

Section D (SLCs 52, 52A, 53, 53A, 53B, 53C, 54) – Report to Steering Group.

This document summarises the views of the Section D workgroup on the following SLCs:

SLC 52. Regulatory Accounts

SLC 52A. Change of Financial Year

SLC 53. Basis of Charges for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services: Requirements for Transparency (ELECTRICITY ONLY)

SLC 53A. Non-discrimination in the Provision of Top-up or Standby, Exempt Supply Services and Prepayment Meter Services (ELECTRICITY ONLY)

SLC 53B. Requirement to Offer Terms for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services (ELECTRICITY ONLY)

SLC 53C. Functions of the Authority (ELECTRICITY ONLY)

SLC 54. Duration of Standard Condition 53B (Requirement to Offer Terms for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services) (ELECTRICITY ONLY)

Background to the Section D licence conditions

1. SLC 3 of the electricity and gas supply licences allows for Section D to have effect in a supplier's licence where either:
 - the Secretary of State has provided by a scheme under Schedule 7 to the Utilities Act 2000 for Section D to have effect for that licensee, or
 - the Authority (with the consent of the licensee) has issued a "Supply Services Direction" directing that Section D (in whole or in part) shall have effect.
2. SLC 3 further provides that the Authority may (apart from SLC 53B which has its own procedures for disapplication under SLC54) with the licensee's consent vary the terms under which Section D has effect in the licence or provide for Section D to cease to have effect.
3. Section D currently has effect in the gas supply licence held by BGT for the whole of the UK. In the electricity market each ex-PES supplier has Section D switched on in their licence for their ex-PES service areas only. This supply service area is the equivalent of the area for which each PES was a monopoly supplier.
4. The original intention of Section D was to set obligations on ex-monopoly supply businesses that were deemed necessary by virtue of their size and historic position. Many of the Section D obligations were intended to support competition.
5. In both the gas and electricity supply licences Section D includes obligations to provide regulatory accounts. For the electricity market only, suppliers with Section D are also required to provide top-up, standby, exempt supply services and prepayment meter services on behalf of other suppliers operating in their service areas.
6. This paper will be taken in two parts. Firstly, it reviews the regulatory accounts obligations that appear in both the gas and electricity licences. Secondly it looks

at the obligations to provide top-up, standby, exempt supply services and prepayment meter services that appear in the electricity supply licence only.

PART 1 – Regulatory Accounts

SLC 52. Regulatory Accounts

7. This condition requires licensees (and any affiliates or related undertakings) maintain accounting and reporting arrangements which enable annual regulatory accounts to be prepared for each separate business and showing the financial affairs of each such separate business. The condition in the supply licences has not been updated unlike the electricity and gas distribution and gas transmission licences, and in its current form does not meet current UK and international accounting requirements, nor does it conform with Ofgem's latest standard regulatory accounts requirements.
8. Following a review of regulatory accounting requirements in November 2000, Ofgem decided that the accounting information provided by price controlled companies needed to be strengthened and that detailed information to inform price controls would be required on a yearly basis.
9. Also, from a policy point of view Ofgem decided it no longer needed regulatory accounts information for supply (both electricity and gas) and generation companies as these markets are competitive. However, Ofgem did caveat this decision with two factors:
 - that it would only apply to the Scottish Power and Scottish Hydro generation, supply and wholesale businesses, if the introduction of competitive Scottish trading arrangements was not successful; and
 - Ofgem noted that in making any licence modifications it is necessary for Ofgem to act in a way that is consistent with the EU Internal Markets Gas Directive (IMGD) 2003/55/EC and the Internal Markets Electricity Directive (IMED) 2003/54/EC of 26 June 2003 on the production of accounting information within the gas and electricity industries.
10. A key issue is the requirements of the EU IMED and the IMGD. Article 19(2) of the IMED and Article 17(2) of the IMGD provides that electricity and gas undertakings, whatever their system of ownership or legal form, shall draw up, submit to audit and publish their annual accounts in accordance with the rules of national law concerning the annual accounts of limited liability companies. This is also a Companies Act requirement. As all licence holders are limited companies the Companies Act requires them to prepare, audit and publish annual accounts so regulatory accounts duplicate that requirement, subject to any specific regulatory disclosures not required accounts under the Companies Act.
11. In addition, Article 19(3) of the IMED and Article 17(3) of the IMGD requires electricity and gas undertakings to, in their internal accounting, keep separate accounts for each of

