

To:

Electricity North West Limited
Northern Powergrid (Northeast) plc
Northern Powergrid (Yorkshire) plc
Scottish Hydro Electric Power Distribution plc
Southern Electric Power Distribution plc
SP Distribution plc
SP Manweb plc
Eastern Power Networks plc
London Power Networks plc
South Eastern Power Networks plc
National Grid Electricity Distribution (East Midlands) plc
National Grid Electricity Distribution (South Wales) plc
National Grid Electricity Distribution (South West) plc
National Grid Electricity Distribution (West Midlands) plc

Electricity Act 1989
Section 11A(2)

Notice of statutory consultation on a proposal to modify the standard and special conditions of the Electricity Distribution licences held by the licensees listed above

1. The Gas and Electricity Markets Authority ('the Authority') proposes to modify the standard conditions of the electricity distribution licence held by each of the licensees listed above ('the licensees') granted, or treated as granted, under section 6(1)(c) of the Electricity Act 1989 ('the Electricity Act') by:
 - a. Modifying Standard Condition 1 – 'Definitions and Interpretation' to include Debt Relief Scheme Payment terms;
 - b. Adding a new Standard Condition, 38D, 'Debt Relief Scheme Payment', to set out an obligation on electricity distribution networks to pay Debt Relief Scheme Payments to suppliers; and
 - c. Modifying Special Condition 6.1 Pass-through items (PT_i) to expand pass-through terms to include Debt Relief Scheme Payments.
2. We are proposing this modification to support the implementation of the Debt Relief Scheme (DRS). A detailed description of the background, reasons and effects of the proposed licence modification, along with the proposed modifications, are set out in Ofgem's Statutory Consultation on the Debt Relief Scheme and supporting documents.

3. The effect of these proposed modifications is to place an obligation on electricity distribution networks to pay Debt Relief Scheme Payments to suppliers, and to be able to recover the costs via use of system charges.
4. The schedule to this notice contains the proposed modifications to the standard and special conditions of the Electricity Distribution licence.
5. More details on the proposed modifications referred to in this Notice are contained within the Statutory Consultation document published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.
6. Any representations with respect to the proposed licence modifications must be made on or before **18 December 2025** to: The Pricing Strategy Team, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to DebtConsultations@ofgem.gov.uk.
7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
8. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.



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Amy O'Mahoney
Deputy Director
Duly authorised on behalf of the
Gas and Electricity Markets Authority
6 November 2025

1. Schedule

The text of the proposed modifications is set out below with text to be inserted double underlined.

Standard Licence Conditions

Condition 1. Definitions and Interpretation

DRSP Claimant	means an Electricity Supplier and/or any DRSP Permitted Assignee entitled to receive the benefit of a Debt Relief Scheme Payment.
DRSP Permitted Assignee	means a person to whom an Electricity Supplier, with the Authority's consent, has assigned or otherwise disposed of all or any of its rights to a Debt Relief Scheme Payment
DRS Scheme Recovery	means the amount of Debt Relief Scheme Payments to be recovered via use of system charges in accordance with standard condition 24B (Debt Relief Scheme) of the Electricity Supply Licence, as directed by Ofgem
Debt Relief Scheme Payment	means a sum of money payable to a DRSP Claimant to compensate for any additional costs that it has incurred as a result of complying with standard condition 24B (Debt Relief Scheme) of the Electricity Supply Licence.
Valid DRSP Claim	means a claim for which the DRSP Claimant has received the Authority's consent under standard condition 24B (Debt Relief Scheme) of the Electricity Supply Licence

Condition 38D. Debt Relief Scheme Payment

Introduction

38D.1 This condition sets out the circumstances in which the licensee must pay a DRSP Claimant a Debt Relief Scheme Payment.

Part A: Requirement to make a Debt Relief Scheme Payment

38D.2 Where the licensee receives a Valid DRSP Claim on or before 30 November 2028, the licensee must make a Debt Relief Scheme Payment in accordance with the Valid DRSP Claim.

38D.3 Where the licensee makes a Debt Relief Scheme Payment to a DRSP Permitted Assignee such payment discharges any requirement to pay the amount of such payment to a DRSP Claimant.

38D.4 The licensee is only required to pay a Valid DRSP Claim in respect of any Regulatory Year if the Valid DRSP Claim is submitted to the licensee by 30 November of the preceding year.

Part B: Ofgem power to direct Recovery of Debt Relief Scheme Payments via Use of System Charges

38D.5 The Authority may direct recovery of a specified amount of Debt Relief Scheme Payments in respect of a particular Regulatory Year via Use of System Charges.

38D.6 Where the Authority makes a direction under 38D.5, insofar as is required by the direction, the Authority may also:

(a) give consent under:

- (i) paragraph 13.1 of this licence to deviate from the Charging Methodology; and
- (ii) paragraph 14.2 of this licence in respect of a derogation from 14.1; and

(b) direct under clause 19.1B of the Distribution Connection and Use of System Agreement to disapply the periods of notice described in clause 19.1A.

Special Conditions

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

6.1.1 The purpose of this condition is to calculate the term PT_t (the pass-through items term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue provides for certain costs to be passed through to users of the licensee's Distribution System.

Part A: Formula for calculating the pass-through items term (PT_t)

6.1.3 $PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t + SLR_t + IBDA_t + EDE_t - SRC_t + \underline{DRSP_t}$
where:

LF_t means the net payments made by the licensee under Standard Condition 5

The Office of Gas and Electricity Markets

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DRSP_t means the aggregate of Debt Relief Scheme Payments requiring payment in accordance with the licensee's obligations under Standard Condition 38D (Debt Relief Scheme Payment) in the relevant Regulatory Year.