

Modification Proposal

Modification number: 0004/2006 – Clarification of the contractual arrangements

Clarification of the contractual arrangements to reflect the introduction of the distribution connection and use of system agreement (DCUSA) and better recognition of the emergence of independent distribution network operators (IDNOs)

Date Submitted: 30 October 2006

Version number: 1.7

Date Approved:

Date Rejected:

Implementation Date: 1 April 2007

Details of Proposal:

CE Electric UK proposes to modify sections 2.4 and 7 of the existing UoS methodology. This change will apply to both Yorkshire Electricity Distribution plc (YEDL) and Northern Electric Distribution Ltd (NEDL). The change is to provide greater transparency and clarification in the methodology statement of the new revised contractual arrangements following the establishment of the DCUSA and to recognise market developments and the emergence of IDNOs.

Change-tracked copies of the relevant sections of our methodology statement are attached in appendices 1 and 2.

Description of the changes:

Contractual framework for the application of UoS charges – [section 2.4]

The changes to section 2.4 are to:

- replace the existing diagram showing the contractual arrangements with one that better represents the recent market developments to recognise both the existence of the new DCUSA and the emergence of other distribution network operators (e.g. IDNOs); and
- reflect the above changes in the accompanying text.

Glossary– [section 7]

The main change in section 7 is to remove the definition of DUoSA and add in DCUSA, CUSA and IDNO, although there are some other minor housekeeping changes.

Licence objectives:

The use of system charging methodology has the following objectives set out in standard licence condition 4:

- (a) that compliance with the use of system charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by the licence;
- (b) that compliance with the use of system charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
- (c) that compliance with the use of system charging methodology results in charges which reflect, as far as reasonably practicable, the costs incurred by the licensee in its distribution business; and

(d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business.

Why the proposal better meets the objectives:

Having reviewed our methodology we believe the proposed change better meets the objectives set out in standard licence condition 4 by providing greater clarity of the contractual arrangements by reflecting recent market developments.

It should be noted that there are no consequential impacts on charges, or other industry documents, and no adverse effect on competition

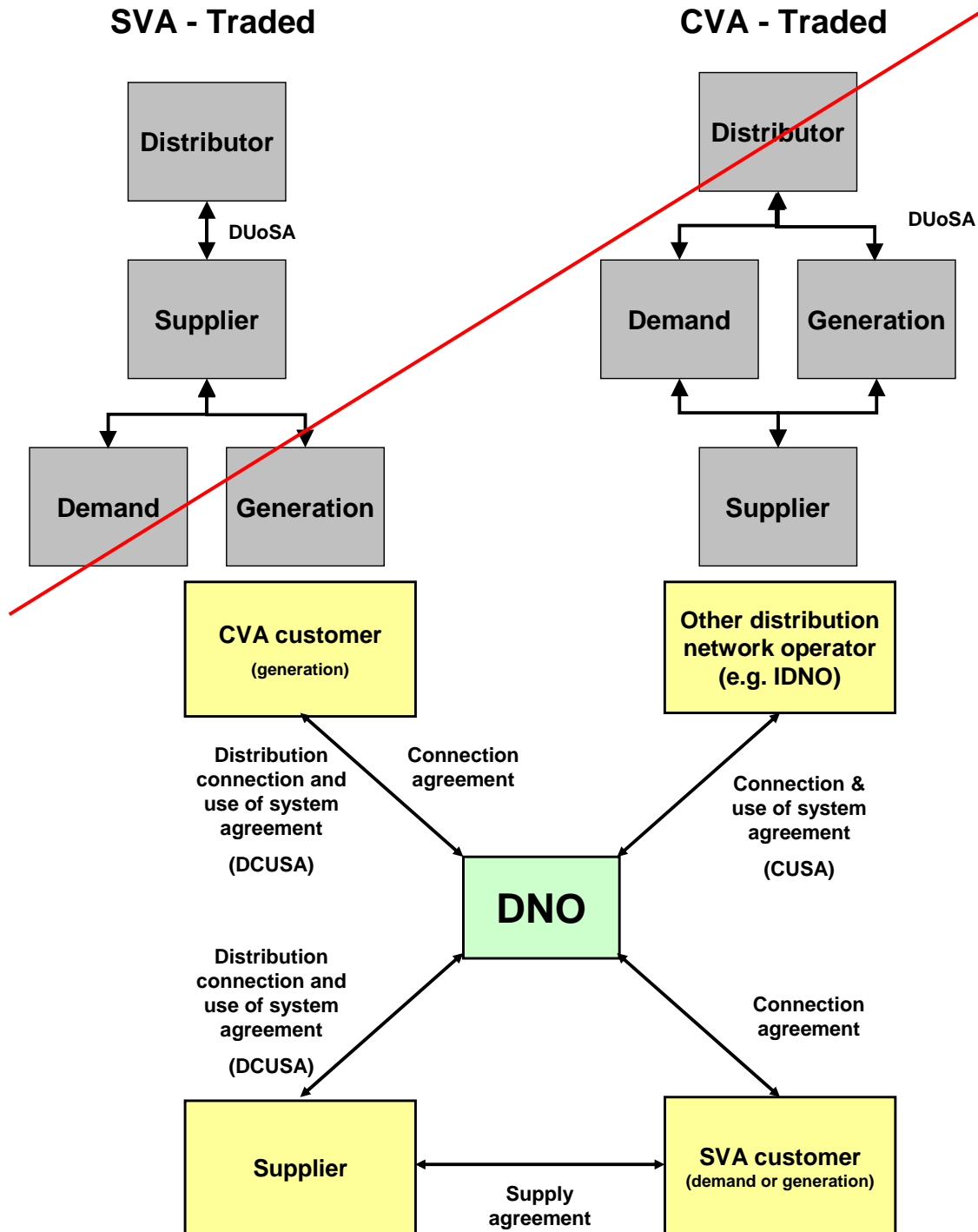
Conclusions:

