

NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 CONCERNING THE PROPOSED MODIFICATION OF THE STANDARD LICENCE CONDITIONS OF ELECTRICITY DISTRIBUTION LICENCES

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 (the "Act") as follows.

1. The Authority proposes to modify all electricity distribution licences granted or treated as granted under section 6(1)(c) of the Act by amending standard licence condition (SLC) 13, SLC 15.16, SLC 22.2 and SLC 22A. The proposed licence modification is attached to this Notice in schedules 1 – 4.
2. The reasons why the Authority proposes to make this licence modification are set out in the Authority's statutory consultation letter 'Making changes to the electricity distribution Common Connection Charging Methodology: statutory consultation of proposed modifications to the Electricity Distribution Licence to facilitate open governance', which accompanies this Notice and is published by the Authority alongside this Notice. In summary, the purpose and effect of these licence modifications is to facilitate open governance of the Common Connection Charging Methodology.
3. Relevant licence holders for the purposes of this Notice are all holders of electricity distribution licences at the relevant time with SLCs 13, 15, 22 and 22A in force.
4. A copy of the proposed modifications and other documents referred to in this Notice are available (free of charge) from the Research and Information Centre at the Office of Gas and Electricity Markets ("Ofgem") (telephone 020 7901 1600). All documents are also available in electronic form on the Ofgem website (www.ofgem.gov.uk).
5. Any representations on the proposed licence modifications may be made on or before **11 June 2012** to Rebecca Langford at Ofgem, 9 Millbank, London, SW1P 3GE, or via email to connections@ofgem.gov.uk.
6. 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 However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
7. If the Authority decides to make the proposed modification it will take effect 56 days after the decision is published.



.....
Andy Burgess

Associate Partner, Transmission and Distribution Policy
Duly authorised on behalf of the Authority

14 May 2012

SCHEDULE 1 - PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF THE ELECTRICITY DISTRIBUTION LICENCE IN RESPECT OF SLC 13 CHARGING METHODOLOGIES FOR USE OF SYSTEM AND CONNECTION

Requirements for Charging Methodology

13.1 The licensee must at all times have in force:

- (a) a Use of System Charging Methodology which the Authority has approved on the basis that it achieves the Relevant Objectives; and
- (b) a Connection Charging Methodology (which, if the licensee is a Distribution Services Provider, must include the Common Connection Charging Methodology ("the CCCM") as set out in the Distribution Connection and Use of System Agreement ("the DCUSA") and as amended in accordance with the DCUSA) the Authority has approved by the Authority on the basis that it achieves the Relevant Objectives

(each, separately, "the Charging Methodology"),

and, except with the consent of the Authority, must comply with the Charging Methodology as modified from time to time in accordance with this condition.

13.2 The licensee must, for the purpose of ensuring that the Charging Methodology continues to achieve the Relevant Objectives:

- (a) review the methodology at least once every year ~~;~~ and
- (b) subject to paragraph 13.4, make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives ~~;~~ and
- (c) if the licensee is a Distribution Services Provider, include any modifications made to the CCCM in its Connection Charging Methodology.

The Relevant Objectives

13.3 The Relevant Objectives in relation to the Charging Methodology are:

- (a) that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- (b) that compliance with the methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
- (c) that compliance with the methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business;
- (d) that, so far as is consistent with sub-paragraphs (a), (b), and (c), the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's Distribution Business; and
- (e) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Procedure for modifications

13.4 Unless otherwise directed by the Authority under sub-paragraph (b), or unless the modification is one described in paragraph 13.5, before making a modification of the Charging Methodology the licensee must:

- (a) give the Authority a report which sets out:
 - (i) the terms proposed for the modification;
 - (ii) how the modification would better achieve the Relevant Objectives; and
 - (iii) 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 13.76 will end); and
- (b) if the Authority has directed that sub-paragraph (a) should not apply, comply with such other requirements (if any) as the Authority may specify in its direction.

13.5 Paragraph 13.4 will not apply if the licensee is a Distribution Services Provider and the purpose of the modification is to include modifications made to the CCCM.

13.65 Subject to paragraph 13.67, where the licensee has complied with the requirements of paragraph 13.4 it must, before making the modification:

- (a) revise the relevant statement of the Charging Methodology (or the most recent version of that statement) published in accordance with paragraph 13.135 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.