their transmission and distribution activities and keep accounts, which may be consolidated, for other electricity/gas activities not relating to transmission or distribution. Until 1 July 2007, they shall also keep separate accounts for supply activities for “eligible customers”¹ and supply activities for non-eligible customers. The internal accounts shall include a balance sheet and a profit and loss account for each activity.

12. Article 19(4) of the IMED and Article 17(4) of the IMGD requires that the audit of the annual accounts shall verify that the obligation to avoid discrimination and cross subsidisation is respected. Audits of annual statutory accounts would not normally cover this requirement. Clarification has been received from the DTI that that would not expect this to be a requirement in relation to a company that does not engage in either distribution or transmission.
13. As supply businesses produce annual audited statutory accounts and provided the supply licensee conducts no other regulated business within the entity then there is adequate separation, that should satisfy the requirements of the EC directive and separate regulatory accounts would be unnecessary.
14. In Ofgem’s view, for the purpose of reviewing regulatory accounts arrangements only, the introduction of competitive trading arrangements into Scotland has been sufficiently successful for regulatory accounts to be no longer needed for the Scottish Power and Scottish Hydro generation, supply and wholesale businesses.
15. Options:
 - (a) remove the regulatory accounts condition from the supply standard licences;
 - (b) leave the regulatory accounts condition in the standard licences but switch it off for all companies by Authority consent as allowed for under SLC52(2);
 - (c) do nothing, i.e. leave the regulatory accounts licence condition in the standard conditions and leave it switched off for those companies that do not have it switched on and give a consent against preparing regulatory accounts using its powers in SLC52(2) for those companies that still have it switched on; or
 - (d) include a “minimal” regulatory accounts licence condition in the same way that the DTI did for the interconnector licence.
16. Having reviewed the DTI’s opinion on these options the group have stated their preference for option (a) and to **remove** regulatory accounts from the supply standard licence conditions.

SLC 52A. Change of Financial Year

¹ “Eligible customers” means customers who are free to purchase electricity from the supplier of their choice within the meaning of Article 21 of this Directive”.

17. This condition allows a licensee to change the financial year only of its statutory accounts so that it is not the same as that of its regulatory accounts and required the provision to the Authority of audited group accounts.
18. Any change to this condition should be consistent with any change to SLC52 (discussed above). The group therefore proposes that SLC 52 is **removed** from the gas and electricity standard supply licences.

PART 2 - Top-up, standby, exempt supply services, prepayment meter services

19. This section gives a brief explanation on the role of top-up, standby, exempt supply services and prepayment meter services in the market, developments since their introduction and the view of the workgroup on whether the related obligations should be retained, redrafted or removed. Appendix 1 provides more detail on the content of SLC 53, 53A, 53B, 53C, and 54.

Top-up and standby

20. Top-up means the supply or sale of electricity on a continuing or regular basis:
 - to an authorised electricity operator to make good any shortfall in the availability of electricity to that operator for the purposes of its supply of electricity to persons seeking such supply; or
 - to a customer of the licensee to make good any shortfall between the customer's total supply requirements and that met either by its own generation or by electricity supplied by an electricity supplier other than the licensee
21. Standby means the periodic or intermittent supply or sale of electricity:
 - to an authorised electricity operator to make good any shortfall in the availability of electricity to that operator for the purposes of its supply of electricity to persons seeking such supply; or
 - to a customer of the licensee to make good any shortfall between the customer's total supply requirements and that met either by its own generation or by electricity supplied by an electricity supplier other than the licensee
22. The intention of top-up and standby is to provide the supply or sale of electricity to electricity operators and customers in certain circumstances for sites within the licensee's service area.
23. These protections were required where the wholesale arrangements did not provide for new suppliers entering the market to obtain sufficient generation to meet their demand. There was a need to retain top-up and standby arrangements until the introduction of BETTA. Once BETTA was introduced suppliers were able to seek to secure electricity supply from the trading market. To the extent that

