsequently implementing, our proposals.

What have we decided?

- 1.1 We are issuing our decision on our modifications to the licence conditions for the electricity Distribution Network Operators (**DNOs**). These modifications are required to correct a number of errors that have been identified, as well as improving the clarity of the licence.
- 1.2 We are making these changes under the provisions of Standard Licence Condition 3A – Housekeeping. All of the changes are consistent with the definition of Housekeeping Modifications set out in the Licence, namely:
 - renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired;
 - corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors; and
 - updates to:
 - (1) version numbers of other documents mentioned in the licence;
 - (2) the titles of re-enacted legislation;
 - (3) names of bodies that have been renamed.
- 1.3 Within this document, we set out the reasons why we have made these changes and their effect.
- 1.4 We issued a consultation on these changes on 25th November 2024¹ and received 6 responses to our consultation. All respondents were supportive of our proposals. We discuss the responses to our consultation in detail in Section 4 of this decision.

¹ [Proposed changes to the electricity distribution licence | Ofgem](#)

Context and related publications

- 1.5 We have decided to implement changes to the Standard Licence Conditions for all holders of an Electricity Distribution Licence and changes to the Special Conditions for the following electricity distribution network operator licences²:

Acronym	Group	Licensees (and acronym)
ENWL	Electricity North West Limited	Electricity North West Limited (ENWL)
NGED	National Grid Electricity Distribution	National Grid Electricity Distribution (West Midlands) plc (WMID) National Grid Electricity Distribution (East Midlands) plc (EMID) National Grid Electricity Distribution (South Wales) plc (SWALES) National Grid Electricity Distribution (South West) plc (SWEST)
NPg	Northern Powergrid	Northern Powergrid: Northeast (NPgN) Northern Powergrid: Yorkshire (NPgY)
SPEN	SP Energy Networks	SP Energy Networks: Distribution (SPD) SP Energy Networks: Manweb (SPMW)
SSEN	Scottish and Southern Energy Networks	Scottish and Southern Energy Power Distribution: Scottish Hydro Electric Power Distribution (SSEH) Scottish and Southern Energy Power Distribution: Southern Electric Power Distribution (SSES)
UKPN	UK Power Networks	UK Power Networks: London Power Networks (LPN) UK Power Networks: South Eastern Power Networks (SPN) UK Power Networks: Eastern Power Networks (EPN)

Standard Licence Conditions (SLCs)

- 1.6 SLCs set out the duties and obligations applicable to all holders of a particular type of licence. All electricity distribution licences contain SLCs. The SLCs include some obligations related to Ofgem's performance-based price control model (RIIO) that do not adjust allowed revenue.
- 1.7 The SLCs are grouped into different parts/sections that either apply or do not apply according to the activities carried out by the licence holder.

² Note that Standard Licence Conditions may apply to licensees other than those listed here.

Special Conditions (SpCs)

- 1.8 SpCs are conditions that apply to a particular licensee. However, the wording is often the same for all licensees of a particular type.

Summary of the changes we have decided to make

- 1.9 The licence modifications include amendments to the current licence conditions to improve the clarity and readability of the licence. We are also making some amendments to the licence conditions to correct obvious errors that have been identified since implementation. All of the changes are in line with the rules for Housekeeping Modifications as set out in paragraph 1.2 above.
- 1.10 Alongside this decision we have published:
- the SpCs for the DNOs with tracked changes where there are amendments to existing conditions;
 - the SLCs with tracked changes where there are amendments to existing conditions;
 - An issues log detailing the development of these changes; and
 - A direction to enact these changes.
- 1.11 We created a Licence Drafting Working Group (**LDWG**) in September 2024 consisting of members of the Ofgem team and DNO representatives. This group met twice to review and develop the licence conditions in light of the proposed modifications highlighted in paragraph 1.9.
- 1.12 Given the positive feedback received from all respondents to our consultation we have retained all changes proposed – these are detailed in sections 2 and 3. Additional changes have been made which reflect the feedback received to our consultation which are detailed in section 4.