13.76 The licensee may not make a modification of the Charging Methodology if, within 28 days of receiving the licensee's report under paragraph 13.4, the Authority 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.

13.87 A direction given by the Authority under paragraph 13.76(a) or (b) must include:

- (a) a decision that the licensee's proposed modification would not better achieve the Relevant Objectives; and
- (b) the Authority's reasons for that decision.

Requirements for reports

13.98 The licensee must give or send a copy of any report under paragraph 13.4 or statement under paragraph 13.153 to any person who requests it.

13.109 The licensee may make a charge for any report or statement given or sent under paragraph 13.98 but this must not exceed the amount specified in directions issued by the Authority for the purposes of this condition generally, based on its estimate of the licensee's reasonable costs of providing the report or statement.

Approvals process

13.11 The following paragraphs 13.12 to 13.14 of this condition will not apply if the licensee is a Distribution Services Provider and the purpose of the modification is to include modifications made to the CCCM.

13.1~~20~~An approval by the Authority under paragraph 13.1 may only be withheld where the Authority has decided that the Charging Methodology does not achieve the Relevant Objectives and by Notice given to the licensee has set out its reasons for that decision.

13.1~~31~~Subject to paragraph 13.1~~42~~, an approval by the Authority under paragraph 13.1 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 Charging Methodology would better achieve the Relevant Objectives; and
- (b) the time by which such action must be completed.

13.1~~42~~No condition imposed under paragraph 13.1~~31~~ 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 duly made by the licensee and not withdrawn.

Publication of Charging Methodology

13.1~~53~~ The licensee must ensure that each Charging Methodology that is in force under this condition is set out in a statement (which must be combined, in the case of the Connection Charging Methodology, with the Connection Charging Statement issued under paragraph 1 of standard condition 14) that is published in such manner as the licensee believes will ensure adequate publicity for it (including on the licensee's Website, if it has one).

Arrangements applying because of other conditions

13.1~~64~~If the licensee is a Distribution Services Provider:

- (a) standard condition 13A (Common 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.1~~89~~ 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.

- | 13.1~~75~~⁶⁸The 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 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).
- | 13.1~~68~~⁷⁵Modifications made by the Authority under paragraph 13.1~~75~~⁶⁸ may make different provision for different categories of Electricity Distributor.

SCHEDULE 2 - PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF THE ELECTRICITY DISTRIBUTION LICENCE IN RESPECT OF SLC 15.16 – STANDARDS FOR THE PROVISION OF NON-CONTESTABLE CONNECTION SERVICES

Interpretation

15.16 For the purposes of this condition:

References to information are references to information that is accurate in all material respects.

Quotation means information provided to the applicant in Writing and includes information relating to the Point of Connection, a statement of the charges that will apply (subject to any terms of the Quotation) in accordance with the licensee's combined statement prepared under paragraph 153 of standard condition 13 (Charging Methodologies for Use of System and connection), and any other information reasonably required by the applicant.

SCHEDULE 3 - PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF THE ELECTRICITY DISTRIBUTION LICENCE IN RESPECT OF SLC 22.2 – DISTRIBUTION CONNECTION AND USE OF SYSTEM AGREEMENT

Part A: Applicable DCUSA Objectives

22.2 The Applicable DCUSA Objectives are these:

- (a) the development, maintenance and operation by the licensee of an efficient, co-ordinated, and economical Distribution System;
- (b) the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution, and purchase of electricity;
- (c) the efficient discharge by the licensee of the obligations imposed upon it by this licence;
- (d) the promotion of efficiency in the implementation and administration of the DCUSA arrangements;
- (e) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and
- (f) in relation to the Common Distribution Charging Methodology, ~~or~~ the EHV Distribution Charging Methodology or, the Common Connection Charging Methodology, the ~~Relevant Applicable Charging Methodology~~ Objectives listed in Part B of Standard Licence Condition 22A.

SCHEDULE 4 - PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF THE ELECTRICITY DISTRIBUTION LICENCE IN RESPECT OF SLC 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; ~~and~~
- (d) the Common Connection Charging Methodology ('CCCM'), in force under standard condition 13 (Charging Methodologies for Use of System and Connection) for which the incorporation date is 1 October 2012 (unless otherwise advised by the Authority).

