

Electricity Act 1989
Section 11A(1)(b)

**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(2) of the Electricity Act 1989 ("the Act"), the Gas and Electricity Markets Authority ("the Authority") gave notice on 14 May 2012 ("the Notice")¹ that it proposed to make modifications to the following standard conditions of the Electricity Distribution Licence ("the Licence"):
 - a) SLC 13 (Charging Methodologies for Use of System and Connection);
 - b) SLC 15 (Standards for the provision of Non-Contestable Connections Services);
 - c) SLC 22 (Distribution Connection and Use of System Agreement); and
 - d) SLC 22A (Governance and change control arrangements for Relevant Charging Methodologies)

(together, "the Conditions") and that any representations to the modification were to be made on or before 11 June 2012.
2. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction made by the Secretary of State not to make the modification.
3. Prior to the close of the consultation period in respect of the notice, the Authority received four responses. All non-confidential responses have been placed in the Ofgem library and on the Ofgem website.²
4. One response from a customer representative suggested that amendments should be made to the proposed drafting. They made the following comments -
 - a) They asked that competition in connections be specifically referred to in the Objectives used to approve/reject modifications (Relevant Objectives at SLC 13 and Applicable Charging Objectives at SLC 22A).
 - b) They were concerned that the move from assessing changes to the CCCM against the Relevant Objectives (set out at SLC 13.3) to assessing them against the Applicable Charging Methodology Objectives (set out at SLC 22A) would alter the objectives against which changes to the CCCM are approved/rejected.
 - c) They were concerned that proposed changes to SLC 22A.16(b) would remove the Authority's ability to reject proposed changes to the CCCM.
5. Having considered these points, we do not consider that it is necessary to amend the proposed drafting because -
 - a) Both the Relevant Objectives and the Applicable Charging Methodology Objectives already include an objective 'that compliance with the methodology does not restrict, distort, or prevent competition in the transmission or distribution of electricity' (SLC 13.3(b), SLC 22A.6). Not distorting or preventing competition in

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=795&refer=Networks/ElecDist/Policy/DistChrgMods>

² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=795&refer=Networks/ElecDist/Policy/DistChrgMods>

the distribution of electricity includes not distorting or preventing competition in the connections market.

- b) We can confirm that the move from assessing changes to the CCCM against the Relevant Objectives (set out at SLC 13.3) to assessing them against the Applicable Charging Methodology Objectives (set out at SLC 22A) will not alter the objectives against which applications are assessed.
 - c) We can confirm that the Authority will have the ability to reject proposed changes to the CCCM under SLC 22.14.
6. The Authority has carefully considered all representations received in relation to the proposed modifications.
7. In accordance with section 49A of the Act, the Authority has set out the reasons for making the modifications to the Licence in a letter³, 'Making changes to the electricity distribution Common Connection Charging Methodology: statutory consultation of proposed modifications to the Electricity Distribution Licence to facilitate open governance', dated 14 May 2012.
8. In particular, the effect of the modifications will be to -
- a) ensure that the CCCM is enduring and remains common – by making inclusion of the CCCM in Distribution Network Operators (DNOs)' Connection Charging Methodologies a requirement of the Licence,
 - b) avoid duplication in the modifications process for the CCCM. As the Licence currently stands (when the CCCM is incorporated into the DCUSA), two change proposals would need to be submitted to us: firstly, under SLC 22, a recommendation to the Authority to approve or reject a proposed change to the CCCM in the DCUSA; and secondly, a modification report under SLC 13, setting out any subsequent change to be made to the DNOs' Connection Charging Methodologies to reflect the change made to the CCCM in the DCUSA, and
 - c) ensure that decisions to approve or reject modifications to the CCCM are taken in accordance with the Applicable Charging Methodology Objectives, rather than the more general Applicable DCUSA Objectives set out in SLC 22.2(a)-(e). Currently, SLC 13 requires us to decide whether to approve modifications to the Connection Charging Methodologies, after considering whether they better achieve five Relevant Objectives.⁴ Once the CCCM is incorporated into the DCUSA, it will be subject to the DCUSA governance arrangements set out in SLC 22 and SLC 22A rather than the procedure for modification set out in SLC 13. The Applicable Charging Methodology Objectives at Part B of SLC 22A replicate the Relevant Objectives set out at SLC 13 for the purposes of approving modifications to Charging Methodologies included in the DCUSA. Modifications to the CCCM will be assessed against the Applicable Charging Methodology Objectives, so that the assessment is in line with that of modifications to DNOs' individual Connection Charging Methodologies.

Now therefore

In accordance with the powers contained in section 11A(1)(b) of the Act, the Authority hereby modifies the standard licence conditions for all electricity distribution licensees in

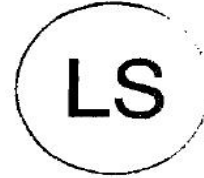
³ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=795&refer=NETWORKS/ELECDIST/POLICY/DISTCHRGMODS>

⁴ The Relevant Objectives are set out at SLC 13.3.

the manner specified in the attached Schedules 1 – 4. This decision will take effect on and from 1 September 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

28 June 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.

~~13.12~~ 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.

~~13.13~~ Subject to paragraph 13.14~~2~~, 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.

~~13.14~~ No condition imposed under paragraph 13.1~~3~~ 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

~~13.15~~ 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

~~13.16~~ 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~~8~~9 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.

- | 13.175 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 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).
- | 13.168 Modifications made by the Authority under paragraph 13.175 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 ~~EDCM 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.