

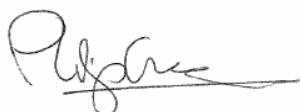
## NOTICE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 11 of the Electricity Act 1989 (the "Act") as follows:

1. The Authority proposes to modify the distribution licence granted, or treated as granted, pursuant to section 6(1)(c) of the Act to each of the following electricity distributors:
  - a Scottish Hydro Electric Power Distribution Plc; and
  - b SP Distribution Limited,by amending Special Conditions A1 (Definitions and interpretation), A2 (Scope of the charge restriction conditions), and F1 (Restriction of basic metering charges), as set out in Appendix 1 to this notice.
2. The reasons why the Authority proposes to make these licence modifications are set out in the following documents which are available (free of charge) on the Ofgem website:
  - a "Early replacement of electricity prepayment meters and removal of electricity metering obligations: Proposed licence amendments", published on 20 February 2007;
  - b "Treatment of the early replacement of prepayment meters in the electricity metering price controls", published on 29 September 2006 (Reference 175/06);
  - c Ofgem open letter, "Licence amendments relating to PPM premature replacement and removal of electricity metering obligations – Early draft", 23 January 2007;
  - d Ofgem open letter, "Licence amendments relating to PPM premature replacement and removal of electricity metering obligations – Update", 11 January 2007; and
  - e Ofgem open letter, "Proposed amendments to the distribution licence in light of removal of electricity metering obligations", 20 December 2006.
3. In summary, the licence modifications are being proposed because:
  - a the current asset-life adjustment mechanism in the price control for electricity PPMs (as set out in Special Condition F1 of the distribution licence) has the potential to distort incentives on both electricity suppliers and electricity distributors with respect to the changeout and replacement of PPMs, and provides limited certainty to electricity distributors regarding cost recovery; and
  - b consequential amendments are required in the distribution licence, in order to clarify the ongoing obligations on electricity distributors with respect to metering services once obligations regarding basic meter operation services and basic meter asset provision for new and replacement meters cease on 31 March 2007.
4. The effect of the proposed modifications is to:
  - a alter Special Condition A1, by omitting the redundant terms and definitions of "allowed meter operation revenue", "basic meter asset provision charges", and

“basic meter operation revenue”, and adding in a new defined term for “legacy basic meter asset provision charges”;

- b alter Special Condition A2 by reclassifying all metering services (other than legacy basic meter asset provision) as excluded services under Appendix 1 of Special Condition A2;
  - c omit from Special Condition F1 of the licence the existing asset-life adjustment mechanism in the price control for PPMs, and add a new mechanism that will enable DNOs to recover 30% of PPM premature replacement costs via a tariff uplift across all price-controlled meters; and
  - d omit licence provisions that are now redundant from special condition F1, in particular the price controls and obligations relating to meter operation services (Parts B, C, D and Annex A of special condition F1), and the specific terms and definitions for “current transformer metering chargeable activities”, “poly-phase metering chargeable activities”, and “single-phase metering chargeable activities”.
5. This notice is similar to an earlier notice published under section 11 of the Act which proposes changes to metering provisions in the special conditions of the licences of twelve other electricity distributors and this notice is also linked to a separate earlier notice published under section 11A of the Act which proposes to modify, regarding metering provisions, some standard conditions of the distribution licences of all electricity distributors; both earlier notices as well as this notice (together with the documents referred to in them) being available (free of charge) on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Following the end of this statutory consultation, consideration of any representations received and the electricity distributor providing its written consent to the modifications, if the Authority decides having regard to all the facts to make any modifications, it shall modify the licence with effect on and from 1 April 2007, consistent with the commencement date of the 2007/2008 financial year.
7. Any representations or objections to the proposed licence modifications must be made in writing (preferably in electronic form) on or before 13 April 2007, to: Duncan Mills, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [duncan.mills@ofgem.gov.uk](mailto:duncan.mills@ofgem.gov.uk).
8. All responses will normally be published on Ofgem’s website and retained in the Ofgem Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication.



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**Philip Davies, Director, Markets**

**Duly authorised on behalf of the  
Gas and Electricity Markets Authority  
2007**

**14 March**

## Appendix 1 – Proposed Changes to the Distribution Licence Special Conditions

Key: Unmodified Text  
Inserted Text  
~~Deleted Text~~

### **SPECIAL CONDITION A1 – Definitions and interpretation**

1. Unless the context otherwise requires, words and expressions used in the standard conditions of this licence shall have the same meaning when used in these special conditions.
2. Special conditions A2 to F1 shall apply to the licensee in respect of the distribution services area (as defined in standard condition 1(Definitions and interpretation)) of the licensee.
3. Special condition G1 shall apply outside the distribution services area of the licensee.
4. In special conditions A2 to G1:

“allowed demand revenue”

means:

- (a) in the relevant year commencing 1 April 2005 and every subsequent relevant year, the revenue calculated in accordance with the formula set out in paragraph 3 of special condition B1 (Restriction of distribution charges: demand use of system charges); and
- (b) in any relevant year preceding 1 April 2005, the revenue calculated by multiplying:
  - (i) the maximum average charge per unit distributed (arising from the

application of the formula set out in paragraph 1 of special condition B (Restriction of distribution charges), or in Scotland special condition C, of this licence in the form in which it was in force at 31 March 2005); and

- (ii) the regulated quantity distributed (calculated in accordance with special condition A (Definitions and interpretation), or in Scotland special condition B, of this licence in the form in which it was in force at 31 March 2005).