they are not able to match supply with the demand of their customers then they will be liable for imbalance charges under the Balancing and Settlements Code.

24. Suppliers at the workgroup indicated that the arrangements in the licence had not been used. When a party wanted top-up and standby arrangements then they typically approached a supplier to contract for this service. The group considered that there was not a requirement for such services to be mandated on Section D suppliers or any licensed supplier. Suppliers would offer this service on a commercial basis. Top-up and standby arrangements existed in the DNO licence and the purpose of this is to support distributed generation. The group agreed that it would be sensible for the SLR consultation to specifically request views on the implications of removing top-up and stand by obligations from the electricity supply licence on the development of distributed generation.

Summary: The obligations contained in SLC 53, 53A, 53B, 53C and 54 that relate to the provision of top-up and standby should be **removed** from the electricity supply licence. The SLR consultation document should specifically request views on the impact of removing these obligations on the development of distributed generation.

Exempt supply services

25. Exempt supply services means the services detailed in paragraph 2 of SLC 53B (Requirements to Offer Terms for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services), as provided by the licensee to exempt suppliers in respect of premises within their supply services area.
26. SLC 53B(2) requires that any offer for the provision of exempt supply services must include:
- the making, maintenance and termination by the licensee of registrations under and in accordance with the Master Registration Agreement (MRA) and exchange of associated information between the licensee and the exempt supplier,
 - appointment of meter service provider and provision of data retrieval, data processing and data aggregation services,
 - apportionment and settlement of registration charges,
 - reimbursement by the exempt supplier of registration charges,
 - provision of reasonable security or collateral by the exempt supplier to the licensee for performance of obligations under this agreement, and
 - arrangements for varying the agreement.

27. The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001² provides that the supply of electricity need not be undertaken in pursuance of a licence in certain defined circumstances.
28. In setting out the exemptions the Secretary of State has taken a view on the circumstances where it would not operate in customers' interests for their supplier to be licensed. Typically exempt suppliers serve a small number of customers and it would be uneconomic for them to be required to comply with a licence.
29. It is not anticipated that suppliers on exempt networks would require the provision of exempt supply services. Exempt networks would not have an MPAS for the exempt supplier to register the customer in. Instead it could potentially be called into use where a site with generation capabilities wanted to supply excess electricity to another site and use a DNO's network for distribution to the site. In this instance the site to be supplied with electricity would need to be registered in the licensed distributor's MPAS.
30. It would be possible for exempt suppliers to become licensed if they wished to supply such sites. If they did so they would be required to comply with the registration and meter agent appointment requirements set out under the MRA and BSC and this may be disproportionately expensive. More importantly, it would be possible for exempt suppliers to seek to secure equivalent services from other licensed suppliers for the provision of registration and meter services provider on a commercial basis. Suppliers at the workgroup indicated that they would offer to provide exempt supply services on a commercial basis. The workgroup therefore considered that there was not a clear need for exempt supply service obligations to be included in the electricity supply licence. As above, the group considered that views on the implications of removing exempt supply services obligations from the electricity supply licence on the development of distributed generation should be expressly sought in the forthcoming SLR consultation document.

Summary: The obligations contained in SLC 53, 53A, 53B, 53C and 54 that relate to the provision of exempt supply services should be **removed** from the electricity supply licence. The SLR consultation document should specifically request views on the impact of removing these obligations on the development of distributed generation.

