

Guidance for DNOs and users on the connection and use of system charging methodology modification process

Under Standard licence condition (SLC) 4 and 4B, DNOs are required to publish approved methodologies describing the basis of their charges for connection to and use of the distribution system¹. The licence text describing the process for changes (which is identical for both connection and use of system (UoS)) is set out in SLC4(4-6), available from http://62.173.69.60/document_fetch.php?documentid=4384.

DNOs can propose changes to the methodologies at any time. They are also obliged by SLC4(2) and 4B(2) to review their methodologies at least annually and make such changes as would allow the methodology to better meet the relevant objectives (SLC4(3) and 4B(3)). Up to date copies of the DNO charging methodology statements and charging statements are available from the DNOs' websites².

This document is a guide to the process that the DNOs and Ofgem should follow on proposing and approving changes to the methodologies³.

Consultation and submission process

Ofgem considers that it is important that the industry is allowed to comment on changes to the charging methodologies, where appropriate, so that these comments can be taken account of in the Authority's decision making process.

The licence details that the modification process will follow one of the following paths:

- a. The DNO consults prior to submission to the Authority, and the Authority then issues a decision,
- b. The DNO consults prior to submission to the Authority, then the Authority also consults, then issues a decision,

¹ DNOs are also required to produce charging statements listing their charges. These are published separately, and are subject to a different approval (the Authority approves the form only) and change process (changes must be made with three months notice to the Authority).

² Links to the DNO methodologies and charging statements can be found on the Electricity Distribution information micro-site on the Ofgem website at <http://www.ofgem.gov.uk/ofgem/microsites/microtemplate1.jsp?toplevel=/microsites/edist00&assortment=/microsites/edist00/links>.

³ This document has been produced as guidance only, and is not binding on the Authority or the DNOs in terms of timescales or process (except where this is set out in the licence). This document does not consider policy issues or the question of justification against the relevant objectives.

- c. The DNO does not consult prior to submission to the Authority, then the Authority consults and issues a decision, or
- d. The DNO does not consult prior to submission, then the Authority also decides there is no need to consult, and issues a decision.

Part of the intention of allowing for Ofgem-led consultations was for situations or where it might be more efficient for Ofgem to carry out a consultation than for the DNOs (eg where a number of DNOs submit a similar proposal at once).

Ofgem considers that, in practice, consultation documents (whether issued by the DNO or Ofgem) and modification proposal documents will follow a broadly common format, although much of the information in Ofgem consultations (eg proposed wording for the statements, or justification against the objectives) will necessarily be taken directly from the DNOs' submissions. The following table suggests a list of items that should be included in these documents⁴.

Information	DNO consultation documents	Modification reports to the Authority	Ofgem consultation documents
A detailed description of the modification.	*	*	*
Justification of how the proposed change allows the methodology to better meet the relevant objectives.	*	*	*
Proposed wording for the methodology statement (and for the charging statement, if necessary).	*	*	*
Illustrative charges, where the proposal results in changes, and details of which customers will be affected by the change.	*	*	*
Any consequential changes to contracts or other industry documentation.	*	*	*
A timetable for implementation of the modification and charge changes.	*	*	*
A reasonable deadline and procedure for responding (Ofgem best practice is a minimum 6 week consultation period).	*		*
Details/copies of any responses received to consultations carried out prior to submission to the Authority.	*	*	