~~“allowed meter operation revenue”~~

~~means the revenue calculated in accordance with the formula set out in paragraph 9 of special condition F1 (Restriction of basic metering charges).~~

“allowed network generation revenue”

- (a) in the relevant year commencing 1 April 2005 and every subsequent relevant year, means the revenue calculated in accordance with the formula set out in paragraph 2 of special condition D1 (Restriction of distribution charges: generation use of system charges); and
- (b) in any relevant year preceding 1 April 2005, shall take the value of zero.

“allowed pass-through items”

means the items referred to in special condition B2 (Restriction of distribution charges: allowed pass-through items).

“average specified rate”

means the average of the daily base rates of Barclays Bank plc current from time to time

during the period in respect of which the calculation in question falls to be made.

“base demand revenue”

means the revenue calculated in accordance with the formula set out in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

~~“basic meter asset provision charges”~~

~~means the charges levied by the licensee for basic meter asset provision in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency).~~

~~“basic meter operation revenue”~~

~~means the revenue (measured on an accruals basis) derived by the licensee from charges levied in respect of basic meter operation services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency).~~

“business rates”

means:

- (a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988; and
- (b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government

Scotland Act 1975, the Local Government etc (Scotland) Act 1994, or any legislation amending or replacing those enactments.

“charge restriction conditions”	means special conditions A2 to F1 inclusive as from time to time modified or replaced in accordance with the provisions of the Act.
“combined allowed distribution network revenue”	means the total amount of allowed demand revenue and allowed network generation revenue.
“combined distribution network revenue”	means the total amount of regulated demand revenue and network generation revenue.
“demand customer”	means, in relation to any energised or de-energised exit point on the licensee’s distribution system for which there is a valid metering point administration number, the person who is taking, or is deemed to be taking, a supply of electricity through that exit point.
“demand use of system charges”	means charges levied by the licensee in accordance with paragraph 2 of standard condition 4A (Charges for Use of System) in respect of demand customers.
“DG”	for the purposes of special condition D2 only (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones), and whether on its own or as part of another defined term, means distributed generation.

“directly connected”	in relation to any premises, means so connected to the licensee’s distribution system that the final connection to the premises is from that system (and “indirectly connected” means other than directly connected).
“distribution charges”	means charges levied by the licensee in respect of the provision of distribution services.
“distributed generation”	means an installation comprising any plant or apparatus for the production of electricity which is directly connected to the licensee’s distribution system or is connected to that system through one or more independent or private networks (other than through an onshore transmission system) directly connected to it.
“distribution losses”	means the amount, in units, being the difference between the units entering the licensee’s distribution system and the units distributed.
“distribution services”	means all services provided by the licensee as part of its distribution business other than excluded services.
“distribution unit category”	means (as the case may be) HV units or LV1 units or LV2 units or LV3 units.
“EHV premises”	means: <ul style="list-style-type: none"> <li>(a) in relation to premises connected to the licensee’s distribution system at 31 March 2005, those EHV premises which would, had this licence continued in the</li> </ul>

form in which it was in force on 31 March 2005, have been notified in writing to the Authority by the licensee by 31 July 2005 in accordance with paragraph 9 of special condition D (Information to be provided to the Authority in connection with the charge restriction conditions), or in Scotland special condition E of that Licence; and

(b) in relation to premises connected to the licensee's distribution system which are either first connected or (having been previously connected) have had their connection materially altered on or after 1 April 2005, those premises which are so connected at a voltage of 22 kilovolts or greater, or at a substation with a primary voltage of 66 kilovolts or higher.

“EHV units”

means units distributed by the licensee which are transported to EHV premises.

“entry point”

means a point at which units, whether metered or unmetered, enter the licensee's distribution system.

“excluded services”

means those services provided by the licensee as part of its distribution business which, in accordance with special condition A2 (Scope of the charge restriction conditions), fall to be treated as excluded services.

“exit point”

means a point at which units, whether metered or unmetered, leave the licensee's



distribution system (and, for the avoidance of doubt, includes a point of connection to the licensee's distribution system).

“generation use of system charges”

means charges levied by the licensee in accordance with paragraph 2 of standard condition 4A (Charges for Use of System) in respect of distributed generation.

“HV units”

means units (other than EHV units) distributed by the licensee which are delivered to exit points on the licensee's distribution system at a voltage of 1000 volts or greater.

“incentive payment”

means an adjustment to allowed revenues, whether allowed demand revenue or allowed network generation revenue, representing the penalty or reward in respect of the licensee's performance against the incentive schemes.

“incentive schemes”

means the arrangements set out in special conditions C1, C2, C3 and D2 for adjusting allowed demand revenue and allowed network generation revenue in respect of the licensee's performance under those schemes.

