

COLLECTIVE LICENCE MODIFICATION PROPOSAL ref. 92/10 (putting in place a licence obligation on electricity distribution licensees to apply a new distribution charging boundary rule to calculate use of system charges)

NOTICE CONCERNING THE PROPOSED MODIFICATION OF THE STANDARD LICENCE CONDITIONS OF ELECTRICITY DISTRIBUTION LICENCES UNDER SECTION 11A(3) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A(3) of the Electricity Act 1989 ("the Act") as follows:

- 1.** The Authority proposes to modify all electricity distribution licences granted or treated as granted to the holders of an electricity distribution licence (the "Licensees") under section 6(1)(c) of the Act by amending Standard Licence Condition (SLC) 1.3, SLC50.10, SLC50A.11, by introducing a new SLC13A.5 and SLC13B.6, and adjusting the numbers in the conditions from SLC13A.6 and SLC13B.7 onwards and the numbers of parts from Part B onwards accordingly. The proposed licence modification is attached at Schedule 1 to this Notice.
- 2.** For the purpose of this Notice, SLC 1.3 applies to the Licensees and SLC50, SLC50A, SLC13A and SLC13B apply to Distribution Services Providers (DSPs)¹.
- 3.** The reasons why the Authority proposes to make this licence modification are:
 - a. to implement its decision, by way of a licence obligation on licensees, to apply a new rule for determining the distribution charging boundary, i.e. whether a customer should be charged for distribution use of system under the Common Distribution Charging Methodology (CDCM) or the EHV Distribution Charging Methodology (EDCM) which will start to apply when SLC13B comes into force on 1 April 2011, as detailed in the Authority's decision published on 22 July 2010 titled 'Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages (ref 90/10)' (the "22 July decision"); and
 - b. to incorporate this new rule within SLC13A and SLC13B to ensure that the distribution charging boundary will remain clearly defined after removing SLC50 and SLC50A when their purposes for developing an approved CDCM and the EDCM respectively have been met.
- 4.** The proposed modification to SLC1.3 corrects a wrong reference to a schedule of the Master Registration Agreement in the definition of 'Metering Point'.
- 5.** Revised SLC50.10 and SLC50A.11 set out the new rule for determining the distribution charging boundary.
- 6.** New SLC13A.5 and SLC13B.6 reflect the changes made to SLC50.10 and 50A.11 respectively.

¹ DSPs is a defined term in Standard Condition 1. It includes all electricity distribution licensees other than those who operate independent networks.

7. The effect of the proposed modification is to obligate DSPs to apply the same new distribution charging boundary from 1 April 2011 which conforms to the 22 July decision. This also means that DSPs should use the new charging boundary rule as the basis of the EDCM proposals that they have to submit to the Authority by 1 September 2010. In addition, as customers supplied at high voltage levels and directly connected and metered at a substation will no longer be subject to the CDCM, DSPs would need to consider revising the tariff classes under the CDCM as appropriate.
8. The Authority has widely consulted on the licence modifications which now require to be implemented to provide a common charging boundary rule for the industry to follow and ensure that DSPs are clear of the basis for developing the EDCM. DSPs have been consulted by telephone conference and e-mail in the period leading up to publication.
9. A pro forma that Licensees may wish to use in order to register a statutory objection is appended to this Notice.
10. A copy of the proposed modification and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
11. Any representations or objections to the proposed licence modifications may be made on or before 20 August 2010 to: Chris Chow, Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE or by email to chris.chow@ofgem.gov.uk.
12. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response (or any part of it) to be made public then they should clearly mark their response (or a relevant part of it) as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
13. If you wish to discuss any aspect of this Notice, please contact Chris Chow.



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Rachel Fletcher, Partner, Distribution
Duly authorised on behalf of the
Gas and Electricity Markets Authority, 23 July 2010

Pro Forma of Statutory Objection

Proposed Modification of Standard Licence Conditions 1.3, 50.10, 50A.11, and introduction of new SLC13A.5 and SLC13B.6.

In response to the statutory notice dated 23 July 2010 in respect of the above proposed modification, this notice constitutes a statutory objection to that proposal on behalf of² I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

Signed³:

Date:

² Please state full name of each relevant licence holder making the objection.

³ Please include address for acknowledgement, preferably including email address.

Schedule 1:

Condition 1. Definitions for the standard licence conditions

Amendment of the definition of Metering Point: replace the existing reference to the Master Registration Agreement with amended Schedule number.

Metering Point	<p>means the point, determined according to the principles and guidance given at Schedule <u>89</u> of the Master Registration Agreement, at which a supply of electricity taken into or conveyed from the licensee's Distribution System:</p> <p>(a) is or is intended to be measured; or</p> <p>(b) where Metering Equipment has been removed, was or was intended to be measured; or</p> <p>(c) in the case of an Unmetered Supply, is treated as measured.</p>
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Condition 50. Development and implementation of a Common Distribution Charging Methodology

Introduction

- 50.1 This condition applies on and after 1 July 2009 for the following purposes.
- 50.2 The first purpose is to ensure that a Common Distribution Charging Methodology ('the CDCM') is developed and brought into force by the licensee in conjunction with all other Distribution Services Providers on 1 April 2010 ('the Implementation Date') in accordance with the provisions of this condition.
- 50.3 The second purpose is to provide for the introduction into this licence with effect from the Implementation Date of a transparent compliance and change control framework for the CDCM.

