

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 11(2) of the Electricity Act 1989 (the "Act") as follows:

1. The Authority proposes to modify the electricity distribution licence treated as granted to Scottish Hydro Electric Power Distribution Plc (company number SC213460) under section 6(1)(c) of the Act (the "Licence") by inserting special condition J into the Licence in the manner contained in Schedule 1 to this Notice.
2. The modification is being proposed as part of a modification under section 11A of the Act to implement the Distribution Licence Review (the "DLR").
3. The effect of the proposed modifications is to ensure that the provisions currently contained within standard licence conditions 53A, 53B and 53C ("SLC 53s") of Licence will continue to have effect in the Licence when the SLC 53s are removed as part of the implementation of the DLR.
4. Further reasons for removing these provisions from the standard licence conditions can be found in our consultation document – "Electricity Distribution Licence Review: Proposals" (Ref 259/07).¹
5. Any representations or objections to the proposed licence modifications must be made in writing (preferably in electronic form for ease of publication on the Ofgem website) before **29 May 2008** to Nicholas Rubin, Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE or by email to: distributionpolicy@ofgem.gov.uk and if a respondent does not wish its response to be made public, the response should be clearly marked as not for publication.



Rachel Fletcher
Director, Distribution

Date: 29 April 2008

Duly Authorised on behalf of the Authority

¹<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=9&refer=Networks/ElecDist/Policy>

Schedule 1

Special Condition J. Assistance for high-cost distribution areas

This condition

- 1 This condition sets out the obligations of the licensee, if it is a relevant distributor in the specified area, in relation to any annual payments received by it from the system operator for the purpose of providing assistance with the high costs of distributing electricity incurred by the licensee in that area.
- 2 The payments to which paragraph 1 refers are payments made pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 ("the Assistance Order") and in accordance with standard condition C22 of the system operator's transmission licence.

Application of payments

- 3 The licensee must apply the benefit of any annual payment received by it under paragraph 1 so as to reduce its use of system charges to specified suppliers in a manner that does not unduly discriminate between them and does not show undue preference to any affiliate or related undertaking of the licensee.
- 4 In particular, the licensee must allocate the benefit of any such payment so as to ensure that the level of the benefit received by a specified supplier is directly proportionate to the expected level of demand attributable to the requirements of those (and only those) of that supplier's customers who will be located in the specified area in the forthcoming year of demand.
- 5 When deciding the level of benefit to be allocated to a specified supplier under paragraph 4, the licensee must apply the same or equivalent factors that it applies when considering the level of the benefit to be allocated to any affiliate or related undertaking of the licensee.

Provision of Information

- 6 The licensee must give the Authority any information that the Authority reasonably requires for the purpose of establishing whether the licensee is or has been in compliance with its obligations under this condition.

Interpretation

- 7 In this condition:

"relevant distributor"	has the same meaning as in section 184 of the Energy Act 2004.
"specified area"	means the area described as such in the Assistance Order.
"specified supplier"	means an electricity supplier who takes electricity from the GB transmission

system and supplies it to customers in the specified area.