Prepayment meter services

31. A supplier with Section D in effect in its licence must, on application made by any other supplier, offer to enter into an agreement for the provision of prepayment meter services (PPMIP services). The PPMIPs services must provide, as may be reasonably appropriate, for prepayment meters which require tokens, cards or keys for their operation, facilities for:
- (where requested) the purchase by electricity suppliers and/or encoding with data of tokens, cards or keys,

² <http://www.opsi.gov.uk/si/si2001/20013270.htm>

- the use by domestic customers of local outlets for the purchase of tokens and the crediting with value of cards or keys,
 - the making of payments to electricity suppliers in respect of sums received by the licensee on behalf of domestic customers, and
 - where relevant, the transfer of domestic customer data to electricity suppliers.
32. Section D currently requires a supplier (with Section D in effect in its licence) to make an offer setting out particular terms including charges to be paid. Such charges must be presented in a statement approved by the Authority and must not restrict, distort or prevent competition. The supplier must not restrict, distort and prevent competition in setting other terms or discriminate in the provision of PPMIP services. The supplier must also undertake the provision of the PPMIP services in the most efficient and economic manner possible. Finally, the Authority may resolve disputes about terms.
33. In the electricity market the prepayment technology used has tended to differ according to the particular service area. Some PPMIP service providers operate a number of prepayment technologies in a given service area.
34. BGT have introduced a further prepayment technology supported by a separate provider of PPMIP services.
35. The group agreed that the overarching principle on the provision of PPMIP services was that a new supplier should not be required to install a new prepayment meter on change of supply. This was also important for customers as there were transactional costs in them having a new meter installed that may increase the cost of supply. The two main factors that may lead a supplier to want to install a new prepayment meter are:
- technical / interoperability issues between suppliers and PPMIPs, and
 - acceptability of the terms and conditions offered by the current PPMIP.
36. On the first point, the group agreed that there was a requirement for principles to support technical / interoperability issues between suppliers and PPMIPs. The group agreed that principles on standardisation and interoperability could be included in the licence and/or sit in industry agreements. It was noted that the provisions currently set out for electricity in MRA Agreed Procedure (MAP) 14 – Procedure for the Allocation of PPM Payments Transacted Against an Incorrect Device, may be a useful template. This MAP sets out requirements for the use of standard data flows and for multiple PPMIPs using the same PPM technology.
37. On the second point, there was concern that suppliers may be reliant on the provision of PPMIP services by providers who may themselves be competing suppliers. In this situation regulation, in some form, is regarded as necessary to protect against anticompetitive behaviour. A further concern was that a PPMIP services provider (including an ex-PES supplier PPMIP services provider or a third party PPMIP services provider), may levy high charges or offer poor service. This

may not necessarily be discriminatory if those changes and terms were equally applied to all suppliers' businesses. The group considered that there was a requirement to secure that the terms and charges offered by the PPMIP services provider were not unduly discriminatory, unfair or unreasonable. The group was not able to conclude on whether these principles should best be achieved through either:

- Specific obligations in Section C of the licence
- Competitive pressures through the ability of suppliers to appoint a new PPMIP services provider (dependent on the interoperability issues set out above)
- Competition legislation such as the Competition Act or the Enterprise Act

38. Centrica did not agree that discrimination needed to be avoided in circumstances of non-dominance, this concern is further explained in Appendix 1.

39. Several group participants including SSE and energywatch did not consider that general competition legislation would be sufficient in this instance to protect supply competition for both PPM customers and their suppliers. Energywatch considered that the Competition Act or Enterprise Act would not be suitable for obtaining timely redress for individual consumers. Centrica did not agree that all suppliers should necessarily have the same obligations in this area, this concern is further explained in Appendix 1.

40. A further issue for consideration is access to PPMIP services. Access to such services is important given the supplier's obligation elsewhere in the licence to offer a prepayment meter (SLC35) as an alternative to disconnection and removing the risk that customers would be locked into a particular supplier due to the PPMIP services arrangements.