As these are generally housekeeping changes to the methodology statement we would like to introduce them from 1 April 2007. We would therefore ask Ofgem to consider this proposal and inform us of their decision. The new version of our methodology statement will be 1.7.

Appendix 1 - Contractual framework for the application of UoS charges

2.4 Contractual framework for the application of UoS charges

The following flowchart shows the UoS contractual framework for a customer trading in either **s**Supplier **v**Volume **a**Allocation (SVA), or **c**Central **v**Volume **a**Allocation (CVA) settlements process.



The majority of customers will be connected in the SVA traded environment where both demand and generation customers will be required to appoint an authorised supplier. Any **other distribution network operators (e.g. IDNOs) or** customers trading in CVA contract directly with YEDL[NEDL].

Persons entitled to use YEDL's [NEDL's] distribution system are those who are authorised by licence, or by exemption, under the Act to transmit, supply, distribute or generate electricity ("Authorised Electricity Operators"). In order to protect all users of the system, YEDL [NEDL] will require evidence of authorisation before agreeing terms for use of its system.

Any party seeking to use the distribution system will be required, prior to using the system, to ~~accede to the enter into a d~~ Distribution connection and ~~u~~ Use of ~~s~~ System ~~A~~ Agreement (DCUSA ~~o~~ SA), or a connection and use of system agreement (CUSA), with YEDL [NEDL] setting out the obligations of ~~all both~~ parties. The party seeking use of the distribution system may be required, amongst other things, to:

- pay all and any charges due in respect of use of the distribution system as described in the ~~s~~ Statement of ~~u~~ Use of ~~s~~ System ~~c~~ Charges and the accompanying schedules;
- be a party to the Master Registration Agreement (MRA) for the provision of metering point administration services;
- be a party to the Balancing and Settlement Code (BSC);
- be a party to ~~the~~ National Grid ~~Electricity Transmission Company's (NGC)~~ (NGET) Connection and Use of System Code and any necessary supplemental agreement, governing connections to and use of the ~~NGET National Grid Company's~~ transmission system, unless YEDL [NEDL] is informed by ~~NGET National Grid Company~~ that this is not required in any particular case; and
- comply with the provisions of the Distribution Code (a copy of which is located on the Ofgem website at www.ofgem.gov.uk) as approved from time to time by the Authority.

