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Proposal to modify Standard Licence Conditions C5 ("Use of system charging methodology") and C6 ("Connection charging methodology") of the electricity transmission licence.

Attached to this letter is a notice pursuant to section 11A(3) of the Electricity Act 1989. It formally proposes modifications to Standard Licence Conditions C5 and C6 of the electricity transmission licence.

SLC C5 and SLC C6 of the transmission licence set out the basis of charges for use of and connection to the GB transmission system. In the event that a change is proposed to the use of system charging methodology or the connection charging methodology the relevant licensee must provide the Authority with a report before implementing the proposed change. SLC C5 and SLC C6 state that unless the Authority has issued a direction to the licensee within 28 days of the report being received that the modification may not be made then the modification shall be made.

Under Section 5A of the Utilities Act 2000, where the Authority is proposing to do anything for the purposes of, or in connection with, the carrying out of any function exercisable under or by virtue of Part 1 of the Gas Act 1986 or the Electricity Act 1989 and where it appears that such proposals are "important", Ofgem has, except in limited circumstances, a statutory duty to undertake and publish an impact assessment. Section 5A(2) provides detail of the criteria against which importance should be assessed.

Ofgem considers that, where appropriate, conducting an impact assessment is an integral part of taking a structured approach to decision making. Consequently, Ofgem has committed to aim to set a minimum consultation period of 6 weeks and where the period is shorter to explain why. At present the requirement under SLC C5 and SLC C6 for Ofgem to take a decision on a charging methodology proposal within 28 days constrains Ofgem's ability to undertake impact assessments.



This notice follows an initial consultation, published 31 May 2006, which can be found on the Ofgem website¹. The Authority received eight responses to this initial document. On the whole responses were in favour of the proposed modification on the basis that the existing licence arrangements constrain Ofgem's ability to undertake impact assessments. Two respondents stated that the extension of the period from 28 days to 3 months should be by exception rather than the norm due to the increased uncertainty a longer notice period would bring. Another two respondents did not support the change and expressed concern about the impact that these modifications will have on the ability of licensees to make timely changes to the relevant charging methodologies. We have taken account of the responses to this initial consultation in drafting the modified conditions. The drafting ensures that extensions to the period will be for a *maximum* of three months and that 28 days should remain the default period should an impact assessment not be required. This drafting can be found at Schedules 1 and 2 of the attached notice.

Schedule 3 of the notice gives details of how interested parties should respond to the notice.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert Hull', written in a cursive style.

Robert Hull
Director of Transmission
Authorised on behalf of the Authority

¹http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15186_9306.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/transchar.