Part A: Relief from requirements of standard condition 13

- 50.4 While this condition is in force in this licence, and except where the Authority directs otherwise, such provisions of standard condition 13 (Charging Methodologies for Use of System and connection) as relate to the licensee's duty to review its Use of System Charging Methodology at least once a year, with a view to modifying it for the purpose of better achieving the Relevant Objectives of that condition, do not have effect in

relation to such parts of that Use of System Charging Methodology as are to be superseded by the CDCM on 1 April 2010.

Part B: Common Distribution Charging Methodology

50.5 The CDCM is a Charging Methodology that:

- (a) applies for the purpose of ensuring that the Use of System Charges levied in respect of Designated Properties (see paragraph 50.10) by Distribution Services Providers are determined on a common basis, so far as is reasonably practicable; and
- (b) is approved by the Authority, having regard to its principal objective and duties under the Act, on the basis that it achieves the Relevant Objectives set out below.

50.6 The first Relevant Objective is that compliance with the CDCM facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence.

50.7 The second Relevant Objective is that compliance with the CDCM facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector.

50.8 The third Relevant Objective is that compliance with the CDCM results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business.

50.9 The fourth Relevant Objective is that, so far as is consistent with paragraphs 50.6 to 50.8, the CDCM, so far as is reasonably practicable, properly takes account of developments in the licensee's Distribution Business.

50.10 For the purposes of this condition, Designated Properties are:

- (a) before 1 April 2011, premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding any such premises or Distribution Systems in respect of which the Use of System Charges levied by the licensee are calculated on the same basis as those levied in respect of premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of 22 kilovolts or more; and
- (b) on and from 1 April 2011, premises or Distribution Systems connected to the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding premises or Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and the Metering Point is located at the same substation.

Part C: Developing a Common Distribution Charging Methodology

- 50.11 The licensee must develop the CDCM in compliance with the following requirements.
- 50.12 The first requirement is that the CDCM must be developed by the licensee in conjunction with every other Distribution Services Provider.
- 50.13 The second requirement is that the CDCM must be able to be given effect by the licensee by not later than the Implementation Date.
- 50.14 The third requirement is that the CDCM must conform to such requirements as have been specified by the Authority for the purposes of this condition in a decision given on 1 October 2008, as subsequently clarified and amended by the Authority on 20 March 2009, with respect to the fundamental principles and assumptions on which the development of the CDCM is to be based.
- 50.15 The fourth requirement is that the CDCM must be submitted by not later than 1 September 2009 for approval by the Authority.
- 50.16 The fifth requirement is that a full set of illustrative Use of System Charges for the Regulatory Year 2009/10 which would have resulted from the licensee's compliance with the CDCM if it had been in force under this licence at 1 April 2009 must be submitted to the Authority by not later than 1 September 2009.
- 50.17 The sixth requirement is that during the development of the CDCM and before submitting it to the Authority in accordance with the fourth requirement, the licensee must have taken all reasonable steps (including, where appropriate, approaching the Authority to discuss how the licensee proposes to address any unforeseen charging implications of the CDCM) to ensure that the CDCM in the form in which it is being developed will be capable of being approved by the Authority in accordance with the requirements of Part B of this condition.

Part D: Approving a Common Distribution Charging Methodology

- 50.18 Where the Authority, having regard to its principal objective and duties under the Act, is satisfied with the CDCM developed in accordance with the provisions of Part B and Part C of this condition, it may approve the CDCM in a direction given for the purposes of this condition generally that:
- (a) sets out the Authority's reasons for approving it; and
 - (b) specifies the date (being not later than 31 December 2009 unless otherwise directed by the Authority) on which it proposes that the approval should have effect.
- 50.19 Subject to paragraph 50.20, an approval by the Authority under paragraph 50.18 may be granted subject to such conditions as the Authority considers appropriate, having regard, in particular, to:

- (a) the need for any further action to be undertaken by the licensee to ensure that the CDCM would better achieve the Relevant Objectives; and
- (b) the time by which such action must be completed.

50.20 No condition imposed under paragraph 50.19 is effective unless, before granting the relevant approval, the Authority has informed the licensee of its intention to impose the condition in a Notice which:

- (a) sets out the nature and contents of the condition; and
- (b) specifies a period of at least 28 days within which representations or objections with respect to the condition may be made,

and has considered any representations or objections that are duly made by the licensee and not withdrawn.

50.21 Except that the Authority may not bring forward the dates specified in Parts D, E, F, G and Appendix 1 of this condition, the Authority may direct that such deadlines as are specified in those Parts or that Appendix may be amended as the Authority considers necessary for the purpose of meeting its wider public law duties or having regard to its principal objective and duties under the Act.

