

Electricity Distribution Licensees
and other interested parties

*Promoting choice and
value for all customers*

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Dear Colleague,

Standard Condition 24 (Distribution System planning standard and quality of performance reporting): Electricity Distribution Licence

In February 2006, we consulted¹ on a proposal to introduce simplified arrangements relating to the management of compliance with Engineering Recommendation (ER) P2/5, now revised as ER P2/6. In March 2007, having given consideration to the responses we received to the consultation, we issued a direction to all distribution licensees pursuant to paragraph 4 of standard licence condition 5 of the electricity distribution licence. Following the review of the licence in 2008 this licence condition is now at paragraph 2 of standard licence condition 24.

The direction of March 2007 relieved electricity distribution licensees of their obligation to comply with the normal levels of security specified in Engineering Recommendation P2/6 ("P2/6") Table 1 in respect of parts of the distribution system where the Group Demand is less than 60MW when specific conditions are satisfied. We decided to grant this derogation in accordance with our principal objective and general duties and in light of the information provided by respondents to our consultation and subsequent bilateral discussions.

We considered in particular those factors set out in the Guidance Note 'Derogation from codes and standards in electricity generation, supply, distribution and transmission licences' (now revised as "Guidance on licence derogation requests"²) and decided to grant

¹ <http://www.ofgem.gov.uk/Networks/Techn/TechStandds/Derogtns/Documents1/13061-3906.pdf>

² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=14&refer=Networks/Techn/TechStandds/Derogtns>

derogation from P2/6 Table 1 with respect to parts of a Licensee's distribution system in the expectation that this would:

- Reduce the regulatory burden of the derogation process in line with Better Regulation principles.
- Not adversely impact on the security of supply provided to customers.
- Improve clarity about the circumstances when the Licensee should apply for specific derogation.

The scope and duration of this derogation together with specific conditions were set out in a direction that we issued under SLC5 (now SLC 24). The duration allowed a two year trial period for this derogation and we said that at the end of the period we would carry out a review.

The two year trial period end on 28 February this year. We have not been made aware of any issues arising from this direction during the trial period. Also, our continuing focus on outputs in DPCR5 has placed increasing pressure on DNOs to maintain or improve the reliability of networks going forward and deliver appropriate reinforcement of their networks for demand growth. We are therefore minded to extend the period of this derogation until 31 March 2015. By this date, it will have been in place for a continuous period of just over 7 years. We believe that any negative impact on network reliability caused by this direction would be evident by the end of this period.

However, we place great importance on compliance with P2/6 and before extending this direction, we consider it essential to give the DNOs and other stakeholders the opportunity to feed back any views to us in relation to its operation. We are particularly interested to know whether there is any evidence that the arrangements trialled have caused any deterioration of service to customers. We would therefore welcome any comments you may have by 1 April 2010. Please send these to me copied to Gareth Evans (gareth.evans@ofgem.gov.uk).

If there is a consensus view that a meeting would be helpful in discussing the impact of this direction we would be pleased to arrange this.

Yours sincerely



Rachel Fletcher

Partner, Distribution