41. If obligations are retained in the licence then the group agreed that, rather than retain an obligation on a particular supplier to provide PPMIP Services under Section D of the licence, an obligation on all suppliers under Section C would be more appropriate. This would cover the arrangements made by all domestic suppliers for the provision of PPMIP services including the ex-PES suppliers who provide PPMIP services outside their service areas.

42. The group also noted the experience in the gas market. Here there is only one provider of prepayment meter services which supports quantum meter prepayment technology. There is no obligation on a licensed gas supplier to ensure that the provision of this service does not restrict, distort or prevent competition. The group considered that a similar set of requirements to that proposed in the electricity licence were required in the gas supply licence if alternative providers of PPM and PPMIP services develop. Further consideration should be given to this in the Ofgem June Initial Proposals consultation document.

Summary: It is recommended that the current obligations on electricity suppliers (with Section D in effect in their licence) in relation to PPMIP services should be removed. It is recommended that principles to enforce interoperability between suppliers and PPMIP services providers be

established. These could be achieved through the licence and/or industry agreements. This issue should be consulted upon in the June Initial Proposals document. The group agreed that PPMIPs should not unduly discriminate and their terms and charges should be fair and reasonable. Whether this should be achieved through specific obligations in a supplier's licence, by allowing suppliers to appoint a new PPMIP services provider, or through general competition legislation should be also consulted upon in the June Initial Proposals document. If licence obligations on suppliers are considered to be required, the group recommends that they should be included in Section C of the electricity supply licence. If electricity supply licence obligations are thought to be necessary, the group further recommended that consideration be given, in the Ofgem June Initial Proposals document, to including equivalent provisions on PPMIPs in the gas supply licence. Centrica did not agree with the workgroup's recommendations, this concern is further explained in Appendix 1.

AGREED

Appendix 2 – Summary of Centrica's views on PPMIPs

Centrica was concerned that the workgroup's recommendations may be inconsistent with the development of competition generally arising from a reduction in the degree of metering competition. Consequently, adoption by Ofgem of these recommendations could have the effect of frustrating Ofgem's stated ongoing support of metering competition. It is possible that the effect of the recommendations would be to undermine metering competition and innovation as well as to jeopardise existing industry contractual arrangements.

A number of the suppliers have associated businesses which provide metering services, including PPMIP. It might be necessary to consider the regulation of PPMIP services provided by one supplier to another (as per the metering workgroup discussions) as suppliers may have perverse incentives not to provide services to their competitors.

Moreover, where a provider of PPMIP services is dominant then non-discrimination is an important outcome. However, in instances of non-dominance, it is wrong to try and ensure a non-discriminatory outcome where PPMIP services are being provided by businesses which are not associates of suppliers.

Where the service provider is a dominant activity, then the competitive process and, if necessary, competition law will ensure that incoming/new suppliers and ultimately their customers are not disadvantaged. However it should be noted that this does not require that identical terms and conditions are available to all users of the service, merely that the terms and conditions including price must be capable of objective justification. Any attempt at ensuring absolute avoidance of discrimination in this instance will undermine competition in PPMIP services.

Centrica's suggested way forward is given below.

Electricity: -

- Existing obligations on the ex-PES (section D) suppliers should only be removed if following a market review (of the PPMIP market), it is established that the PPMIP market in electricity is currently or is soon expected to be competitive in the relevant area. This approach is in line with all previous regulatory precedent for the removal of sectoral specific regulation on previous monopoly providers of services where competition is likely to or has emerged. However, it may be possible to simplify/rationalise the existing obligations if they are to be retained.
- Subject to the above, new obligations should apply to all suppliers.
- Prospectively, need to ensure interoperability of PPMIPs via some form of industry agreement establishing standards/protocols whilst ensuring that metering competition/innovation is not undermined. Licence obligations may be required to ensure this outcome if industry agreement is not achieved.
- For existing PPMIPs, as not all PPMIPs are compatible with each other, for those that do not conform to the prospective standards would need either a derogation

from the standards or some limited prescriptive obligations in industry codes. Licence obligations may not be required to ensure this outcome.