Part E: Implementing a Common Distribution Charging Methodology

50.22 Where the Authority has approved the CDCM under Part D of this condition, the licensee must, with effect from the Implementation Date:

- (a) revoke such parts of its Use of System Charging Methodology used for the calculation of Use of System Charges levied in respect of Designated Properties as are contained within that methodology in the form in which it is in force under standard condition 13 at 31 March 2010; and
- (b) implement the CDCM in the form in which it has been approved by the Authority.

Part F: Arrangements for handling modification proposals

50.23 The licensee, in conjunction with all other Distribution Services Providers, and in consultation with other Authorised Electricity Operators, must develop arrangements for handling modification proposals in relation to the CDCM ('modification arrangements') and submit them for approval to the Authority by not later than 1 September 2009.

50.24 The modification arrangements must include provision for the following core features.

50.25 The first core feature is that the arrangements must provide for the licensee to meet periodically with other Distribution Services Providers, other Authorised Electricity

Operators, and any other persons whose interests are materially affected by the CDCM for the purpose of discussing the further development of the CDCM.

- 50.26 The second core feature is that the arrangements must provide for a timely and efficient process by which the licensee can:
- (a) formally receive modification proposals from any Authorised Electricity Operator or any other person whose interests are materially affected by the CDCM;
 - (b) consult on the merits of those proposals with other Distribution Services Providers, other Authorised Electricity Operators, and any other persons whose interests are materially affected by the CDCM; and
 - (c) evaluate those proposals in the light of that consultation.
- 50.27 The third core feature is that the arrangements must provide for the licensee to have a report on any modification proposal prepared in a timely and efficient manner for submission to the Authority that:
- (a) sets out the terms proposed for the modification;
 - (b) fairly summarises the representations received during the consultation process under paragraph 50.26;
 - (c) sets out the conclusions reached by the licensee and other Distribution Services Providers about the modification proposal in question, including whether, in their opinion, the modification would better achieve the Relevant Objectives; and
 - (d) sets out a timetable for implementing the modification, if it were to be made, and the date with effect from which the modification (if made) would take effect.
- 50.28 The fourth core feature is that the arrangements must provide for the review and future modification (where appropriate) of the modification arrangements.

Part G: Approval of arrangements for handling modifications

- 50.29 Where the Authority, having regard to its principal objective and duties under the Act, is satisfied that the modification arrangements submitted under paragraph 50.23 comply with the features set out in paragraphs 50.25 to 50.28, it may approve those arrangements as the modification arrangements approved by the Authority for the purposes of standard condition 13A (Common Distribution Charging Methodology) in a direction given for the purposes of this condition 50 generally that:
- (a) describes (or provides for access to a description of) the nature of the modification arrangements;
 - (b) sets out the Authority's reasons for approving the arrangements; and
 - (c) specifies the date on which it proposes that the approval should have effect.

50.30 Subject to paragraph 50.31, an approval by the Authority under paragraph 50.29 may be granted subject to such conditions as the Authority considers appropriate, having regard, in particular, to:

- (a) the need for any further action to be undertaken by the licensee to ensure that the modification arrangements would better meet the features set out in paragraphs 50.25 to 50.28 of this condition; and
- (b) the time by which such action must be completed.

50.31 No condition imposed under paragraph 50.30 is effective unless, before granting the relevant approval, the Authority has informed the licensee of its intention to impose the condition in a Notice which:

- (a) sets out the nature and contents of the condition; and
- (b) specifies a period of at least 28 days within which representations or objections with respect to the condition may be made,

and has considered any representations or objections that are duly made by the licensee and not withdrawn.

Part H: Compliance and change control framework

50.32 Where the Authority has approved the CDCM under Part D of this condition, this Part H applies on the Implementation Date for the purpose of modifying the standard conditions of this licence with effect from that date in accordance with paragraph 50.33 below.

50.33 The modification referred to in paragraph 50.32 is that standard condition 13A in the form set out at Appendix 1 (which is part of this condition 50) comes into force in this licence on the Implementation Date.

Part I: Interpretation and termination

50.34 For the purposes of this condition, the CDCM achieves the Relevant Objectives if it achieves them in the round, taking one objective with another.

50.35 Unless and to the extent otherwise directed by the Authority, this condition is of no further effect in this licence after the Implementation Date.

Part J: Derogations

50.36 The Authority may (after consulting the licensee and, where appropriate, any other Authorised Electricity Operator likely to be materially affected) give a direction ('a derogation') to the licensee that relieves it of its obligations under Part C of this condition in respect of such elements of the CDCM, to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

50.37 Appendix 1 follows immediately below.

APPENDIX 1

Condition 13A. Common Distribution Charging Methodology

Part A: Licensee's obligations

- 13A.1 This condition applies to the licensee on and after 1 April 2010 if the licensee is a Distribution Services Provider.
- 13A.2 The licensee must take all steps within its power to ensure that the Common Distribution Charging Methodology ('the CDCM') in force under this licence at 1 April 2010 continues to be a Charging Methodology for the determination of the licensee's Use of System Charges that is approved by the Authority on the basis that it achieves the Relevant Objectives set out in Part CB below.
- 13A.3 The licensee must at all times implement and comply with the CDCM.
- 13A.4 The licensee must, for the purpose of ensuring that the CDCM continues to achieve the Relevant Objectives:
- (a) review the methodology at least once every year; and
 - (b) subject to Part DE of this condition, make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives.