“legacy basic meter asset provision charges”

means the charges levied by the licensee for legacy basic meter asset provision in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Legacy Basic Meter Asset Provision and Data Services: Requirements for Transparency).

“LV units”

means units distributed by the licensee to exit points on the licensee's distribution system at a voltage of less than 1000 volts.

“LV1 units”

means LV units which are distributed by the licensee outside off-peak periods:

- (a) to domestic premises or small premises (other than domestic premises); and
- (b) in respect of which, the appropriate demand use of system charges apply different rates in off-peak periods as opposed to other times of day (and, for the avoidance of doubt, such charges include all those specified as falling within the LV1 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions)).

“LV2 units”

means LV units which are distributed by the licensee during off-peak periods to domestic premises or small premises (other than domestic premises) where the appropriate demand use of system charges are restricted to apply to specified off-peak periods (and, for the avoidance of doubt, such charges include all those items specified as falling within the LV2 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions)).

“LV3 units”

means LV units other than LV1 and LV2 units, for the avoidance of doubt including units distributed under the use of system

charges specified as falling within the LV3 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions).

“metered”

means, in relation to any quantity of electricity distributed, as measured by a meter installed for such purpose.

“network generation revenue”

means the revenue (measured on an accruals basis) derived by the licensee from generation use of system charges made for the provision of distribution services to owners or operators of distributed generation in the relevant year, after deduction of:

- (a) an amount equal to such part of the total amount payable in that relevant year to the transmission licensee (measured on an accruals basis) in respect of transmission connection point charges, transmission use of system charges and remote transmission asset rentals, and which has been recovered from distribution system users in that relevant year by the licensee in its generation use of system charges, as falls to be attributed to those users in that relevant year;
- (b) an amount equal to such part of the total amount payable in that relevant year to another authorised distributor (measured on an accruals basis) in respect of

charges for the transportation of units from that person's network, and which would otherwise be included in network generation revenue by reason of being recovered from distribution system users in that relevant year by the licensee in its generation use of system charges, as falls to be attributed to those users in that relevant year; and

- (c) value added tax (if any) and any other taxes based directly on the amounts so derived,

and, for the avoidance of doubt, network unavailability rebates or payments shall be treated as a cost and not a reduction in network generation revenue.

“price control review date”

means the date from which modifications to the charge restriction conditions have effect:

- (a) whether before or after the date upon which the modifications are made;
- (b) whether or not the same modifications are made in respect of each licensee; and
- (c) where such modifications have been proposed by the Authority following a review by the Authority of the charge restriction conditions (or that part or parts to which the modifications relate) in relation to all distribution services providers.

“quality of service rigs”

for the purposes of special condition C2 only (Calculation of charge restriction adjustments

arising from performance in respect of quality of service), means the regulatory instructions and guidance in force under standard condition 49 (Quality of Service Incentive Scheme and Associated Information).

“registered power zone”

means an area which comprises a collection of contiguously connected distribution system assets having one or more terminal points together describing in full the boundary of that area with the licensee’s distribution system and which has been registered by the Authority as a registered power zone in accordance with special condition D2 (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones).

“regulated demand revenue”

means the revenue (measured on an accruals basis) derived by the licensee from demand use of system charges made for the provision of distribution services to demand customers in the relevant year, after deduction of:

- (a) an amount equal to such part of the total amount payable in that relevant year to the transmission licensee (measured on an accruals basis) in respect of transmission connection point charges, transmission use of system charges and remote transmission asset rentals, and which has been recovered from distribution system users in that relevant

year by the licensee in its demand use of system charges, as falls to be attributed to those users in that relevant year;

- (b) an amount equal to such part of the total amount payable in that relevant year to another authorised distributor (measured on an accruals basis) in respect of charges in respect of units transported from that person's network, and which would otherwise be included in regulated demand revenue by reason of being recovered from distribution system users in that relevant year by the licensee in its demand use of system charges, as falls to be attributed to those users in that relevant year; and
- (c) value added tax (if any) and any other taxes based directly on the amounts so derived.

“relevant year”

means a financial year commencing on or after 1 April 1990.

“relevant year t”

means that relevant year for the purposes of which any calculation falls to be made under the charge restriction conditions.

“relevant year t-1”

means the relevant year immediately preceding relevant year t and similar expressions shall be construed accordingly.

“remote transmission asset rental”

means any rent or other periodic payment payable by the licensee to a transmission licensee in respect of remote transmission assets forming part of the licensee’s

distribution system.

“Retail Price Index”

means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:

- (a) if the index in respect of any month relevant for the purposes of the charge restriction conditions has not been published on or before the last day of February, such price index as the Authority may, after consultation with all holders of a licence in which the charge restriction conditions have effect, determine to be appropriate; or
- (b) if there is a material change in the basis of the index, such index as the Authority may, after consultation with all holders of a licence in which the charge restriction conditions have effect, determine to be appropriate.

“RPZ”

for the purposes of special condition D2 only (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones), and whether on its own or as part of another defined term, means registered power zone.

“small premises”

means premises at which a supply of electricity is taken through a non-half-hourly meter, whether for domestic or non-domestic purposes.

