

**To: All holders of an electricity distribution licence**

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

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

Whereas –

1. Each of the companies to whom this document is addressed (a “Licence Holder”) has been granted a licence (“a Licence”) under section 6(1)(c) of the Electricity Act 1989 (“the Act”) to distribute electricity for the purpose of enabling a supply to be given, for the term and subject to the conditions contained in the Licence.

2. In accordance with section 11A(2) of the Act, the Gas and Electricity Markets Authority (“the Authority”) gave notice on 16 November 2012 (“the Notice”) that it proposed to make modifications to the following Standard Licence Conditions of the Licence:

- Standard Licence Condition 33 (Definitions for the Section B standard conditions) (SLC33)
- Standard Licence Condition 44B (Distribution Losses Reporting Regime) (SLC44B)
- Appendix 1 of Standard Licence Condition 47 (Reporting of Price Control Revenue Information) (SLC47)
- Appendix 1 of Standard Licence Condition 49 (Modification of RIGs in force under Chapter 12) (SLC49)

and requiring any representations on the modifications to be made on or before 14 December 2012.

3. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.

4. Prior to the close of the consultation period in respect of the Notice, the Authority received five responses. All non-confidential responses have been placed on the Ofgem website.

5. The Authority has carefully considered all representations received in relation to the proposed modifications.

6. Upon considering the responses, the Authority has decided to make an additional modification to A3 of Appendix 1 to SLC47. Three licensees made representations that the requirement under subparagraph (b) for System Entry Volumes and Units Distributed should be deleted to give full effect to our decision to replace the losses incentive mechanism in the fifth electricity distribution price control review (DPCR5) period with a distribution losses reporting requirement (DLRR) and the Authority agrees that this part should be deleted. These additional modifications are set out in Schedule 2.

7. The Authority’s reasons for making the licence modifications are to give effect to the Authority’s decisions not to activate the losses incentive mechanism in DPCR5 and to replace the current distribution losses reporting regime with the DLRR. Detailed reasons are set out in the document ‘DPCR5 Distribution Losses Reporting Requirement’ (Ref 149d/12), in particular paragraphs 4.3 and 4.4 which relate to SLC44B.<sup>1</sup>

8. The effect of the modification(s) is to replace any clauses pertaining to the distribution losses reporting regime with clauses which pertain to the DLRR.

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<sup>1</sup> [http://www.ofgem.gov.uk/Networks/ElecDist/Policy/losses-incentive-mechanism/Documents1/4D\\_Distribution\\_Losses\\_Reporting\\_DPCR5\\_161112.pdf](http://www.ofgem.gov.uk/Networks/ElecDist/Policy/losses-incentive-mechanism/Documents1/4D_Distribution_Losses_Reporting_DPCR5_161112.pdf)

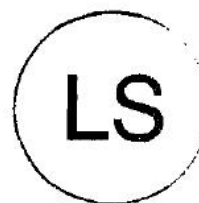
9. Where an application for permission to appeal the Authority's decision is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeal Rules requires the appellant to send notice setting out the matters required in Rule 5.2. The attached Schedule 1 provides a list of the relevant licence holders in relation to this modification direction. The meaning of 'relevant licence holder' is set out in section 11A of the Act.

**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 licences in the manner specified in the attached Schedule 2. This decision will take effect on and from 1 March 2013.

This document also constitutes notice of the reasons for the decision to modify the electricity distribution licences as required by section 49A of the Act.

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



.....  
**Hannah Nixon**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**3 January 2013**