Part B: Charging boundary

13A.5 For the purposes of this condition, Designated Properties are:

- (a) from 1 April 2010 to 31 March 2011, premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding any such premises or Distribution Systems in respect of which the Use of System Charges levied by the licensee are calculated on the same basis as those levied in respect of premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of 22 kilovolts or more; and
- (b) on and from 1 April 2011, premises or Distribution Systems connected to the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding premises or Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and the Metering Point is located at the same substation.

Part ~~C~~B: The Relevant Objectives of the CDCM

13A.~~65~~ The Relevant Objectives that the CDCM must achieve are as follows.

13A.~~76~~ The first Relevant Objective is that compliance with the CDCM facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence.

13A.~~87~~ The second Relevant Objective is that compliance with the CDCM facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector.

13A.~~98~~ The third Relevant Objective is that compliance with the CDCM results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business.

13A.~~109~~ The fourth Relevant Objective is that, so far as is consistent with paragraphs 13A.~~76~~ to 13A.~~98~~, the CDCM, so far as is reasonably practicable, should properly take account of developments in the licensee's Distribution Business.

13A.~~114~~ For the purposes of this condition, the CDCM achieves the Relevant Objectives if it achieves them in the round, taking one objective with another.

Part ~~D~~C: Procedure for modifying the CDCM

13A.~~124~~ Proposals for modifying the CDCM ('modification proposals') may be raised:

- (a) by any Authorised Electricity Operator; or
- (b) by any other person whose interests are materially affected by the CDCM,

and must be handled by the licensee in conjunction with all other Distribution Services Providers and in accordance with the relevant modification arrangements.

13A.~~134~~ The relevant modification arrangements are the modification arrangements approved by the Authority for the purposes of this condition 13A and in force under this licence at 1 April 2010 by virtue of the provisions of standard condition 50 (Development and implementation of a Common Distribution Charging Methodology), as modified from time to time in such manner as is provided for by those arrangements.

13A.~~144~~ Unless otherwise directed by the Authority under paragraph 13A.~~154~~, before making a modification to the CDCM the licensee must have a report prepared for submission to the Authority that:

- (a) sets out the terms proposed for the modification;

- (b) fairly summarises the representations received during the consultation process on the modification proposal;
- (c) sets out the conclusions reached by the licensee about the modification proposal in question, including whether, in the licensee's opinion, the modification would better achieve the Relevant Objectives; and
- (d) sets out a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect (which must not be a date earlier than the date on which the period referred to in paragraph 13A.~~1716~~ will end).

13A.~~1514~~ If the Authority has directed that paragraph 13A.~~1413~~ should not apply, the licensee must comply with such other requirements (if any) as the Authority may specify in its direction.

13A.~~1615~~ Subject to paragraph 13A.~~1716~~, where the licensee has complied with the requirements of paragraph 13A.~~1413~~ the licensee must, before making the modification:

- (a) revise the relevant statement of the CDCM (or the most recent version of that statement) published in accordance with paragraph 13A.~~1817~~ so that it sets out the changed methodology and specifies the date from which that is to have effect; and
- (b) give the Authority a copy of the revised statement.

13A.~~1716~~ The licensee must make the modification of the CDCM unless, within 28 days of receiving the licensee's report under paragraph 13A.~~1413~~, the Authority, having regard to its principal objective and duties under the Act, has either:

- (a) directed the licensee not to make the modification; or
- (b) notified the licensee that it intends to consult and then within three months of giving that notification has directed the licensee not to make the modification.

Part ~~ED~~: Public availability of the CDCM

13A.~~1817~~ The licensee must ensure that a copy of the CDCM that is in force under this condition, as from time to time modified, is publicly available on the licensee's Website and is otherwise available to any person who requests it upon payment of an amount not exceeding the reasonable costs of making and supplying that copy.

Part ~~FE~~: Derogations

13A.~~1918~~ The Authority may (after consulting the licensee and, where appropriate, any other Authorised Electricity Operator likely to be materially affected) give a direction ('a derogation') to the licensee that relieves it of its obligations under Part A of this condition in respect of such elements of the CDCM, to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Condition 50A. Development and implementation of an EHV Distribution Charging Methodology

Introduction

50A.1 This condition applies on and after 1 October 2009 for the following purposes.

50A.2 The first purpose is to ensure that an EHV Distribution Charging Methodology ('the EDCM') that conforms to one of the descriptions set out at paragraph 50A.12 is developed and brought into force by the licensee in conjunction with every Associated Licensee (see paragraph 50A.4) on 1 April 2011 ('the Implementation Date') in accordance with the provisions of this condition.

50A.3 The second purpose is to provide for the introduction into this licence with effect from the Implementation Date of a transparent compliance and change control framework for the EDCM.

50A.4 For the purposes of this condition, an Associated Licensee, in relation to the licensee, is a Distribution Services Provider that has chosen to develop and bring into force an EDCM that is of the same description, within the meaning of paragraph 50A.12, as the licensee's EDCM.

