

Electricity Act 1989
Section 11A

**MODIFICATION OF THE STANDARD CONDITIONS OF ALL ELECTRICITY
DISTRIBUTION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION
6(1)(c) OF THE ELECTRICITY ACT 1989**

1. In accordance with section 11A of the Electricity Act 1989 (the "Act") the Gas and Electricity Markets Authority (the "Authority") gave notice on 20 December 2011 (the "Notice")¹ that it proposed to make modifications to the following standard conditions of the Electricity Distribution Licence (the "Licence"):
 - a. SLC 1 (Definitions for the standard conditions);
 - b. SLC 13 (Charging Methodologies for Use of System and connection);
 - c. SLC 13A (Common Distribution Charging Methodology);
 - d. SLC 22A (Governance and change control arrangements for the Relevant Charging Methodologies); and
 - e. SLC 50A (Development and implementation of an EHV Distribution Charging Methodology) – including SLC 13B (EHV Distribution Charging Methodology),(together the "Conditions").
2. The Authority proposed to modify the Conditions in the manner set out in the Schedule to the Notice to reflect the Authority's decision to approve the methodology for Import Charges and delay the approval of the methodology for Export Charges in the EHV Distribution Charging Methodology (EDCM).
3. The reason for the Authority's decision to approve Import Charges and delay the approval of Export Charges is contained in the decision document 'Electricity distribution charging: decision on the methodology for higher voltage import charges' dated 6 September 2011 and the 'Decision on revised timetable for the EDCM for Export Charges and deferral of the EDCM:CDCM boundary for export customers' dated 20 December 2011.
4. The effect of the proposed modifications is to split the treatment of Import Charges and Export Charges in the Licence and place a requirement on electricity distributors to resubmit their EDCM for Export Charges to the Authority for approval by 1 June 2012 and be in force by 1 April 2013.
5. Prior to the close of the consultation period the Authority received two responses making representations on the proposed modifications in the Notice. These responses have been placed in the Ofgem library and on the Ofgem website².
6. The Authority has carefully considered the representations in relation to the proposed modifications and, as a consequence of those representations, has decided to amend the proposed modifications set out in the Notice in the manner set out in Schedule 1 and Schedule 2 to this Modification.

¹<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/Section%2011A%20modification%20notice.pdf>

²www.ofgem.gov.uk

6. Schedule 1 to this Modification contains the Conditions (as amended) that will have effect on and from 1 April 2012.
7. In accordance with section 11A(7)(d) of the Act, Schedule 2 states the reasons and the effect of any differences between the proposed modifications set out in the Notice and the Conditions set out in Schedule 1.

Now therefore

In accordance with the powers contained in section 11A of the Act and for the reasons set out in the Notice and Schedule 2 of this Modification the Authority hereby modifies the Conditions in the manner set out in Schedule 1 of this Modification with effect on and from **1 April 2012**.

This Modification constitutes notice pursuant to section 49A of the Act of the reasons for amending the Conditions.

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



.....
Andrew Burgess
Associate Partner – Transmission and Distribution Policy
Duly Authorised on behalf of the Authority

3 February 2011

Schedule 1 to Section 11A Modification

Modified Conditions

Condition 1. Definitions for the standard conditions

Definitions in alphabetical order

1.3 In the standard conditions of this licence, unless the context otherwise requires:

<u>Export Charges</u>	<u>means Use of System Charges in relation to electricity generated and placed on a Distribution System via a direct connection to the source of generation.</u>
<u>Import Charges</u>	<u>means Use of System Charges in relation to electricity conveyed to any premises or to any other Distribution System.</u>

Condition 13. Charging Methodologies for Use of System and connection

Arrangements applying because of other conditions

13.13 If the licensee is a Distribution Services Provider:

- (a) standard condition 13A (Common Distribution Charging Methodology) ~~50 (Development Common Distribution Charging Methodology Distribution Charging Methodology)~~ applies in relation to certain obligations of the licensee under this condition 13 with effect from 1 July 2009;
- (b) standard condition 50A (Development and implementation of an EHV Distribution Charging Methodology) applies in relation to certain obligations of the licensee under this condition 13 with effect from 1 October 2009; and
- (c) subject to paragraph 22A.18 of standard condition 22A, this standard condition 13 does not apply to the extent that standard condition 13A (Common Distribution Charging Methodology) and standard condition 13B (EHV Distribution Charging Methodology) apply.