**Schedule 1 – List of relevant licence holders in relation to this modification  
direction**

<b>Licensee</b>	<b>Registered Company Number</b>	<b>Registered Address</b>
Eastern Power Networks plc.	2366906	Newington House, 237 Southwark Bridge Road, London, SE1 6NP, Great Britain
Electricity North West Limited	2366949	304 Bridgewater Place, Birchwood Park, Warrington, WA3 6XG, Great Britain
London Power Networks plc	3929195	Newington House, 237 Southwark Bridge Road, London, SE1 6NP, Great Britain
Northern Powergrid (Northeast) Limited	2906593	Lloyds Court, 78 Grey Street, Newcastle Upon Tyne, NE1 6AF, Great Britain
Northern Powergrid (Yorkshire) Plc	4112320	Lloyds Court, 78 Grey Street, Newcastle Upon Tyne, NE1 6AF, Great Britain
Scottish Hydro Electric Power Distribution Plc	SC213460	Inveralmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ, Great Britain
South Eastern Power Networks plc	3043097	Newington House, 237 Southwark Bridge Road, London, SE1 6NP, Great Britain
Southern Electric Power Distribution Plc	4094290	55 Vastern Road, Reading, RG1 8BU, Great Britain
SP Distribution Limited	SC189125	1 Atlantic Quay, Robertson Street, Glasgow, G2 8SP, Great Britain
SP Manweb Plc	2366937	3 Prenton Way, Prenton, CH43 3ET, Great Britain
Western Power Distribution (East Midlands) Plc	2366923	Avonbank, Feeder Road, Bristol, BS2 0TB, Great Britain
Western Power Distribution (South Wales) Plc	2366985	Avonbank, Feeder Road, Bristol, BS2 0TB, Great Britain
Western Power Distribution (South West) Plc	2366894	Avonbank, Feeder Road, Bristol, BS2 0TB, Great Britain
Western Power Distribution (West Midlands) Plc	3600574	Avonbank, Feeder Road, Bristol, BS2 0TB, Great Britain

## **Schedule 2 – Proposed modifications with respect to reporting distribution losses**

### **Condition 33. Definitions for the Section B standard conditions**

- 33.1 Most of the defined words and expressions (all of which begin with capital letters) that are used only in the standard conditions of Section B of this licence are set out below, alongside their definitions.
- 33.2 But where defined words and expressions are used only in a particular standard condition of Section B, their definitions are included in that condition.

#### **Definitions in alphabetical order**

- 33.3 In the standard conditions of Section B of this licence, unless the context otherwise requires:

<b>Appropriate Auditor</b>	means: <ul style="list-style-type: none"><li>(a) in the case of a licensee that is a company within the meaning of section 1 of the Companies Act 2006 a person appointed as auditor under Chapter 2 of Part 16 of that Act;</li><li>(b) in the case of any other licensee that is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to those of Chapter 2 of Part 16 of that Act, a person so appointed; and</li><li>(c) in any other case, a person who is eligible for appointment as a company auditor under Part 42 of that Act.</li></ul>
<b>Business Carbon Footprint RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 46A (Business Carbon Footprint Reporting) which provide for the requirements as described in that condition in relation to the Business Carbon Footprint Report.
<b>Compliance Statement</b>	means the licensee's statement produced in accordance with paragraph 2 of standard condition 42 (Independence of the Distribution Business and restricted use of Confidential Information) for the purpose of describing the practices, procedures, and systems adopted by the licensee to ensure compliance with its obligations under that condition.
<b>Cost Reporting RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 48 (Reporting of Price Control Cost Information) in relation to the collection and reporting of Price Control Cost Information.

<b>DG RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 46 (Incentive schemes for innovation funding and Distributed Generation) in relation to the collection and reporting of Specified Information as defined in that condition.
<b>Distributed Generation</b>	means an installation comprising any plant or apparatus for the production of electricity that is directly connected to the licensee's Distribution System or is connected to that system through one or more electricity networks (other than an onshore Transmission System) that is or are directly connected to it.
<b>Distribution Losses Reporting RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 44B (Distribution Losses Reporting <u>Requirement Regime</u> ) in relation to the collection and reporting of Specified Information as defined in that condition.
<b>LCN Fund RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 44C (Low Carbon Networks Fund reporting) in relation to the collection and reporting of Specified Information as defined in that condition.
<b>Network Outputs RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 44A (Network outputs regime) in relation to the collection and reporting of Specified Information as defined in that condition.
<b>New Transmission Capacity Charges</b>	<p>means those elements of Transmission Connection Point Charges that:</p> <ul style="list-style-type: none"> <li>(a) are attributable (in whole or in part) to connection assets first becoming energised on or after 1 April 2010 pursuant to a requirement of the licensee for the provision of new or reinforced connection points between the GB Transmission System and the licensee's Distribution System; and</li> <li>(b) accordingly fall within the category of Specified Information set out at paragraph A2(c) of Appendix 1 of standard condition 45A of this licence (Incentive scheme for Transmission Connection Point Charges).</li> </ul>
<b>Price Control Cost Information</b>	means information as defined at paragraph 19 of standard condition 48 (Reporting of Price Control Cost Information) that the licensee is required to collect and submit to the Authority for the purposes of that condition.