If the applicant and YEDL [NEDL] within a reasonable time fail to agree contractual terms, or any variation of contractual terms proposed by either party, either party may request settlement by:

The Gas & Electricity Markets Authority (GEMA)
9 Millbank
London
SW1P 3GE

Tel: 020 7901 7000

While the terms and conditions in the agreement will be consistent with those in this statement, the agreement will take precedence. Where an ~~a~~ Authorised ~~e~~ Electricity ~~o~~ Operator, having entered into an agreement for use of YEDL's [NEDL's] distribution system, ceases for whatever reason to be an ~~a~~ Authorised ~~e~~ Electricity ~~o~~ Operator with respect to that use of the system, ~~then~~ the entitlement to use of the system will cease forthwith. The operator will continue to be liable under the agreement unless and until the agreement is terminated. In order to avoid any liability in this regard, and unless agreed otherwise, an ~~a~~ Authorised ~~e~~ Electricity ~~o~~ Operator wishing to notify a change should give YEDL [NEDL] no less than 28 days' notice. Any notice of a wish to terminate should be in accordance with the terms of the agreement.

Terms and conditions for connection of premises, or other electrical systems, to YEDL's [NEDL's] electricity distribution system are set out in its ~~L~~ Licence ~~c~~ Condition 4B document titled "YEDL's [NEDL's] Connection Charging Methodology and Statement"

which is available from the YEDL[NEDL] website, www.ce-electricuk.com. Persons seeking use of the system with respect to a new supply must apply for connection in accordance with the terms and conditions described in that statement.

Where a person requires a connection pursuant to section 16 (1) of the Act, the provisions of this statement are without prejudice to the provisions of sections 16 to 24 of the Act. Those sections deal with the rights, powers and duties of YEDL[NEDL] in respect of:

- providing a connection to any premises; or **in respect of**
- providing a connection to distribution systems of other authorised distributors. (For the purpose of this sStatement 'authorised distributor' means a person authorised **either** by a licence granted under Section 6, paragraph 1(c) of the Act, **or by an exemption**, to distribute electricity).

Appendix 2 - Glossary

7 Glossary

The following definitions are intended to assist the reader's understanding of this document.

"the Licence"	The e Electricity d Distribution L icence granted to YEDL[NEDL] under Section 6(1)(c) of the Act.
"the Act"	The Electricity Act 1989 as amended by the Utilities Act 2000.
"the Authority"	The Gas and Electricity Markets Authority (GEMA) – the regulatory body for the gas and electricity industries established under Section 1 of the Utilities Act 2000.
"Ofgem"	The Office of Gas and Electricity Markets, the support office for GEMA.
"UoS charges"	Use of system charges for demand and generation customers which who are connected to YEDL's[NEDL's] distribution system.
"Distribution Code"	The Distribution Code of the L icensed d Distribution n Network o Operators (DNOs) of Great Britain; produced in accordance with Condition 9 of the Licence and approved by the Authority to define the technical aspects and planning criteria of the working relationship between the DNO and all those connected to its d Distribution s System.
"DUoSA"	Distribution Use of System Agreement – prior to using the distribution system the applicant will be required to enter into an agreement setting out the obligations of both parties.
"DCUSA"	The distribution connection and use of system agreement established in compliance with standard licence condition 9B of the licence.
"CUSA"	A bilateral agreement between NEDL[YEDL] and another distribution network operator (e.g. an IDNO), or a CVA registered customer, that sets out the terms for the use of NEDL's[YEDL's] network.
"IDNO"	Independent distribution network operator.
"MRA"	Master Registration Agreement - The MRA is the multi-party agreement that all Ofgem -licensed s Suppliers and distributors Distribution Business enter into and that governs the essential interactions between them.
"BSC"	Balancing and Settlements Code - wholesale electricity trading arrangements introduced in England and Wales in 2001 are designed to provide greater competition, while maintaining a secure and reliable electricity system.
"NGETC"	National Grid Electricity Transmission Company - owns and operates the high-voltage electricity transmission network in England and Wales
"LV"	Low v Voltage - 230 volts plus 10% or minus 6% measured between the neutral conductor and any phase conductor.
"HV"	High v Voltage - 6,600 volts or 11,000 volts plus or minus 6% measured between any two-phase conductors.
"EHV"	Extra h High v Voltage – 22,000 volts or higher voltage.