Part A: Relief from requirements of standard condition 13

50A.5 While this condition is in force in this licence, and except where the Authority directs otherwise, such provisions of standard condition 13 (Charging Methodologies for Use of System and connection) as relate to the licensee's duty to review its Use of System Charging Methodology at least once a year, with a view to modifying it for the purpose of better achieving the Relevant Objectives of that condition, do not have effect in relation to such parts of that Use of System Charging Methodology as are to be superseded by the EDCM on 1 April 2011.

Part B: Licensee's EHV Distribution Charging Methodology

50A.6 The licensee's EDCM is a Charging Methodology that:

- (a) applies for the purpose of ensuring that the Use of System Charges levied by the licensee in respect of Designated EHV Properties (see paragraph 50A.11) are determined by the licensee and every Associated Licensee on a common basis, so far as is reasonably practicable; and
- (b) is approved by the Authority, having regard to its principal objective and duties under the Act, on the basis that it achieves the Relevant Objectives set out below.

- 50A.7 The first Relevant Objective is that compliance with the EDCM facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence.
- 50A.8 The second Relevant Objective is that compliance with the EDCM facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector.
- 50A.9 The third Relevant Objective is that compliance with the EDCM results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business.
- 50A.10 The fourth Relevant Objective is that, so far as is consistent with the first three Relevant Objectives, the EDCM, so far as is reasonably practicable, properly takes account of developments in the licensee's Distribution Business.
- 50A.11 ~~For the purposes of this condition, Designated EHV Properties are any of the following:~~

- ~~———— (a) Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of 22 kilovolts or more;~~
- ~~———— (b) premises connected to assets on the licensee's Distribution System at a voltage level of 22 kilovolts or more; and~~
- ~~———— (c) premises which do not fall within sub-paragraph (b) but which at 1 April 2010 were excluded from the Common Distribution Charging Methodology by virtue of paragraph 10 of standard condition 50 (Development and implementation of Common Distribution Charging Methodology).~~

For the purposes of this condition, Designated EHV Properties are any of the following:

- (a) Distribution Systems connected to the licensee's Distribution System at 22 kilovolts or more;
- (b) premises connected to the licensee's Distribution System at 22 kilovolts or more;
- (c) Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation; and
- (d) premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation.

Part C: Developing an EHV Distribution Charging Methodology

- 50A.12 The licensee must choose and develop an EDCM that conforms to such principles and assumptions as have been specified by the Authority for the purposes of this condition under one of the following two descriptions:
- (a) the methodology described as the long run incremental cost methodology, as detailed in a decision of the Authority dated 31 July 2009; or
 - (b) the methodology described as the forward cost pricing methodology, as detailed in a decision of the Authority dated 31 July 2009.
- 50A.13 If the Authority considers it necessary for the purposes of this condition to materially vary any of the principles and assumptions referred to in paragraph 50A.12, it may do so at any time before the Implementation Date in a direction given to the relevant Associated Licensees following consultation with them.
- 50A.14 The licensee must develop its chosen EDCM in compliance with the following requirements.
- 50A.15 The first requirement is that the EDCM must be developed by the licensee in conjunction with every Associated Licensee.
- 50A.16 The second requirement is that the EDCM must be able to be given effect by the licensee by not later than the Implementation Date.
- 50A.17 The third requirement is that the EDCM must be submitted by not later than 1 September 2010 for approval by the Authority.
- 50A.18 The fourth requirement is that a full set of illustrative Use of System Charges for the Regulatory Year 2010/11 which would have resulted from the licensee's compliance with the EDCM if it had been in force under this licence at 1 April 2010 must be submitted to the Authority by not later than 1 September 2010.
- 50A.19 The fifth requirement is that during the development of the EDCM and before submitting it to the Authority in accordance with the third requirement, the licensee must have taken all reasonable steps (including, where appropriate, approaching the Authority to discuss how the licensee proposes to address any unforeseen charging implications of the EDCM) to ensure that the EDCM in the form in which it is being developed will be capable of being approved by the Authority in accordance with the requirements of Part B of this condition.

Part D: Approving an EHV Distribution Charging Methodology

- 50A.20 Where the Authority, having regard to its principal objective and duties under the Act, is satisfied with the EDCM developed in accordance with the provisions of Parts B and C of this condition, it may approve the EDCM in a direction given for the purposes of this condition generally that:

- (a) sets out the Authority's reasons for approving it; and
- (b) specifies the date (which must not be later than 31 December 2010 unless otherwise directed by the Authority) on which it proposes that the approval should have effect.

50A.21 Subject to paragraph 50A.22, approval by the Authority under paragraph 50A.20 may be granted subject to such conditions as the Authority considers appropriate, having regard, in particular, to:

- (a) the need for any further action to be undertaken by the licensee to ensure that the EDCM would better achieve the Relevant Objectives; and
- (b) the time by which such action must be completed.