“transmission licensee”	means the holder of a licence granted or treated as granted under section 6(1)(b) of the Act.
“transmission connection point charges”	means charges which are levied by a transmission licensee as connection charges by direct reference to the number or nature of the connections between the licensee’s distribution system and the transmission system of that transmission licensee and which are payable by the licensee.
“transmission use of system charges”	means charges which are levied by a transmission licensee as use of system charges by direct reference to the export of electricity from the licensee’s distribution system to the transmission system of that transmission licensee and which are payable by the licensee.
“unit”	means a kilowatt hour.
“units distributed”	means the aggregate quantity of units distributed by the licensee through its distribution system in relevant year t as measured on leaving that system, whether metered or unmetered.
“unmetered”	in relation to any quantity of electricity entering or leaving the licensee’s distribution system that is not measured by metering equipment, refers to the quantity estimated as so doing.

5. Any reference in these special conditions to:



- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity distribution licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity generation licences; or
- (e) a provision of the standard conditions of electricity transmission licences,

shall, if these or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.

6. Except where the context otherwise requires:

- (a) any reference in a special condition to a numbered paragraph or appendix (in each case with or without a letter) or to an annex identified by a letter is a reference to the paragraph, appendix or annex bearing that number or (as the case may be) that letter in the special condition in which the reference occurs; and
- (b) any reference in a special condition to a paragraph is a reference to a paragraph of that special condition and any reference to a sub-paragraph is a reference to a sub-paragraph of that paragraph.

## **SPECIAL CONDITION A2 – Scope of the charge restriction conditions**

1. The purpose of this condition is to set out the basis on which services provided by the licensee may be treated as excluded services.
2. Excluded services are those services provided by the licensee as part of its distribution business in respect of which such charges as are or may be levied may be treated as falling outside the scope of the charge restrictions otherwise imposed by or under this licence.
3. Subject to paragraph 4, the services which by virtue of this condition are excluded services for the purposes of the charge restriction conditions are those set out in Appendix 1 below (which is part of this condition).
4. No service provided by the licensee, within its distribution services area, as part of its distribution business may be treated as an excluded service insofar as it consists of the provision of services remunerated:
  - (a) under charges made for the use of system in accordance with paragraph 2 of standard condition 4A (Charges for Use of System);
  - (b) under charges made for ~~the provision of basic metering~~legacy basic meter asset provision and data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for ~~Basic Metering Services~~Legacy Basic Meter Asset Provision and Data Services: Requirements for Transparency); or
  - (c) under charges made for the provision of metering point administration services in accordance with paragraph 2 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency).
5. Where the Authority, following consultation with the licensee and having particular regard to paragraph 4 and the matters set out in Appendix 1, is satisfied that any service treated by the licensee as an excluded service should not be so treated, it may issue a direction to that effect.

6. Where a direction is issued under paragraph 5, the service or services specified in the direction shall cease to be treated as excluded services by the licensee from the date of issue of the direction or such other date as may be specified therein.

## Appendix 1: Excluded services

- ES1. The service consisting of the distribution of units:
- (a) to EHV premises that were not connected to the licensee's distribution system before 1 April 2005; or
  - (b) to premises connected before 1 April 2005 that become EHV premises by virtue of having their connection materially altered, subject to the licensee's agreeing with the Authority an appropriate offsetting adjustment to the value of PU or PE (being the amount set against that term in the part of Annex A of special condition B1 (Restriction of distribution charges: demand use of system charges) that applies to the licensee) as appropriate.
- ES2. The service consisting of the carrying out of works for the provision, installation, operation, repair or maintenance of electric lines or other electrical plant, but only insofar as such service is not remunerated through use of system charges or under charges made for ~~the legacy basic meter asset provision of basic metering~~ and the provision of data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for ~~Basic Metering Services-Legacy Basic Meter Asset Provision~~ and Data Services: Requirements for Transparency) or under charges made for the provision within its distribution services area of metering point administration services in accordance with paragraph 2 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency).
- ES3. The service consisting of the provision of any revenue protection services pursuant to the terms of an agreement for use of system.
- ES4. The service consisting of the provision of any statement or report pursuant to:
- (a) paragraph 7 of standard condition 4 (Use of System Charging Methodology);
  - (b) paragraph 8 of standard condition 4A (Charges for Use of System);
  - (c) paragraph 13 or 15 of standard condition 4B (Connection Charging Methodology);

- (d) paragraph 7 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency); or
- (e) paragraph 7 of standard condition 36C (Basis of Charges for ~~Basic Metering~~Legacy Basic Meter Asset Provision Services and Data Services: Requirements for Transparency).

- ES5. The service consisting of the relocation of electric lines or electrical plant (including the carrying out of any works associated therewith) pursuant to any statutory obligation (other than under section 9(1) or section 16 of the Act) imposed on the licensee.
- ES6. The service consisting of the moving of any electric lines, electrical plant or meters forming part of the licensee's distribution system to accommodate the extension, redesign or redevelopment of any premises on which the same are located or to which they are connected.