<b>Price Control Revenue Information</b>	means the information detailed at Appendix 1 to standard condition 47 (Reporting of Price Control Revenue Information) that the licensee is required to collect and submit to the Authority for the purposes of that condition.
<b>Quality of Service RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 45 (Incentive scheme for quality of service) in relation to the collection and reporting of Specified Information as defined in that condition.
<b>Regulatory Instructions and Guidance</b>	means any of the Regulatory Instructions and Guidance (“RIGs”) issued by the Authority under standard condition 15A (Connection Policy and Connection Performance), standard condition 44A (Network outputs regime), standard condition 44B (Distribution <del>Losses</del> <u>Reporting Regime Requirement</u> ), standard condition 44C (Low Carbon Networks Fund reporting), standard condition 45 (Incentive scheme for quality of service), standard condition 45A (Incentive Scheme for Transmission Connection Point Charges), standard condition 46 (Incentive schemes for innovation funding and Distributed Generation), standard condition 46A (Business Carbon Footprint Reporting), standard condition 47 (Reporting of Price Control Revenue Information), and standard condition 48 (Reporting of Price Control Cost Information).
<b>Revenue Reporting RIGs</b>	means Regulatory Instructions and Guidance issued by the Authority under standard condition 47 (Reporting of Price Control Revenue Information) in relation to the collection and reporting of Price Control Revenue Information.
<b>Specified Information</b>	for the purposes of standard condition 44A (Network outputs regime), standard condition 44B (Distribution <del>Losses</del> <u>Reporting Regime Requirement</u> ), standard condition 44C (Low Carbon Networks Fund Reporting), standard condition 45 (Incentive scheme for quality of service) standard condition 45A (Incentive scheme for Transmission Connection Point Charges), and standard condition 46 (Incentive schemes for innovation funding and Distributed Generation), has the meaning given to that term in each of those conditions respectively.

**Transmission  
Connection Point  
Charges**

means the sum of:

- (a) charges payable by the licensee that are levied by a Transmission Licensee as connection charges by direct reference to the number or nature of connections between the licensee's Distribution System and the GB Transmission System, and includes any associated Transmission Use of System Charges and any remote Transmission Asset Rentals payable by the licensee; and
- (b) charges payable by the licensee to another Authorised distributor in respect of units transported from that person's network and which are recoverable by the licensee from users of its Distribution System in its Use of System Charges.

**Transmission  
Connection Point  
Charges RIGs**

means Regulatory Instructions and Guidance issued by the Authority under standard condition 45A (Incentive scheme for Transmission Connection Point Charges) in relation to the collection and reporting of Specified Information as defined in that condition.

## Condition 44B. Distribution Losses Reporting Regime Requirement

### Introduction

- 44B.1 This condition applies on and after 1 April 2010<sup>3</sup> and requires the licensee to collect, record and provide report to the Authority with Specified Information, ~~on a common basis with all other Distribution Services Providers, and~~ to an appropriate degree of accuracy, so as to:
- (a) ~~facilitate the establishment and operation of a Distribution Losses Reporting Regime that will enable the Authority to monitor and publish details of the actions taken by the licensee to reduce distribution losses on their network's performance in relation to the Distribution Losses Incentive Scheme established under Charge Restriction Condition 7 (Adjustment of licensee's revenues to reflect distribution losses performance); and~~
  - (b) ~~identify any unintended consequences that arise from the operation of that scheme and the Charge Restriction Conditions of this licence.~~