13.14 The Authority may, after consulting all Electricity Distributors, make such consequential modifications of this condition 13 and, so far as is relevant, of standard condition 14 (Charges for Use of System and connection) at such time, in such manner, and to such extent as may be necessary to ensure that, as from 1 April 2010 or 1 April ~~2011~~ 2012, as the case may be, those provisions properly reflect the effects of the introduction into this licence of standard condition 13A (Common Distribution Charging Methodology) and standard condition 13B (EHV Distribution Charging Methodology).

13.15 Modifications made by the Authority under paragraph ~~13.15~~ 13.14 may make different provision for different categories of Electricity Distributor.

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 This condition applies to the licensee in relation to Designated Properties only.
- 13A.3 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 C below.
- 13A.4 The licensee must at all times implement and comply with the CDCM.
- 13A.5 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 D of standard condition 22A, 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.6 For the purposes of this condition, Designated Properties are:
- (a) from 1 April 2010 to 31 March 2012 (or 31 March 2013 for the purposes of its Export Charges), premises or Distribution Systems connected to electric lines or electrical plant ~~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 electric lines or electrical plant ~~assets~~ on the licensee's Distribution System at a voltage level of 22 kilovolts or more;
 - (b) on and after 1 April 2012, for the purposes of its Import Charges, premises or Distribution Systems (that are not LDNO 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 less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and the Metering Point is located at the same substation; ~~and~~

- (c) on and after 1 April 2013, for the purposes of its Export Charges, premises or Distribution Systems (that are not LDNO 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 less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and the Metering Point is located at the same substation;
- (d) on and after 1 April 2012, for the purposes of its Import Charges, LDNO Distribution Systems connected to the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding LDNO Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the LDNO Asset Ownership Boundary is at the same substation; and
- (e) on and after 1 April 2013, for the purposes of its Export Charges, LDNO Distribution Systems connected to the licensee's Distribution System at a voltage level of less than 22 kilovolts, but excluding LDNO Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the LDNO Asset Ownership Boundary is at the same substation.

Part C: The Relevant Objectives of the CDCM

- 13A.7 The Relevant Objectives that the CDCM must achieve are as follows.
- 13A.8 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.9 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.10 The third Relevant Objective is that compliance with the CDCM results in charges ~~which~~ that, 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.11 The fourth Relevant Objective is that, so far as is consistent with the first three Relevant Objectives ~~so far as is consistent with paragraphs 13A.7 to 13A.9~~, the CDCM, so far as is reasonably practicable, should properly take account of developments in the licensee's Distribution Business.

13A.12 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: Public availability of the CDCM

13A.13 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 E: Derogations

13A.14 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.

Part F: Interpretation

13A.15 For the purposes of this condition:

LDNO Asset Ownership Boundary means the point at which electric lines or electrical plant owned or operated by the licensee that (for the avoidance of doubt) form part of the licensee's Distribution System, are connected to a LDNO Distribution System that is not owned or operated by the licensee.

LDNO Distribution System means:

- (a) a Distribution System that is operated by an Electricity Distributor that is not a Distribution Services Provider; or
- (b) a Distribution System that is operated by an Electricity Distributor that is a Distribution Services Provider, but is operating that Distribution System outside its Distribution Services Area.