- ES7. The service consisting of the provision of electric lines and electrical plant insofar as the same are required:
- (a) for the specific purpose of enabling the provision of top-up or standby supplies or sales of electricity; or
  - (b) to provide a higher degree of security than is required for the purposes of complying with paragraph 1 of standard condition 5 (Distribution System Planning Standard and Quality of Service).
- ES8. The service consisting of the transportation of reactive energy to premises with a power factor of less than 0.95, but only insofar as the charges for such services reflect the costs imposed on the licensee and are levied on the basis of the metered value of kVAr or kVArh transported to such premises.
- ES9. Any other service in relation to use of the licensee's distribution system insofar as it consists of the provision of a service (including electric lines or electrical plant) which is for the specific benefit of any third party who requests it and which is not made available by the licensee as a normal part of its distribution business within its distribution services area remunerated by use of system charges, or under charges made for ~~the legacy basic meter asset~~ provision ~~of basic metering~~ and the provision of data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for ~~Basic Metering Services~~ Legacy Basic Meter Asset Provision and Data Services: Requirements for Transparency), or under any other charge in respect of the excluded services set out in paragraphs ES1 to ES8 and paragraph ES10.
- ES10. Any provision of a ~~basic~~-metering service (~~as set out at paragraph 3(b) of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services)~~) insofar as it consists of a service (including any premium in respect of a service provided outside a contractual core time or timeband) that is not incorporated within the calculation of allowed meter operation revenue for the purposes of ~~paragraph 9 of special condition F1 (Restriction of basic metering charges)~~, or any provision of a metering service other than legacy basic meter asset provision (as set out at paragraph 3 of standard condition 36 (Requirement to Offer Terms for Legacy

Basic Meter Asset Provision) ). ~~other than a basic metering service~~ which is not remunerated by use of system charges or under any other charge in respect of an excluded service set out in paragraphs ES1 to ES9.

**SPECIAL CONDITION F1 – Restriction of charges for legacy basic meter asset provision metering charges**

1. The purposes of this condition are to establish the restrictions on charges for legacy basic meter asset provision ~~and basic meter operation services provided~~ by the licensee and to set out the obligations of the licensee in respect of those restrictions.

**Part A: Legacy B basic meter asset provision**

2. The licensee shall, in setting charges for legacy basic meter asset provision in accordance with standard condition 36 (Requirement to Offer Terms for ~~the Legacy Basic Meter Asset Provision~~ Provision of Basic Metering Services), ensure that those charges do not exceed the limits imposed by paragraphs 3 to 7.

**Restraints on charges for single-phase single-rate credit meters**

3. The licensee shall, in setting charges for the provision of a single-phase single-rate credit meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$SRCM_t = £1.12 \times PIT_t + AF_t$$

where:

$SRCM_t$  is the maximum amount that the licensee may charge for the provision of a single-phase single-rate credit meter in the relevant year t.

$PIT_t$  shall be the value determined in accordance with paragraph ~~944~~

$AF_t$  is the adjustment factor and shall take the value determined in accordance with Part B of this condition.

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### Restraints on charges for single-rate token prepayment meters

4. The licensee shall, in setting charges for the provision of a single-rate token pre-payment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$TPPM_t = \left( \left[ \left( \frac{TPPMAV}{LT_t} \right) \times \left[ 1 + \left[ (1 + LTW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LTW_t}{LT_t} \right) \right] \right] \right] + \pounds 0.242 \right) \times PIT_t + AF_t$$

where:

$TPPM_t$  is the maximum amount that the licensee may charge for the provision of a single-rate token prepayment meter in the relevant year t.

$TPPMAV$  means the modern equivalent asset value of a single-rate token prepayment meter and shall take the value of  $\pounds 59.00$ .

$LT_t$  is the current expected life of a single-rate token prepayment meter, ~~as calculated using the following formula: and shall take the value of 9.72.~~

$$\del{LT_t = 9.72 - LRTPPM_t}$$

~~where:~~

~~$LRTPPM_t$  means the allowed reduction in the expected asset life of a single-rate token prepayment meter since 1 April 2005 as determined in accordance with paragraph 17 to 21.~~

LTW<sub>t</sub> ~~shall take the~~ is the value of LT<sub>t</sub> rounded down to the nearest integer ~~and shall take the value of 9.00.~~

PIT<sub>t</sub> shall be the value determined in accordance with paragraph ~~449~~

AF<sub>t</sub> is the adjustment factor and shall take the value determined in accordance with Part B of this condition.

### **Restraints on charges for single-rate key prepayment meters**

5. The licensee shall, in setting charges for the provision of a single-rate key prepayment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$KPPM_t = \left( \left[ \left( \frac{KPPMAV}{LK_t} \right) \times \left[ 1 + \left[ (1 + LKW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LKW_t}{LK_t} \right) \right] \right] \right] + \pounds 0.242 \right) \times PIT_t + AF_t$$

where:

KPPM<sub>t</sub> is the maximum amount that the licensee may charge for the provision of a single-rate key prepayment meter in the relevant year t.

KPPMAV means the modern equivalent asset value of a single-rate key prepayment meter and shall take the value of £60.31.