“p/MPAN/day”	A daily charge calculated in pence per MPAN per day applicable to non-half hourly metering points.
“p/site/day”	A daily charge, calculated in pence per site per day applicable to half hourly metering points. This is a single charge regardless of the number of MPANs.
“p/kWh”	Charges per kWh (unit) delivered to the exit point from the system, designed to reflect utilisation of the system at all relevant voltage levels and times of day.
“P/kVA”	A charge per kVA for system capacity at each voltage level that which is attributed to the supply.
“£/per/MVA”	This is a component of site-specific charges and is calculated as a proportion of the total annual rates bill.
“Authorised eElectricity oOperator”	Persons entitled to use YEDL's distribution system are those who is are authorised by licence or by exemption under the Act to transmit, supply, distribute or generate electricity (Authorised Electricity Operators) and is hence entitled to use NEDL's[YEDL's] distribution system.
“GDUoS”	Generation d Distribution u Use of s System
“half-hourly (HH)”	Each day's consumption data for each meter and consumption type are sent from the Suppliers' nominated d Data c Collector (DC) and received by NEDL[YEDL] in a D0275 data flow. The D0275 flow(s) are actual, validated half-hourly (HH) advances, and the half-hourly consumption values are used in s Supplier and d Distributor DUoS billing where the HH periods are specified in c Co-ordinated u Universal t Time (UTC).
“non-half hourly (NHH)”	Non-half hourly (NHH) data is profiled and settled according to p Profile c Class, s Standard s Settlement c Class & m Meter t Time-switch c Code.
“RPI”	Retail p Price i Index.
“GSP”	Grid s Supply p Point.
MPAN	Metering p Point a Administration n Number is a unique number allocated to the point of connection.
MPRS	Metering p Point r Registration s Service – MPANs are requested by suppliers and registered in a centralised database.
“SVA”	Supplier Volume Allocation – relates to units that enter settlements and has have an MPAN registered in MPRS.
“CVA”	Central v Volume a Allocation - centrally registered metering point with no MPAN allocated and not registered in MPRS.
“SVAA”	Supplier v Volumes a Allocation a Agent.
“DG”	Distributed g Generation.
“OR&M charge”	Operational repair and maintenance (OR&M) charges are calculated based on a three-year rolling average cost basis. The rationale behind this is to provide stability and consistency and limit any significant step-changes in the calculation.

<p>“Non-standard cConnection aAgreement”</p>	<p>Any connection agreement directly between NEDL[YEDL] and an end user, that does not include connection agreements or terms procured by suppliers, rights obtained for distributors by suppliers under tThe Contracts (Rights of Third Parties) Act 1999, or rights obtained through legal transfer schemes implemented under Schedule 7 of the Utilities Act 2000.</p>
<p>“Agreed cCapacity (AC)”</p>	<p>For any month:-</p> <ol style="list-style-type: none"> a) if a non-standard connection agreement is in existence for the entry or exit point, the mMaximum cConnection cCapacity as specified in the schedule of the agreement; or b) if a non-standard connection agreement is not in existence, the maximum power as specified in the notice provided under Section 16 of the Act requesting the connection to the premises; or c) where the conditions in either (a) or (b) above have not been met (or are inappropriate), the level will be as determined reasonably by NEDL[YEDL]. <p>Tthe highest demand in kVA recorded in the month by the appropriate metering. If metering which that records consumption in each half-hour is installed, mMaximum dDemand shall be ascertained as follows:</p> <ol style="list-style-type: none"> a) where half-hourly kWh and kVArh data is provided, the demand is calculated as twice the square root of the square of the kWh in the half-hour plus the square of the lagging and leading kVArh in that half-hour. The mMaximum dDemand shall be the highest value calculated for each half-hour in the month; b) where half-hourly kVArh data is not provided, the mMaximum dDemand shall be provided from a register measuring the kVA maximum demand in the relevant billing period. To provide this information the meters need to be programmed to reset this register in accordance with the DUoS charge being applied; c) where neither a) nor b) above is available, the mMaximum dDemand shall be calculated as twice the outcome of the division of the maximum half-hourly kWh advance in the billing period by the average power factor for the billing period. Average power factor for the billing period shall be calculated as the kWh advance in the billing period divided by the square root of (the square of the kWh advance in the billing period plus the square of the kVArh advance in that billing period).
<p>“Maximum dDemand”</p>	<p>The capacity provided to meet the maximum power required as requested by the party seeking use of the system and to the extent to which that supply is taken up.</p>
<p>“Connection cCapacity”</p>	<p>The highest active electrical power that can be generated (as defined in the October 2004 version of the rRegulatory iInstructions & gGuidance (RIGs) document)</p>
<p>“Installed gGeneration cCapacity”</p>	<p>The capacity provided to meet the maximum power required as requested by the party seeking use of the system and to the extent to which that supply is taken up.</p>