50A.22 No condition imposed under paragraph 50A.21 is effective unless, before granting the relevant approval, the Authority has informed the licensee of its intention to impose the condition in a Notice which:

- (a) sets out the nature and contents of the condition; and
- (b) specifies a period of at least 28 days within which representations or objections with respect to the condition may be made,

and has considered any representations or objections that are duly made by the licensee and not withdrawn.

50A.23 Except that the Authority may not bring forward the dates specified in Parts D, E, F, G and Appendix 1 of this condition, the Authority may direct that such deadlines as are specified or referred to in those Parts or that Appendix may be amended as the Authority considers necessary for the purpose of meeting its wider public law duties or having regard to its principal objective and duties under the Act.

Part E: Implementing an EHV Distribution Charging Methodology

50A.24 Where the Authority has approved the EDCM under Part D of this condition, the licensee must, with effect from the Implementation Date:

- (a) revoke such parts of its Use of System Charging Methodology used for the calculation of Use of System Charges levied in respect of Designated EHV Properties as are contained within that methodology in the form in which it is in force under standard condition 13 at 31 March 2011; and
- (b) implement the EDCM in the form in which it has been approved by the Authority.

Part F: Arrangements for handling modification proposals

50A.25 The licensee, in conjunction with all other Distribution Services Providers, and in consultation with other Authorised Electricity Operators, must develop arrangements for handling modification proposals in relation to the EDCM ('modification arrangements') and submit them for approval to the Authority by not later than 1 September 2010.

50A.26 The modification arrangements must include provision for the following core features.

50A.27 The first core feature is that the arrangements must provide for the licensee to meet periodically with other Distribution Services Providers, other Authorised Electricity Operators, and any other persons whose interests are materially affected by the EDCM for the purpose of discussing the further development of the EDCM.

50A.28 The second core feature is that the arrangements must provide for a timely and efficient process by which the licensee can:

- (a) formally receive modification proposals from any Authorised Electricity Operator or any other person whose interests are materially affected by the EDCM;
- (b) consult on the merits of those proposals with other Distribution Services Providers, other Authorised Electricity Operators, and any other persons whose interests are materially affected by the EDCM; and
- (c) evaluate those proposals in the light of that consultation.

50A.29 The third core feature is that the arrangements must provide for the licensee to have a report on any modification proposal prepared in a timely and efficient manner for submission to the Authority that:

- (a) sets out the terms proposed for the modification;
- (b) fairly summarises the representations received during the consultation process under paragraph 50A.28;
- (c) sets out the conclusions reached by the licensee and other Distribution Services Providers about the modification proposal in question, including whether, in their opinion, the modification would better achieve the Relevant Objectives; and
- (d) sets out a timetable for implementing the modification, if it were to be made, and the date from which the modification (if made) would take effect.

50A.30 The fourth core feature is that the arrangements must provide for the review and future modification (where appropriate) of the modification arrangements.

Part G: Approval of arrangements for handling modifications

50A.31 Where the Authority, having regard to its principal objective and duties under the Act, is satisfied that the modification arrangements submitted under paragraph 50A.25 comply with the features set out in paragraphs 50A.27 to 50A.30, it may approve those arrangements as the modification arrangements approved by the Authority for the purposes of standard condition 13B (EHV Distribution Charging Methodology) in a direction given for the purposes of this condition 50A generally that:

- (a) describes (or provides for access to a description of) the nature of the modification arrangements;
- (b) sets out the Authority's reasons for approving the arrangements; and
- (c) specifies the date on which it proposes that the approval should have effect.

50A.32 Subject to paragraph 50A.33, approval by the Authority under paragraph 50A.31 may be granted subject to such conditions as the Authority considers appropriate, having regard, in particular, to:

- (a) the need for any further action to be undertaken by the licensee to ensure that the modification arrangements would better meet the features set out in paragraphs 50A.27 to 50A.30 of this condition; and
- (b) the time by which such action must be completed.

50A.33 No condition imposed under paragraph 50A.32 is effective unless, before granting the relevant approval, the Authority has informed the licensee of its intention to impose the condition in a Notice which:

- (a) sets out the nature and contents of the condition; and
- (b) specifies a period of at least 28 days within which representations or objections with respect to the condition may be made,

and has considered any representations or objections that are duly made by the licensee and not withdrawn.

Part H: Compliance and change control framework

50A.34 Where the Authority has approved the EDCM under Part D of this condition, this Part H applies on the Implementation Date for the purpose of modifying the standard conditions of this licence with effect from that date in accordance with paragraph 50A.35 below.

50A.35 The modification referred to in paragraph 50A.34 is that standard condition 13B in the form set out at Appendix 1 (which is part of this condition 50A) comes into force in this licence on the Implementation Date.

Part I: Interpretation and termination

50A.36 For the purposes of this condition, the EDCM achieves the Relevant Objectives if it achieves them in the round, taking one objective with another.

50A.37 Unless and to the extent otherwise directed by the Authority, this condition is of no further effect in this licence after the Implementation Date.

Part J: Derogations

50A.38 The Authority may (after consulting the licensee and, where appropriate, any other Authorised Electricity Operator likely to be materially affected) give a direction ('a derogation') to the licensee that relieves it of its obligations under Part C of this condition in respect of such elements of the EDCM, to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

50A.39 Appendix 1 follows immediately below.