LK<sub>t</sub> is the current expected life of a single-rate key prepayment meter, ~~as~~ calculated in accordance with the following formula and shall take the value of 9.34.÷

~~$LK_t = 9.34 \cdot LRKPPM_t$~~

~~where:~~

~~LRKPPM<sub>t</sub> means the allowed reduction in the expected asset life of a single-rate key prepayment meter since 1 April 2005 as determined in accordance with paragraphs 17 to 21.~~

LKW<sub>t</sub> ~~shall is take~~ the value of LK<sub>t</sub> rounded down to the nearest integer and shall take the value of 9.00.

PIT<sub>t</sub> shall be the value determined in accordance with paragraph 9.

AF<sub>t</sub> is the adjustment factor and shall take the value determined in accordance with Part B of this condition.

## Restraints on charges for single-rate smartcard prepayment meters

6. The licensee shall, in setting charges for the provision of a single-rate smartcard prepayment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$SPPM_t = \left( \left[ \left( \frac{SPPMAV}{LS_t} \right) \times \left[ 1 + \left[ (1 + LSW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LSW_t}{LS_t} \right) \right] \right] \right] + \pounds 0.242 \right) \times PIT_t + AF_t$$

where:

$SPPM_t$  is the maximum amount that the licensee may charge for the provision of a single-rate smartcard prepayment meter in the relevant year t.

$SPPMAV$  means the modern equivalent asset value of a single-rate smartcard prepayment meter and shall take the value of  $\pounds 62.77$ .

$LS_t$  is the current expected life of a single-rate smartcard prepayment meter, ~~as calculated in accordance with the following formula: and shall take the value of 7.00.~~

$$\del{LS_t = 7.00 - LRSPPM_t}$$

~~where:~~

~~$LRSPPM_t$  means the allowed reduction in the expected asset life of a single-rate smartcard prepayment meter since 1 April 2005 as determined in accordance with paragraph 17 to 21.~~

$LSW_t$  —~~shall take~~is the value of  $LS_t$  rounded down to the nearest integer and shall take the value of 7.00.-

$PIT_t$  shall be the value determined in accordance with paragraph 9.

$AF_t$  is the adjustment factor and shall take the value determined in accordance with Part B of this condition.

**Restraints on charges for all other types of meter provided under standard condition 36 (Requirement to Offer Terms for ~~the Legacy Basic Meter Asset Provision~~ Provision of Basic Metering Services)**

7. The licensee shall, in setting charges for the provision of types of meter under standard condition 36 (Requirement to Offer Terms for ~~the Legacy Basic Meter Asset Provision~~ Provision of Basic Metering Services) other than those covered by paragraphs 3 to 6, ensure that the total charge for such provision is at no time greater than the value derived from the following formula:

$$MAPPC_t = \left[ \frac{MEAP_i}{ELA_i} + MEAP_i \times \frac{6 \cdot 9}{200} + 0 \cdot 242 \right] \times PIT_t + AF_t$$

where:

$MAPPC$  is the maximum amount that the licensee may charge for the provision of types of meter other than those covered by paragraphs 3 to 6 in the relevant year t.

$MEAP_i$  is the modern equivalent asset purchase price of the meter type i as at 1 June 2003 or the nearest determinable date after 1 June 2003.

$ELA_i$  is the current expected economic life of the meter type i

PIT<sub>t</sub> shall take the value determined in accordance with paragraph 9.

AF<sub>t</sub> is the adjustment factor and shall take the value determined in accordance with Part B of this condition.

8. The following types of meter shall (without limitation and subject to the right of the licensee to sub-divide any such type in order to facilitate cost-reflective charging) constitute those which are covered by the provisions of paragraph 7:
  - (a) multi-rate single-phase credit meters;
  - (b) multi-rate single-phase prepayment meters;
  - (c) poly-phase single-rate whole current meters;
  - (d) poly-phase multi-rate whole current meters; and
  - (e) non-half hourly current transformer meters.

**~~Part B: Basic meter operation services~~**

- ~~9. The licensee shall, in setting its charges for the services of basic meter operation provided in accordance with standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services), take all appropriate steps within its power to ensure that basic meter operation revenue in the relevant year t does not exceed the amount represented by the term MOP<sub>t</sub> (being allowed meter operation revenue) calculated in accordance with the following formula:~~

~~$$MOP_t = MOPR_t - RMA_t$$~~

~~where:~~

~~MOPR<sub>t</sub> is the baseline meter operation revenue derived from the following formula:~~

$$\text{MOPR}_t = \text{MRV} \times \text{PIT}_t$$

where:

MRV is the baseline meter operation allowance in 2002/03 prices and shall take the value of that term set against the licensee's name in Annex A.

PIT<sub>t</sub> shall take the value determined in accordance with paragraph 11.

RMA<sub>t</sub> is the adjustment to the revenue associated with basic meter operation and is derived from the formula given in paragraph 10.

10. For the purposes of paragraph 9, RMA<sub>t</sub> is derived from the following formula:

$$\text{RMA}_t = \text{SCA}_t + \text{PCA}_t + \text{CTCA}_t$$

where:

SCA<sub>t</sub> is the revenue adjustment for changes in the level of single-phase metering chargeable activities and is calculated using the following formula:

$$\text{SCA}_t = (\text{FSCA} - \text{SPCA}_t) \times (21.37 \times \text{PIT}_t)$$

where:

FSCA is the starting value for the single-phase metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.