- Where the supplier itself provides PPMIP services, (possibly through an associate company) there may be a need to ensure that such supplier enters into terms with any new supplier and that those charges are reasonable. This obligation may be required to overcome any perverse incentives on the supplier being reluctant to provide such PPMIP support services to its competitors
- Where a non-supplier enters into an arrangement with an independent agent for provides PPMIP services for a supplier, then the competitive process and competition law (if there is any abuse of a dominant position) will protect the incoming/new supplier and ultimately customers.

Gas: -

- If new PPMs or PPMIPs develop then a similar set of arrangements as those proposed for electricity will be required.

Appendix 3 - Detailed summary of SLC 53, 53A, 53B, 53C and 54

SLC 53. Basis of Charges for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services: Requirements for Transparency (ELECTRICITY ONLY)

43. SLC 53(1) and (2) require the licensee to prepare statements (in a form approved by the Authority) setting out the basis upon which charges for top-up, standby, exempt supply services and prepayment meter services (the “services”) will be made. The purpose of such statement is to allow other suppliers to make a reasonable estimate of the charges that they would face in using these services.
44. Under SLC 53(3), (4) and (5) the statements are required to include the methods and principles by which charges will be made. In addition, for prepayment meter services a schedule of charges is required.
45. In relation to top-up, standby and exempt supply services SLC 53(6) and (7) require that charges should reflect the cost of provision and a reasonable rate return on the capital represented by such costs.
46. Under SLC 53(9) in setting out prepayment meter charges and other terms for provision, the supplier shall not restrict, distort or prevent competition in the generation, distribution or supply of electricity or in the provision of meters and other metering equipment, meter maintenance services, data retrieval, data processing or data aggregation services.
47. SLC 53(10) requires that the statements are reviewed at least annually and allows for suppliers, with the Authority’s approval, to alter the form of the statements.
48. Following a written request from a supplier under SLC 53(8) the Authority may relieve that supplier of their obligation to provide a statement of charges and other terms for the provision of prepayment meter services. It is not clear why prepayment meter services has been singled out in this instance as this ability is not replicated for top-up, standby or exempt supply services.
49. SLC 53 (11) requires that the supplier sends copies (and revisions) of statements to the Authority and SLC 53(12) requires that this information be provided to any person that asks. Costs of provision of statements provided to any persons may, under SLC 53(13) be recovered at amount not exceeding that specified in directions issued by the Authority.

SLC 53A. Non-discrimination in the Provision of Top-up or Standby, Exempt Supply Services and Prepayment Meter Services (ELECTRICITY ONLY)

50. SLC 53A(1), (2) and (3) set out non-discrimination requirements in the provision of top-up, standby, exempt supply services and prepayment meter services.
51. SLC 53A(4) further requires that the supplier must not make charges for the provision of services which differ from the charges for such provision to any other

person or class or classes of person or exempt supplier, as the case may be, except in so far as differences reasonably reflect differences in the cost of provision.

52. SLC 53A(5) requires that the licensee shall not in setting its charges for the provision of top-up or standby, exempt supply services, or prepayment meter services restrict, distort or prevent competition in the generation, distribution or supply of electricity. For prepayment meter services there may be some overlap with SLC 53(9).

SLC 53B. Requirement to Offer Terms for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services (ELECTRICITY ONLY)

