



All Electricity Distributors

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Date: 22 July 2010

Dear Colleague,

Publication of the Low Carbon Networks (LCN) Fund Governance Document v.3, in accordance with Charge Restriction Condition (CRC) 13 of the Electricity Distribution Licence

On 18 June 2010 we published notice under CRC 13 of the Electricity Distribution Licence of the Authority's intent to issue the LCN Fund Governance Document v.3. This document is connected with the regulation, governance and administration of the Low Carbon Networks (LCN) Fund. We requested representations or objections to the Notice on or before Friday 16 July 2010.

We received seven responses – which are available in full on our website as an attachment to this letter. No objections were received. We have reviewed the responses and concluded that none were recommending substantive changes. We have considered the comments made, and have made the following clarifications to the Governance Document:

- we have inserted a new paragraph 1.17 in the Introduction to clarify that the terms 'Ofgem' and 'the Authority' are used interchangeably throughout the document,
- we have amended Section 1 Table 2.1 and paragraphs 3.8 and 3.20 to provide clarity over the definition of 'DPCR5it' and the treatment of DPCR5 revenue which is saved as a result of a First Tier LCN Fund Project,
- we have re-ordered the information required in Table 2.1 to align it with the more logical order of the First Tier LCN Project Registration Pro-forma and have removed the erroneous use of the term Method,
- we have amended Section 2 paragraph 1.1 to clarify that Second Tier Funding is for a small number of flagship projects,
- we have amended criterion (c) in Section 3 to change the reference to a DNO's Distribution System to refer to the Distribution System in general,
- we have updated the reference to carbon values in Section 1 paragraph 2.10, Section 2 paragraph 2.12 and Section 3 paragraph 3.46 to reflect the latest short term traded carbon values published by the Department of Energy & Climate Change,
- we have amended Section 5 paragraph 3.2 to clarify that it refers to the total amount that the DNO contributes to the project,
- we have amended the definition of 'Approved Amounts' in Section 7 to make it clear that its meaning is as defined in CRC 13 of the Electricity Distribution Licence.

We recognise that there are some outstanding questions regarding aspects of the implementation of the winning Second Tier projects. We will consider these issues and consult if appropriate prior to the Full Submission decision at the end of this year.

We have considered the representations made, and in accordance with CRC 13 are hereby publishing the LCN Fund Governance Document v.3 today, 22 July 2010. Version 3 represents the complete version of the LCN Fund Governance Document.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is written over a light grey rectangular background.

Rachel Fletcher
Partner, Distribution
For and on behalf of the Gas and Electricity Markets Authority