~~SPCA<sub>t</sub> is the number of single phase metering chargeable activities undertaken in the relevant year t.~~

~~PIT<sub>t</sub> shall be the value determined in accordance with paragraph 11.~~

~~PCA<sub>t</sub> is the revenue adjustment for changes in the level of poly phase metering chargeable activities and is calculated in accordance with the following formula:~~

$$\del{PCA_t = (FPCA - PPCA_t) \times (34.91 \times PIT_t)}$$

~~where:~~

~~FPCA is the starting value for the poly phase metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.~~

~~PPCA<sub>t</sub> is the number of poly phase metering chargeable activities undertaken in the relevant year t.~~

~~PIT<sub>t</sub> shall take the value determined in accordance with paragraph 11.~~

~~CTCA<sub>t</sub> is the revenue adjustment for changes in the level of current transformer metering chargeable activities and is calculated using the following formula:~~

$$\del{CTCA_t = (FCTA - CCA_t) \times (106.67 \times PIT_t)}$$

~~where:~~



~~FCTA is the starting value for the current transformer metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.~~

~~CCAt is the number of current transformer metering chargeable activities undertaken in the relevant year t.~~

~~PIT<sub>t</sub> shall take the value determined in accordance with paragraph 11.~~

9. For the purposes of paragraphs 3 to 7, the price index adjustment (PIT) shall be calculated as follows:

$$PIT_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIT_{t-1}$$

where:

PIT<sub>t</sub> in the relevant year commencing 1 April 2002 shall take the value of 1.

RPI<sub>t</sub> is determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

### **~~Part C: Relief from onerous obligations~~**

~~12. This paragraph applies where the licensee considers:~~

- ~~(a) that the selective appointment by a supplier (“the relevant supplier”) of a provider or providers other than the licensee of basic meter operation services has materially altered, or is likely so to alter, the average cost to the licensee of meeting its obligations pursuant to standard condition 36 (Requirement to Offer~~

Terms for the Provision of Basic Metering Services) in respect of the provision of basic meter operation services;

~~(b) that as a consequence it is necessary for the licensee to depart from its published statement of charges prepared in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency) by increasing the charges to be levied on the relevant supplier for the continuing provision of basic meter operation services; and~~

~~(c) that the increase in those charges required by the licensee would, in the absence of a derogation from the requirements of paragraph 9 above in respect of allowed meter operation revenue, have the effect in any relevant year of putting the licensee in breach of this condition.~~

~~13. Where paragraph 12 applies, the licensee may apply to the Authority for permission to increase the charges to be levied on the relevant supplier for the continuing provision of such of the basic meter operation services as are the subject of the licensee's request, stating why such changes are considered to be required, setting out the nature of the change in respect of each of the services in question, and providing such other information to support its application as the Authority may require.~~

~~14. The licensee may, with effect from the date of the application made in accordance with paragraph 13, levy the charges specified in that application in respect of the relevant supplier if:~~

~~(a) the Authority confirms that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as it may specify; or~~

~~(b) the Authority has not, within 90 days after its receipt of the application, issued a direction requiring the licensee not to exceed the allowed meter operation revenue calculated in accordance with paragraph 9.~~

**Part D: Excluded metering services**

~~15. For the avoidance of doubt, a premium on those charges for the following enhanced appointment services may fall to be chargeable under the provisions of special condition A2 (Scope of the charge restriction conditions):~~

- ~~(a) out of hours service appointments in time zone 2;~~
- ~~(b) out of hours service appointments in time zone 3;~~
- ~~(c) two-hour time banded appointments;~~
- ~~(d) same-day appointments; and~~
- ~~(e) next-day appointments;~~

~~where time zone 2 covers any time on a working day from the end of contractual working hours until 11pm from Monday to Saturday and time zone 3 covers:~~

- ~~(i) any time on a working day from 11pm to the start of contractual working hours; and~~
- ~~(ii) all day on Sunday or any other non-working day.~~

~~16. Those charges for the provision of services in relation to which paragraph 15 applies shall be set at a level which will allow the licensee to recover no more than its reasonable costs and a reasonable rate of return in providing those services.~~

**Part EB: Determination of the reduction in asset life adjustment factor**

10. For the purposes of paragraphs 4 ~~to 6~~ to 7, where the licensee considers that the expected asset life of:

- (a) a ~~single rate~~ token prepayment meter (single-rate or multi-rate);
- (b) a ~~single rate~~ key prepayment meter (single-rate or multi-rate); or
- (c) a ~~single rate~~ smartcard prepayment meter (single-rate or multi-rate);

has, as the result of ~~a supplier action,~~decision to change out one of the prepayment meter technologies specified in (a) to (c) above and replace it with another prepayment meter technology specified in (a) to (c) above, -fallen below the level assumed for the purposes of establishing the relevant charge restriction, the licensee may, for the purposes of this condition and by notice to the Authority, propose a relevant “adjustment factor” (AF<sub>i</sub>) to apply across all meter charge restraints as set out in paragraphs 3 to 7 above. ~~reduction in the asset life for the purposes of this condition.~~

