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Date: 30 March 2009

Dear Colleagues

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

This letter sets out proposals to modify Standard Licence Condition (SLC) C5 "Use of system charging methodology" and SLC C6 "Connection charging methodology" and seeks the views of interested parties.

Background

The Electricity Act 1989 makes provision for the modification of licences by the Authority. The Authority may modify the standard conditions of licences where it considers it to be necessary or expedient, having regard to its statutory duties.

Issue

SLC C5 sets out the basis of charges for use of the GB transmission system, and SLC C6 sets out the basis of charges for connecting to the GB transmission system. Amongst other provisions, both conditions state that if a change is proposed to the use of system or the connection charging methodology, the licensee must submit to the Authority a report that describes the terms and impact of the proposal in the relevant objectives, along with a timetable of the modification and the date with effect from which the modification would take effect (SLC C5 (3)(c) and SLC C6 (9)(c)).

The Authority, then, must revise such a report and issue a direction within the timescale outlined in SLC C5 (4) and SLC C6 (10)(a), respectively. Both these conditions give the Authority a period of 28 days of receiving the licensee's report, or within a period of 3 months if the Authority intends to undertake an impact assessment, to give the direction that the modification shall not be made.

The start time for both the 28 day period and the extended 3-month period is the date of the licensee's report being furnished to the Authority, not the date when we notify the licensee of our intention to undertake an impact assessment consultation.

We consider it important that each modification proposal is subjected to full scrutiny against the relevant objectives of the use of system charging and connection charging methodologies. Ordinarily, when single proposals are submitted for consideration, or multiple proposals are submitted with sufficient time gaps between each, this can be duly achieved.

However, we are concerned that a situation could arise where multiple modification proposals are submitted to the Authority that could render the timescales described above difficult to achieve. If this situation did occur, it could be that we are not able to make a direction for a proposed modification within the 28-day time limit, or the 3-month limit in the event that we notify the licensee of our intention to undertake an impact assessment consultation.

This consultation proposes to amend the period we have to consider modification proposals under SLC C5 and SLC C6. Specifically, we think to amend the impact assessment period, so it starts from the date we notify the licensee of our intention to undertake an impact assessment consultation. Therefore, the proposed modification has the effect of extending the available assessment period by a maximum of 28 days relative to the current timescales.

This amendment is consistent with the framework established in the electricity distribution licence condition, which set an equivalent period to consider modifications of use of system and connection charging methodologies. We are keen, where possible, to create and maintain consistency between electricity transmission and distribution.

Proposed modification

We propose to modify SLC C5 (4) and SLC C6 (10)(a) so that, in the event that we notify the licensee of our intention to undertake an impact assessment consultation, the 3-month time limit will start from the date notification of when we declare an impact assessment is required i.e., the impact assessment time limit will not be counted from the date the modification was submitted.

Our proposal has no effect on the 28-day limit for consideration if an impact assessment is not required.

Copies of revised SLC C5 and SLC C6 are included below. We welcome views from interested parties on the proposed modifications.

Responses

Responses should be sent electronically to james.thomson@ofgem.gov.uk no later than **5pm Monday 27 April 2009**. Alternatively, written responses can be sent to the address below.

James Thomson
Ofgem
Regent Court
70 West Regent Street
Glasgow
G2 2QZ

All responses will be published on our website unless they are clearly marked confidential.

Yours sincerely

Stuart Cook
Director of Transmission

Appendix 1: Licence drafting

SLC C5 (4): The licensee will not make any modification to the use of system charging methodology ~~where the Authority has~~ if, within 28 days ~~(or within 3 months if the Authority intends to undertake an impact assessment)~~ of the report being furnished to it under paragraph 3, ~~given a direction that the modification shall not be made,~~ the Authority has either:

- (a) Directed the licensee that the modification shall not be made; or
- (b) Notified the licensee that it intends to undertake an impact assessment and then, within 3 months of giving that notification, has directed the licensee not to make the modification.

SLC C6 (10)(a): The licensee will not make any modification to the connection charging methodology ~~where the Authority has~~ if, within 28 days ~~(or within 3 months if the Authority intends to undertake an impact assessment)~~ of the report being furnished to it under paragraph 9, ~~given a direction that the modification shall not be made,~~ the Authority has either:

- i) Directed the licensee that the modification shall not be made; or
- ii) Notified the licensee that it intends to undertake an impact assessment and then, within 3 months of giving that notification, has directed the licensee not to make the modification.