53. SLC 53B(1), (2) and (3) require that the licensee offer to enter into an agreement for the provision of top-up, standby, exempt supply services and prepayment meter services upon request. The later 2 paragraphs also provide a definition of exempt supply services and prepayment meter services respectively. NB: The definition of top-up and standby is set out in SLC 51. These definitions have been included above in the initial discussion under Part 2 of this paper.
54. In making an offer to enter into an agreement to provide services, SLC 53B(4) requires the licensee to specify the date by which the services required shall be provided, the charges to be paid (presented in a particular way) and any other detailed terms in respect of the services as may be appropriate.
55. Under SLC 53B(5) an offer must be made as soon as practicable (unless the Authority consents to a longer period) and in any event not more than 28 days after receipt of an application containing all the relevant information that the licensee may reasonably require to formulate the offer.
56. SLC 53B(6) set out exclusions from the requirement to offer to enter into an agreement. These are, in general, if the agreement would cause the licensee to be in breach of Section 9³ of the Electricity Act or any regulations made under Section 29⁴ of the Electricity Act, the Grid Code or any Distribution Code or the licence conditions. There are specific exclusions for top-up, standby and exempt supply services where the person who makes the request does not agree to be bound by the terms of the Grid Code or applicable Distribution Code. Further, for exempt supply services only, where the applicant ceases to be an exempt supplier.
57. Finally, SLC 53B(7) requires that the licensee shall undertake the provision of prepayment meter services in the most efficient and economic manner practicable having regard to the alternatives available and the other requirements of this licence and of the Act in so far as they relate to the provision of those services. NB: the restrictions on the charges for top-up, standby and exempt supply services are set out in SLC 53.

³ General duties of licence holders

⁴ Regulations relating to supply and safety

SLC 53C. Functions of the Authority (ELECTRICITY ONLY)

58. SLC53C provides for the Authority to settle disputes in particular circumstances where a supplier with Section D in effect in their licence has not entered into an agreement for the provision of services with another party. In doing so the Authority must have regard to the following considerations:

- the provisions relating to charges set out under SLC53 (6), (7) and (9) [NB: Para 9 concerns not distorting, restricting or preventing competition. SLC 53B(7) might be more appropriate as it deals with economic purchase],
- the obligation of suppliers not to be in breach of Section 9 of the Electricity Act or any regulations made under Section 29 of the Electricity Act, the Grid Code or any Distribution Code or the licence conditions as set out in SLC 53B(6)(a),
- the terms and conditions of the agreement settled by the Authority should be in as similar form as possible to other agreements given by the licensee, and
- for exempt supply services, that the agreement should make provision for all of the matters set out in SLC 53B(2).

59. The licensee is required under SLC 53C(2) to offer to enter into and implement an agreement in accordance with the terms of any dispute determined by the Authority.

60. SLC 53C(3) allows the Authority to resolve any dispute arising from the variation of the terms of an existing agreement between two parties.

61. SLC 53C(4) allows the Authority to issue directions relieving the licensee of its obligations under SLC 53B relating to offering terms for the provision of prepayment meter services as set out in SLC 53(B). NB: there are not equivalent provisions for top-up, standby and exempt supply services.

SLC 54. Duration of Standard Condition 53B (Requirement to Offer Terms for Top-up and Standby, Exempt Supply Services and Prepayment Meter Services) (ELECTRICITY ONLY)

62. SLC 54(1) explains that SLC 53B, in whole or in part, shall cease to have effect in accordance with the condition. SLC 54(2) allows the licensee to submit a "disapplication request" at any time. SLC 54(3) then restricts disapplication requests for certain paragraphs of SLC53B until the condition has had effect for 12 months.

63. SLC 54(4) requires that disapplication requests be in writing and specify the paragraphs, or parts of paragraphs, of the licence to which they relate. They also require a "disapplication date" for when the obligations shall cease to have effect. This date must not be less than 12 months after the date of delivery of the

request for top-up, standby and exempt supply services and 18 months for prepayment meter services.

64. Under SLC 54(5) the disapplication request will not have effect if the Authority so determines within 12 months (or 18 months for prepayment meter services) of the disapplication request. Under SLC 54(6) the disapplication request will take effect, if the Authority consents in writing, from the disapplication date or other date as the Authority may specify in its consent.
65. Under SLC 54(7) a supplier may not submit a further disapplication request earlier than 12 months after any previous disapplication request except where the Authority otherwise agrees.

AGREED