Condition 22A. Governance and change control arrangements for Relevant Charging Methodologies

Part A: Application and purpose

- 22A.1 This condition;
- (a) has effect on and after 1 October 2009;
 - (b) supplements standard condition 22 (Distribution Connection and Use of System Agreement) ('the DCUSA'); and
 - (c) applies for the following purposes.
- 22A.2 The first purpose is to ensure that, with effect from the relevant incorporation date, and subject to paragraph 22A.3 in respect of modification arrangements, each of the following Charging Methodologies of the Distribution Services Providers is incorporated into the DCUSA as if it were one of the matters that is required to be included in the DCUSA by virtue of the provisions of standard condition 22:
- (a) the Common Distribution Charging Methodology ('CDCM') in force under standard condition 13A (Common Distribution Charging Methodology), for which the incorporation date is 1 April 2010;
 - (b) the EHV Distribution Charging Methodology ('EDCM') for Import Charges in force under standard condition 13B (EHV Distribution Charging Methodology), for which the incorporation date is 1 April 2012; and
 - (c) the EDCM for Export Charges in force under standard condition 13B (EHV Distribution Charging Methodology), for which the incorporation date is 1 April 2013.
- 22A.3 The second purpose is to provide:
- (a) for all modification proposals relating to the Charging Methodologies, after their incorporation into the DCUSA, to be subject to a restriction in their purpose and effect in the period of time up to 1 April 2015; and
 - (b) for modifications of the Charging Methodologies following incorporation into the DCUSA to be made in each case by reference to the Applicable Charging Methodology Objectives specified in Part B of this condition 22A, rather than the Applicable DCUSA Objectives specified in standard condition 22 that would otherwise apply.
- 22A.4 A Charging Methodology (whether the CDCM or the EDCM) that is to be or has been incorporated into the DCUSA under this condition is a Relevant Charging Methodology for all the purposes of this condition.

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 2012 ('the Import Implementation Date') for Import Charges and 1 April 2013 ('the Export Implementation Date') for Export Charges 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 Import Implementation Date and the Export Implementation Date respectively of appropriate elements 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 for Import Charges on 1 April 2012 and the EDCM for Export Charges on 1 April 2013.

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 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 (that are not LDNO Distribution Systems) connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation;
 - (d) LDNO Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the LDNO Asset Ownership Boundary is at the same substation; and
 - (e) premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts 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 a 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 Import Implementation Date (insofar as such variance might relate to Import Charges) and the Export Implementation Date (insofar as such variance might relate to Export Charges) 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 Import Implementation Date (in respect of Import Charges) and the Export Implementation Date (in respect of Export Charges).
- 50A.17 The third requirement is that the EDCM for Import Charges must be submitted to the Authority by not later than 1 April 2011 and the EDCM for Export Charges must be submitted to the Authority by not later than 1 June 2012 ~~for approval by the Authority in accordance with the direction issued by the Authority pursuant to Part J of this condition.~~
- 50A.18 The fourth requirement is that a full set of illustrative Use of System Charges for the Regulatory Year 2011/12 for Import Charges and 2012/13 for Export Charges that ~~which~~ would have resulted from the licensee's compliance with the EDCM if it had been in force under this licence at 1 April 2011 for Import Charges and 1 April 2012 for Export Charges must be submitted to the Authority by not later than 1 April 2011 for Import Charges and 1 June 2012 for Export Charges ~~in accordance with the direction issued by the Authority pursuant to Part J of this condition.~~
- 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 Part B and Part 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 2011 for Import Charges and 31 December 2012 for Export Charges 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:

- (c) the need for any further action to be undertaken by the licensee to ensure that the EDCM would better achieve the Relevant Objectives; and
- (d) 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~~ that:

- (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 Import Implementation Date and the Export 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 2012 for Import Charges and 31 March 2013 for Export Charges; 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 Import Implementation Date and the Export 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 Import Implementation Date (insofar as it relates to Import Charges) and the Export Implementation Date (insofar as it relates to Export Charges).

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, those parts of this condition is that relate to Import Charges are of no further effect in this licence after the Import Implementation Date and the remaining parts of this condition are of no further effect after the Export Implementation Date.

50A.38 For the purposes of this condition:

LDNO Asset Ownership Boundary means the point at which electric lines or electrical plant owned or operated by the licensee that (for the avoidance of doubt) form part of the licensee's Distribution System, are connected to a LDNO Distribution System that is not owned or operated by the licensee.