11. A relevant ~~reduction~~adjustment factor under paragraph 10 is one which, in the opinion of the licensee, would, if made, have the effect of enabling the licensee to recover 30% of the efficient costs incurred or likely to be incurred in relation to as a consequence of a supplier’s decision to replace one prepayment meter technology with another, as set out in paragraph 10~~basic meter asset provision.~~

12. A notice served by the licensee in accordance with paragraph 10 must:

~~(a) — specify the restriction to which the notice relates;~~

(a) set out the basis (including by reference to the effects of supplier activity) on which the licensee has calculated the ~~relevant reduction~~adjustment factor; and

(b) state the start and end ~~dates from which between which~~ the licensee wishes the Authority to agree that the relevant ~~reduction~~adjustment factor shall have effect (“the ~~reduction adjustment period~~date”).

13. In submitting a notice to the Authority in accordance with paragraphs 10-12 of this condition, the licensee must have regard to the relevant guidelines published by the Authority. ~~Where the licensee serves a notice under paragraph 17, the Authority~~

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14. Where the licensee serves a notice under paragraph 10, the Authority:

- (a) following consultation with the licensee; and
- (b) having particular regard both to the purposes of this condition and to the relevant guidelines published by the Authority,

may, within 28 days of receiving such notice, determine both the relevant reduction adjustment factor and the adjustment period in the expected asset life for the purposes of this condition in such manner as it considers appropriate.

15. If the Authority has not determined the relevant reduction adjustment factor within 28 days of receiving a notice from the licensee under paragraph 10, and such a notice has not been withdrawn, the licensee may apply the relevant reduction adjustment factor with effect from the reduction date over the course of the adjustment period for all relevant purposes of this condition.

16. For the purposes of this condition:

<del>“current transformer metering chargeable activities”</del>	<del>means, with the exception of single phase metering chargeable activities and poly phase metering chargeable activities, those activities performed and charged for under contract as at 1 June 2003 in relation to current transformer meter types.</del>
“modern equivalent asset purchase price”	in relation to any type of meter, means the purchase price of a new meter of the same functionality as that type of meter.
<del>“poly phase metering chargeable activities”</del>	<del>means, with the exception of single phase metering activities and current transformer metering chargeable activities, those activities performed and charged for under contract as at 1 June 2003 in relation to poly phase meter types.</del>
<del>“single phase metering</del>	<del>means, with the exception of poly phase metering</del>

<p>chargeable activities”</p>	<p>chargeable activities and current transformer metering chargeable activities:</p> <p>(a) <del>activities performed and charged for under contract as at 1 June 2003 in relation to single phase meter types; and</del></p> <p>(b) <del>the activities set out below:</del></p> <ul style="list-style-type: none"> <li><del>● resealing a meter</del></li> <li><del>● installing a timeswitch or teleswitch</del></li> <li><del>● reprogramming a meter where it is not part of a bulk reprogramming operation</del></li> <li><del>● de-energising or re-energising a meter</del></li> <li><del>● making an abortive visit (not including a cancelled visit) to premises, and</del></li> <li><del>● attending a visit by a DTI inspector</del></li> </ul> <p><del>in each case regardless of the type of meter on which the work is, or is to be, performed.</del></p>
<p>“single-phase single-rate credit meter”</p>	<p>means an induction type (or electronic) alternating current single-phase two-wire single-rate credit meter.</p>
<p>“single-phase key prepayment meter”</p>	<p>means a meter which uses an essential element (the key) for transferring information from a point of sale for electricity credit to a unique prepayment meter or vice versa.</p>
<p>“single-phase smartcard prepayment meter”</p>	<p>means a meter which uses an essential element (the smartcard) for transferring information from a point of sale for electricity credit to a unique prepayment meter or vice versa.</p>
<p>“single-phase token prepayment meter”</p>	<p>means a meter which uses an essential element (the token) for transferring information from a point of</p>

	sale for electricity credit to a unique prepayment meter.
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**Annex A: Values for MRV, FSCA, FPCA, and FCTA by licensee**

<b>Licensee</b>	<b>MRV £million</b>	<b>FSCA</b>	<b>FPCA</b>	<b>FCTA</b>
Central Networks West plc	8.39	251,266	9,813	921
Central Networks East plc	8.74	275,625	14,095	967
United Utilities Electricity plc	6.20	191,806	7,491	703
Northern Electric Distribution Limited	7.52	273,618	3,418	1,111
Yorkshire Electricity Distribution plc	7.42	253,623	9,905	930
Western Power Distribution (South West) plc	6.06	211,362	6,883	674
Western Power Distribution (South Wales) plc	4.19	143,197	5,593	525
EDF Energy Networks (LPN) plc	7.95	221,137	10,165	3,891
EDF Energy Networks (SPN) plc	8.73	270,969	11,972	4,404
EDF Energy Networks (EPN) plc	10.78	377,151	13,390	1,009
SP Distribution Limited	4.66	146,912	3,459	129
SP Manweb plc	3.66	108,320	3,906	1,574
Scottish Hydro Electric Power Distribution Limited	2.69	88,294	3,448	324
Southern Electric Power Distribution plc	9.09	310,974	12,145	1,140