APPENDIX 1

Condition 13B. EHV Distribution Charging Methodology

Part A: Licensee's obligations

13B.1 This condition applies to the licensee on and after 1 April 2011 if the licensee is a Distribution Services Provider.

13B.2 The licensee must take all steps within its power to ensure that the EHV Distribution Charging Methodology ('the EDCM') continues to be a Charging Methodology for the determination of the licensee's Use of System Charges that is approved by the Authority on the basis that it achieves the Relevant Objectives set out in Part ~~CB~~ below.

13B.3 In this condition, references to the EDCM are references to the methodology that was developed and brought into force by the licensee on 1 April 2011 in conjunction with every Associated Licensee within the meaning of paragraph 4 of standard condition 50A (Development and implementation of an EHV Distribution Charging Methodology).

13B.4 The licensee must at all times implement and comply with the EDCM.

13B.5 The licensee must, for the purpose of ensuring that the EDCM continues to achieve the Relevant Objectives:

- (a) review the methodology at least once every year; and
- (b) subject to Part DC of this condition, make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives.

Part B: Charging boundary

13B.6 For the purposes of this condition, Designated EHV Properties are any of the following:

- (a) Distribution Systems connected to the licensee's Distribution System at 22 kilovolts or more;
- (b) premises connected to the licensee's Distribution System at 22 kilovolts or more;
- (c) Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation; and
- (d) premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation.

Part CB: The Relevant Objectives of the EDCM

13B.~~76~~ The Relevant Objectives that the EDCM must achieve are as follows.

13B.~~87~~ The first Relevant Objective is that compliance with the EDCM facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence.

13B.~~98~~ The second Relevant Objective is that compliance with the EDCM facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector.

13B.~~109~~ The third Relevant Objective is that compliance with the EDCM results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business.

13B.~~1140~~ The fourth Relevant Objective is that, so far as is consistent with the first three Relevant Objectives, the EDCM, so far as is reasonably practicable, should properly take account of developments in the licensee's Distribution Business.

13B.~~1244~~ For the purposes of this condition, the EDCM achieves the Relevant Objectives if it achieves them in the round, taking one objective with another.

Part ~~DC~~: Procedure for modifying the EDCM

13B.~~1342~~ Proposals for modifying the EDCM ('modification proposals') may be raised by:

- (a) any Authorised Electricity Operator; or
- (b) any other person whose interests are materially affected by the EDCM.

13B.~~1443~~ Modification proposals must be handled by the licensee in conjunction with all other Distribution Services Providers and in accordance with the relevant modification arrangements.

13B.~~1544~~ The relevant modification arrangements are the arrangements approved by the Authority for the purposes of this condition 13B and in force under this licence at 1 April 2011 by virtue of the provisions of standard condition 50A (Development and implementation of an EHV Distribution Charging Methodology), as modified from time to time in such manner as is provided for by those arrangements.

13B.~~1645~~ Unless otherwise directed by the Authority under paragraph 13B.~~1746~~, before making a modification to the EDCM the licensee must have a report prepared for submission to the Authority that:

- (a) sets out the terms proposed for the modification;
- (b) fairly summarises the representations received during the consultation process on the modification proposal;
- (c) sets out the conclusions reached by the licensee about the modification proposal in question, including whether, in the licensee's opinion, the modification would better achieve the Relevant Objectives; and
- (d) sets out a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect (which must not be a date earlier than the date on which the whole of the period covered by paragraph 13B.~~1948~~ will end).

13B.~~1746~~ If the Authority has directed that paragraph 13B.~~1645~~ should not apply, the licensee must comply with such other requirements (if any) as the Authority may specify in its direction.

13B.~~1847~~ Subject to paragraph 13B.~~1718~~, where the licensee has complied with the requirements of paragraph 13B.~~1645~~ the licensee must, before making the modification:

- (a) revise the relevant statement of its EDCM (or the most recent version of that statement) published in accordance with paragraph 13B.~~2049~~ so that it sets out

the changed methodology and specifies the date from which that is to have effect; and

- (b) give the Authority a copy of the revised statement.

13B.~~1948~~ The licensee must make the modification of the EDCM unless, within 28 days of receiving the licensee's report under paragraph 13B.~~1645~~, the Authority, having regard to its principal objective and duties under the Act, has either:

- (a) directed the licensee not to make the modification; or
- (b) notified the licensee that it intends to consult, and then within three months of giving that notification directed the licensee not to make the modification.

Part ~~ED~~: Public availability of the EDCM

13B.~~2049~~ The licensee must ensure that a copy of its EDCM that is in force under this condition, as from time to time modified, is publicly available on the licensee's Website and is otherwise available to any person who requests it upon payment of an amount that does not exceed the reasonable costs of making and supplying that copy.

Part ~~FE~~: Derogations

13B.~~2120~~ The Authority may (after consulting the licensee and, where appropriate, any other Authorised Electricity Operator likely to be materially affected) give a direction ('a derogation') to the licensee that relieves it of its obligations under Part A of this condition in respect of such elements of the EDCM, to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Condition 13A. Common Distribution Charging Methodology

Part A: Licensee's obligations

13A.1 This condition applies to the licensee on and after 1 April 2010 if the licensee is a Distribution Services Provider.