LDNO Distribution System means:

- (a) a Distribution System that is operated by an Electricity Distributor that is not a Distribution Services Provider; or
- (b) a Distribution System that is operated by an Electricity Distributor that is a Distribution Services Provider, but is operating that Distribution System outside its Distribution Services Area.

Part J: Derogations

- 50A.39 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.40 Appendix 1 follows immediately below.

APPENDIX 1 to Condition 50A

Condition 13B. EHV Distribution Charging Methodology

Part A: Licensee's obligations

- 13B.1 This condition applies to the licensee on and after 1 April 2012 for Import Charges and on and after 1 April 2013 for Export Charges if the licensee is a Distribution Services Provider.
- 13B.2 This condition applies to the licensee in relation to Designated EHV Properties only.
- 13B.3 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 C below.
- 13B.4 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 2012 for Import Charges and 1 April 2013 for Export Charges in conjunction with every Associated Licensee within the meaning of paragraph 50A.4 of standard condition 50A (Development and implementation of an EHV Distribution Charging Methodology) in the form of the licence in force up to 31 March 2013.
- 13B.5 The licensee must at all times implement and comply with the EDCM.
- 13B.6 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 D 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.7 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 (that are not LDNO Distribution Systems) connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation;
 - (d) LDNO Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the LDNO Asset Ownership Boundary is at the same substation; and
 - (e) premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts 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: The Relevant Objectives of the EDCM

- 13B.8 The Relevant Objectives that the EDCM must achieve are as follows.
- 13B.9 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.10 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.11 The third Relevant Objective is that compliance with the EDCM results in charges ~~which~~ that, 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.12 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.13 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 D: Public availability of the EDCM

13B.14 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 E: Derogations

13B.15 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.

Part F: Interpretation

13B.16 For the purposes of this condition:

LDNO Asset Ownership Boundary means the point at which electric lines or electrical plant owned or operated by the licensee that (for the avoidance of doubt) form part of the licensee's Distribution System, are connected to a LDNO Distribution System that is not owned or operated by the licensee.

LDNO Distribution System means:

- (a) a Distribution System that is operated by an Electricity Distributor that is not a Distribution Services Provider; or
- (b) a Distribution System that is operated by an Electricity Distributor that is a Distribution Services Provider, but is operating that Distribution System outside its Distribution Services Area.

Schedule 2 to Section 11A Modification

Table of the reasons and the effect of the differences between the Conditions in Schedule 1 and the proposed modifications set out in the Notice

Ref	Licence Term	Reason	Effect
1	1.3	Clarification of export charges definition to refer to electricity exported by directly connected generators. Words "via a direct connection to the source of generation" inserted.	Improved clarity of meaning.
2	13.13(a)	Consequential change following removal of standard condition 50, correct reference to standard condition 13A inserted.	Accurate referencing.
3	13.15	Correction of erroneous reference to paragraph 13.15 – change to paragraph 13.14.	Accurate referencing.
4	13A.6(a)	Previous drafting of the definition of Designated Properties created a one year gap (from 1 April 2012 to 31 March 2013) in respect of provisions relating to export charges.	Ensures full coverage of the definition.
5	13A.6(a)	Removal of redundant words "assets".	Improved clarity of drafting.
6	13A.10	Removal of redundant word "which".	Improved clarity of drafting.
7	13A.11	Removal of redundant references to paragraphs 13A.7 and 13A.9.	Improved clarity of drafting.
8	50A.17	Insert new words "to the Authority"	Ensures the EDCM is submitted to the Authority.
9	50A.18	Removal of redundant word "which".	Improved clarity of drafting.
10	50A.22	Removal of redundant word	Improved clarity of drafting.

		"which".	
11	13B.7(c)	Removal of redundant word "and".	Improved clarity of drafting.
12	13B.11	Removal of redundant word "which".	Improved clarity of drafting.