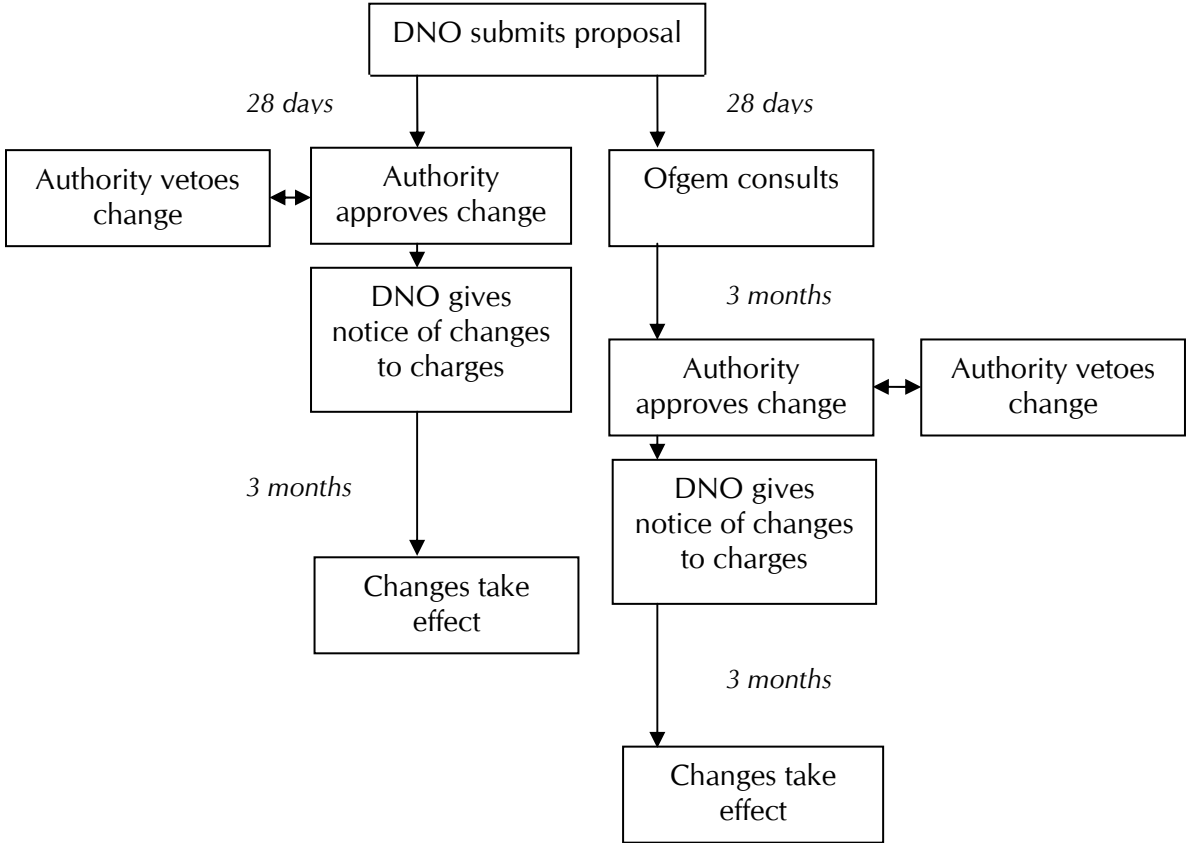
Ofgem would expect these consultations to reach as wide an audience as possible – and at least those contracted for UoS. Consultations should also be copied to Ofgem and energywatch for information or comments.

⁴ This list is informed by the NGC template for changes to its charging methodologies, and also the proforma for NGC CUSC change proposals.

Documentation related to current modification submissions or Ofgem consultations will be published on the Ofgem website at [\[insert link\]](#). Information on previous consultations is available from Ofgem or the DNOs on request.

Timescales

In accordance with the licence, modifications will follow the following timetable, beginning with the submission of a proposal to the Authority (ie excluding any preparatory development work and consultations carried out by the DNOs):



Changes to the methodologies could therefore (theoretically) take up to 7 months from submission to implementation of revised charges. Ofgem will endeavour to keep the process as efficient as possible, but is mindful of the fact that this time may be needed for complex issues which require full consultation and detailed consideration by the Authority. DNOs should keep these timescales in mind, and keep customers informed of the timing of potential changes and likely impacts on charges as far as possible.

Annual DNO review

The licence requires the DNOs to review their methodologies at least annually, and make any changes necessary to allow the methodologies to better meet the relevant objectives. Ofgem will monitor the DNOs’ progress in carrying out these reviews.

Developing the modification process

Charging methodologies were introduced for the DNOs in April 2005, and this document has been drafted to help guide DNOs and users in what to expect for the first modifications. This is not intended to be a static process, and Ofgem would welcome comments or suggestions where users or DNOs consider that it could be improved. This guidance will therefore be subject to changes as the methodologies develop and DNOs' and users experience in proposing and making modifications grows.

Any comments, suggestions, or complaints should be sent to distributionpolicy@ofgem.gov.uk.