13A.2 The licensee must take all steps within its power to ensure that the Common Distribution Charging Methodology ('the CDCM') in force under this licence at 1 April 2010 continues to be a Charging Methodology for the determination of the licensee's Use of System Charges that is approved by the Authority on the basis that it achieves the Relevant Objectives set out in Part ~~CB~~ below.

13A.3 The licensee must at all times implement and comply with the CDCM.

13A.4 The licensee must, for the purpose of ensuring that the CDCM continues to achieve the Relevant Objectives:

- (a) review the methodology at least once every year; and
- (b) subject to Part DC of this condition, make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives.

Part B: Charging boundary

13A.5 For the purposes of this condition, Designated Properties are:

- (a) from 1 April 2010 to 31 March 2011, premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding any such premises or Distribution Systems in respect of which the Use of System Charges levied by the licensee are calculated on the same basis as those levied in respect of premises or Distribution Systems connected to assets on the licensee's Distribution System at a voltage level of 22 kilovolts or more; and
- (b) on and from 1 April 2011, premises or Distribution Systems connected to the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding premises or Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and 22 kilovolts or less where the primary voltage of the substation is 22 kilovolts or more and the Metering Point is located at the same substation.

Part C-B: The Relevant Objectives of the CDCM

13A.65 The Relevant Objectives that the CDCM must achieve are as follows.

13A.76 The first Relevant Objective is that compliance with the CDCM facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence.

13A.87 The second Relevant Objective is that compliance with the CDCM facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector.

13A.98 The third Relevant Objective is that compliance with the CDCM results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the licensee in its Distribution Business.

13A.~~109~~ The fourth Relevant Objective is that, so far as is consistent with paragraphs 13A.~~76~~ to 13A.~~98~~, the CDCM, so far as is reasonably practicable, should properly take account of developments in the licensee's Distribution Business.

13A.~~114~~ For the purposes of this condition, the CDCM achieves the Relevant Objectives if it achieves them in the round, taking one objective with another.

Part DC: Procedure for modifying the CDCM

13A.~~124~~ Proposals for modifying the CDCM ('modification proposals') may be raised:

- (a) by any Authorised Electricity Operator; or
- (b) by any other person whose interests are materially affected by the CDCM,

and must be handled by the licensee in conjunction with all other Distribution Services Providers and in accordance with the relevant modification arrangements.

13A.~~134~~ The relevant modification arrangements are the modification arrangements approved by the Authority for the purposes of this condition 13A and in force under this licence at 1 April 2010 by virtue of the provisions of standard condition 50 (Development and implementation of a Common Distribution Charging Methodology), as modified from time to time in such manner as is provided for by those arrangements.

13A.~~144~~ Unless otherwise directed by the Authority under paragraph 13A.~~154~~, before making a modification to the CDCM the licensee must have a report prepared for submission to the Authority that:

- (a) sets out the terms proposed for the modification;
- (b) fairly summarises the representations received during the consultation process on the modification proposal;
- (c) sets out the conclusions reached by the licensee about the modification proposal in question, including whether, in the licensee's opinion, the modification would better achieve the Relevant Objectives; and
- (d) sets out a timetable for implementing the modification and the date with effect from which the modification (if made) is to take effect (which must not be a date earlier than the date on which the period referred to in paragraph 13A.~~174~~ will end)

13A.~~154~~ If the Authority has directed that paragraph 13A.~~144~~ should not apply, the licensee must comply with such other requirements (if any) as the Authority may specify in its direction.

13A.~~164~~ Subject to paragraph 13A.~~174~~, where the licensee has complied with the requirements of paragraph 13A.~~144~~ the licensee must, before making the modification:

- (a) revise the relevant statement of the CDCM (or the most recent version of that statement) published in accordance with paragraph 13A.1817 so that it sets out the changed methodology and specifies the date from which that is to have effect; and
- (b) give the Authority a copy of the revised statement.

13A.1746 The licensee must make the modification of the CDCM unless, within 28 days of receiving the licensee's report under paragraph 13A.1413, the Authority, having regard to its principal objective and duties under the Act, has either:

- (a) directed the licensee not to make the modification; or
- (b) notified the licensee that it intends to consult and then within three months of giving that notification has directed the licensee not to make the modification.

Part ED: Public availability of the CDCM

13A.1817 The licensee must ensure that a copy of the CDCM that is in force under this condition, as from time to time modified, is publicly available on the licensee's Website and is otherwise available to any person who requests it upon payment of an amount not exceeding the reasonable costs of making and supplying that copy.

Part FE: Derogations

13A.1918 The Authority may (after consulting the licensee and, where appropriate, any other Authorised Electricity Operator likely to be materially affected) give a direction ('a derogation') to the licensee that relieves it of its obligations under Part A of this condition in respect of such elements of the CDCM, to such extent, for such period of time, and subject to such conditions as may be specified in the direction.