Next Steps

- 1.13 As these changes are being made under SLC3A they take immediate effect. Therefore, these changes will take effect as of the date of this decision – 13/02/2025. We recognise that there are a number of issues that were not progressed through the housekeeping mechanism. We are committed to reviewing these issues further in the near future.
- 1.14 The licences which have been used for these changes dates from October 2024. We recognise that other changes have been made to the licences during the course of this housekeeping modification process. The changes made through this

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process will be amalgamated with other licence modifications at the next opportunity through the issuance of new consolidated licences.

2.Changes to the Special Licence Conditions

Section summary

This section summarises the changes we have made to the SpCs. The structure of this section sets out the condition in question, the reason for the change and the effect of implementing our decision.

Introduction

- 2.1 This section sets out the reasons for and effects of each of the SpCs that we have modified because of the errors that have been identified and to improve the clarity of the licence.

SpC 1.2 Definitions and references to the Electricity Distributors

Type of change - Amendment to existing licence condition
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- 2.2 The reason for amending this condition is to correct the definition of the Competition and Markets Authority to ensure that the definition is written in a manner which is consistent with all other cross-reference definitions.

- 2.3 The effect is to:

- Change the definition of the Competition and Markets Authority to be consistent with other cross-referenced definitions.

SpC 3.2 Uncertain Costs Re-openers

Type of change - Amendment to existing licence condition
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- 2.4 The reasons for amending this condition are to correct a previous modification which erroneously removed "Part A" from the Value of the Uncertain Cost Terms, to correct cross referencing under SpC 3.2.4 and due to an error in the reference to NpG licensees in Appendix 2.

- 2.5 The effects are to:

- Reintroduce Part A for the value of the Uncertain Cost Terms which ensures cross references to the Special Conditions from other documents (such as guidance documents) are now correct again.
- Remove any terms listed under 3.2.4 which are not listed in Appendix 1.
- Correct the terms in appendix 2 from NPGY and NPGN to NPgY and NPgN.

SpC 3.4 Use It Or Lose It Allowances

Type of change - Amendment to existing licence condition
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- 2.6 The reason for amending this condition is due to an error in the reference to NPg licensees in Appendices 1 and 2.
- 2.7 The effect is to:
- Correct the terms in Appendices 1 and 2 from NPGY and NPGN to NPgY and NPgN.

SpC 3.9 Special Condition 3.9 Load Related Expenditure volume drivers (SRVDt and LVSVDt)

Type of change - Amendment to existing licence condition
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- 2.8 The reason for amending this condition is due to an error in the reference to NPg licensees in Appendix 3.
- 2.9 The effect is to:
- Correct the terms in Appendix 3 from NPGY and NPGN to NPgY and NPgN.

SpC 4.3 Broad measure of customer service output delivery incentive (BMCSt) – SP Manweb Only

Type of change - Amendment to existing licence condition
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- 2.10 The reason for amending this condition is due to a previous amendment incorrectly updating the figures in Appendices 5 and 7 in the SP Manweb Licence.
- 2.11 The effect is to:
- Correct the SP Manweb Licence figures in Appendices 5 and 7, making them consistent with all other sets of special conditions.

3. Proposed changes to the Standard Licence Conditions

Section summary

This section summarises the changes we have made to the SLCs. The structure of this section sets out the condition in question, the reason for the proposed change and the effect of implementing our proposed solution.

Introduction

3.1 The SLCs apply to all electricity distribution licence holders. This section sets out the reasons for and effects of each of the SLCs that we have modified. For the avoidance of doubt, we have made no changes to SLCs that are not listed in this chapter.

Standard Licence Conditions

Page 1 Footer

Type of change - Amendment

3.2 The reason for this change is to correct the reference in the footer to ensure that it is consistent with the rest of the licence.

3.3 The effect is to:

- Change the footer reference from "Licensee" to "Licence".

SLC 1.2 Definitions for the standard conditions
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Type of change - Amendment to existing licence condition
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3.4 The reason for amending this condition is due to inconsistent formatting of definitions which have sub lettering as part of the defined term.

3.5 The effect is to:

- Correct the formatting of all definitions with sub lettering to ensure consistency.

SLC 13A Common Distribution Charging Methodology

Type of change - Amendment to existing licence condition
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3.6 The reason for amending this condition is due to an erroneous double spacing between the condition title and the first part of the condition.

3.7 The effect is to:

- Remove the double spacing to correct the formatting.