22A.3 The second purpose is to provide:

- (a) for all modification proposals relating to the Charging Methodologies, (other than the CCCM) 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 or the CCCM) 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.

Part B: The Applicable Charging Methodology Objectives

- 22A.5 The Applicable Charging Methodology Objectives, in relation to any Relevant Charging Methodology, are as follows.
- 22A.6 The first Applicable Charging Methodology Objective is that compliance with the Relevant Charging Methodology facilitates the discharge by a Distribution Services Provider of the obligations imposed on it under the Act and by this licence.
- 22A.7 The second Applicable Charging Methodology Objective is that compliance with the Relevant Charging Methodology 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 the participation in the operation of an Interconnector.
- 22A.8 The third Applicable Charging Methodology Objective is that compliance with the Relevant Charging Methodology results in charges that, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by a Distribution Services Provider in its Distribution Business.
- 22A.9 The fourth Applicable Charging Methodology Objective is that, so far as is consistent with the first three Applicable Charging Methodology Objectives, the Relevant Charging Methodology, so far as is reasonably practicable, properly takes account of developments in a Distribution Services Provider's Distribution Business.
- 22A.10 The fifth ~~Relevant Applicable Charging Methodology~~ Objective is that compliance with the ~~Relevant Charging Methodology~~ ~~CDM facilities~~ facilitates compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
- 22A.11 A Relevant Charging Methodology achieves the Applicable Charging Methodology Objectives if it achieves them in the round, taking one objective with another, and having due regard to any particular implications for the determination of Use of System Charges or Connection Charges under any other Relevant Charging Methodology.

Part C: Licensee's obligations under this condition

- 22A.12 The licensee must take all appropriate steps within its power to ensure that such modifications of the DCUSA as are required for the purpose of incorporation a Relevant Charging Methodology into the DCUSA are made in sufficient time to ensure that the methodology is incorporated into the DCUSA with full and complete effect from its incorporation date.
- 22A.13 The licensee, in conjunction with all other Distribution Services Providers, and in consultation with other Authorised Electricity Operators, must develop arrangements that 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 a Relevant Charging Methodology for the purpose of discussing the further development of a Relevant Charging Methodology.

Part D: Governance and change control arrangements

- | 22A.14 This part applies for the purpose of enabling a Relevant Charging Methodology to be modified under the DCUSA on and after its incorporation date.
- 22A.15 All of the arrangements for which the DCUSA makes provision under standard condition 22 in relation to the governance, administration, and modification of the DCUSA are to apply equally to the Relevant Charging Methodology with effect from its incorporation date, subject to paragraph 22A.156.
- | 22A.16 Those arrangements must ensure:
 - | (a) that the requirements in paragraph 22A.178 and paragraph 22A.198 in relation to the modification procedures applicable to a Relevant Charging Methodology are satisfied;
 - | (b) that, for the CDCM and the EDCM, the Authority is able at any time before 1 April 2015 to veto any modification proposal under the DCUSA that appears to the Authority to have its purpose or effect the full or substantial substitution of one Relevant Charging Methodology for another Relevant Charging Methodology; and
 - (c) subject to sub-paragraph (b), that every modification proposal raised under the DCUSA in relation to a Relevant Charging Methodology and any modification of the methodology that may arise from such a proposal will be assessed by reference to the Applicable Charging Methodology Objectives specified in the condition 22A, and not the Applicable DCUSA Objectives specified in standard condition 22.
- | 22A.176 Every modification proposal raised under the DCUSA in relation to a Relevant Charging Methodology and any modification of the methodology that may arise from such a proposal must have as its aim the better achievement of the Applicable Charging Methodology Objectives.
- | 22A.187 Proposals for modifying a Relevant Charging Methodology ('a modification proposal') may be raised by:
 - (a) any Authorised Electricity Operator; or
 - (b) any other person whose interests are materially affected by the Relevant Charging Methodology,

and must be handled by the licensee in conjunction with all other Distribution Services Providers and in accordance with Part D of this condition.
- | 22A.189 Unless the Authority directs otherwise, where a report in respect of any proposal for modification of the CDCM is submitted to the Authority, in accordance with Part D of standard condition 13A (Common Distribution Charging Methodology) in force at 31 March 2011, before 1 April 2011 the licensee must make the modification of the CDCM unless, within 28 days of receiving that report, 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.