SLC 43A Requirement for sufficiently independent directors

Type of change - Amendment to existing licence condition
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3.8 The reason for amending this condition is to remove unnecessary duplication in the drafting of the condition and therefore improve the readability of the licence.

3.9 The effect is to:

- Remove references to dates which have now lapsed.

SLC 47 Environment Reporting

Type of change - Removal of a licence condition

3.10 The reason for removing this condition is because it is timebound to the final Regulatory Year of RIIO-ED1 and ceased to have effect on 31 October 2023.

3.11 The effect is to:

- Replace the content of SLC 47 with [Not Used].

4. Consultation Responses and Additional Changes

Section summary

This section summarises the responses we received to our consultation and our consideration of these responses.

- 4.1 We issued a consultation on our proposed housekeeping changes on 25th November 2024 and received six responses to our consultation. These responses have been published on our website alongside this decision. All responses were supportive of our proposed changes although some further changes were recommended from the consultation responses alongside broader questions. We respond to the questions we received below.
- 4.2 One respondent raised a number of formatting improvements which could be made to the SLCs as our changes had led to titles appearing at the end of pages. We have reviewed the SLCs and have made the majority of the changes proposed to improve the readability of the licence.
- 4.3 A further formatting error was raised regarding the definition of Ultimate Controller in SLC1 which saw a full stop erroneously floating on a line further below where it should. We have amended this error in our decision.
- 4.4 One respondent noted that the changes we are proposing have been made to the 1st October 2024 version of the licence which does not take account of broader changes which have been made to the licence since this date (specifically changes made to SpC4.8 through the DSO Metrics Licence Modification). The respondent also noted that these changes had errors which should be resolved. As the licence undergoes a number of changes throughout the year it would be impractical to continually update the version we are consulting upon throughout the course of a housekeeping modification process through the LDWG. We recognise that there were errors associated with the changes directed through the DSO Metrics Licence Modification and have addressed these through an alternative approach (via the issuance of an erratum notice). Following the issuance of this decision, we will produce a new consolidated version of the licence which will take account of the changes made through this process and other processes which have occurred during the course of this housekeeping process.
- 4.5 A specific issue was raised regarding ENWL's Special Conditions stating that changes made to the cyber definitions as agreed in issues 4 and 28 of our issues

log had not been made. We have reviewed these changes and are confident that the licences issued are in line with the current definitions.

- 4.6 One respondent sought clarity on why we were content to remove SLC47 through the housekeeping process but were not content to remove SLC38A. We believe there is a fundamental difference between SLC38A and SLC47. SLC47, in its drafting, was expressly time limited - "in relations to environmental matters for the final Regulatory Year of the RIIIO-ED1 Price Control Period". This condition is therefore clearly time limited and is therefore eligible for removal under the housekeeping process. SLC38A refers to Valid Claims and Last Resort Supply Payments before 1st April 2019. Whilst this time period has clearly passed, the condition itself refers to how claims prior to this date should be treated. For example, a claim made in March of 2019 would not likely be progressed and completed until after 1 April 2019. Consequently, SLC38A is not an expressly time limited condition, it stipulates how claims which are made prior to a certain date should be treated. Whilst we accept that it is unlikely that claims received prior to 1 April 2019 have not been dealt with, the nature of the condition is not expressly time limited and therefore is not eligible for removal under the housekeeping modification process.
- 4.7 Recommendations were made regarding the drafting of our consultation and draft directions. These included ensuring that the consultation/decision references all holders of a licence as opposed to the fourteen (14) Special Licence holders as changes are being made to the Standard Conditions as well. We have accepted this change. The draft direction stated that the changes would be made immediately, and a respondent suggested that a specific date would be preferable. We have accepted this change. An issue was noted regarding our consultation which erroneously referenced "South East" as opposed to "South Eastern" in the definition of SPN. We have updated this definition in our decision.
- 4.8 Finally, a number of respondents noted that there are various issues which we did not progress through this housekeeping process and sought clarity on how these issues will be addressed. We appreciate that there were a number of changes which were appropriate to be made which could not be progressed under the housekeeping modification process. We are committed to continue engaging with industry to resolve these broader issues and consider the changes through the appropriate statutory process.