### Licensee's obligations

- 44B.2 Unless and so far as the Authority otherwise consents, the licensee must have and maintain appropriate systems, processes, and procedures to enable it:
- (a) to ~~measure and~~ record the information detailed in the Schedule of Specified Information set out at Appendix 1, which is part of this condition; and
  - (b) to provide report such information to the Authority in respect of such periods and within such timeframes as may be specified in or determined under that Schedule.
- 44B.3 In fulfilling its obligations under paragraph 44B.2, the licensee must at all times act in accordance with any Regulatory Instructions and Guidance issued by the Authority for the purposes of this condition ("the Distribution Losses Reporting RIGs").
- 44B.4 The Distribution Losses Reporting RIGs may include, or make provision for, any of the matters specified at paragraph 44B.5.

### Contents of the Distribution Losses Reporting RIGs

- 44B.5 Subject to paragraph 44B.6, the matters that may be included, or for which provision may be made, in the Distribution Losses Reporting RIGs are these:
- (a) a statement of the objectives of the Distribution Losses Reporting Regime Requirement, and a description of how its ~~requirements~~ contributes to the achievement of those objectives;
  - (b) instructions on the ~~establishment of systems, processes, procedures, and ways for~~ of recording and reporting Specified Information;
  - (c) provision with respect to the meaning of words and phrases used in defining Specified Information;
  - (d) requirements as to the form and manner in which, and the frequency with which, Specified Information must be provided to the Authority;
  - (e) requirements in respect of any commentary to be provided by the licensee when providing Specified Information;



- (f) requirements as to the form and manner in which, and the standards of accuracy and reliability with which, Specified Information must be estimated, ~~measured,~~ and recorded; and
- (g) requirements as to the scope and conduct of any audit required by the Authority in relation to the licensee's collection, recording, and reporting of Specified Information.

44B.6 The provisions of the Distribution Losses Reporting RIGs must not exceed what is reasonably required to achieve the purposes of this condition.

### **Procedure for issuing Distribution Losses Reporting RIGs**

44B.7 Before issuing any Distribution Losses Reporting RIGs, the Authority, by Notice given to all Distribution Services Providers, must:

- (a) state that it proposes to issue the RIGs and specify the date on which it proposes that they should take effect;
- (b) set out the text of the RIGs and the Authority's reasons for proposing to issue them; and
- (c) specify the time (which must not be less than a period of 28 days from the date of the Notice) within which representations or objections with respect to the proposal may be made.

44B.8 The Authority must consider any representations or objections that are duly made and not withdrawn.

### **Modification of Distribution Losses Reporting RIGs**

44B.9 The Distribution Losses Reporting RIGs may be modified at any time on or after the day on which they come into force in accordance with the procedures and subject to the other provisions specified in standard condition 49 (Modification of RIGs in force under Chapters 4 and 12 and overarching RIG structure).

### **~~Statement of Compliance~~**

~~44B.10 The licensee is required within six months after the effective date of the Distribution Losses Reporting RIGs to submit to the Authority for its approval a Statement of Compliance that explains in detail how the licensee will comply with its requirements of this condition and those RIGs.~~

~~44B.11 Where the licensee subsequently changes how it will comply with the requirements of this condition and the Distribution Losses Reporting RIGs, it must submit a revised Statement of Compliance to the Authority for its approval before the changes are made.~~

### **RIG references**

44B.12 As explained in Part E of standard condition 49 (Modification of RIGs under Chapters 4 and 12 and overarching RIG structure), references in this licence to the Distribution Losses Reporting RIGs are to be taken as references to the corresponding RIG documents as specified in Appendix 1 to standard condition 49.

### **Interpretation**

- 44B.13 The requirements of paragraphs 44B.7 and 44B.8 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.
- 44B.14 For the purposes of this condition (including, in particular, Appendix 1), any words and expressions appearing in it that are defined, explained, or further elaborated under any provision of the Distribution Losses Reporting RIGs have the meaning given by, or are to be read in accordance with, that provision.
- 44B.15 Appendix 1 follows immediately below.

## Appendix 1

### Schedule of Specified Information

- A1. As provided for at paragraph 44B.2, this Schedule details the Specified Information that the licensee must ~~measure~~, record and report under this condition, the periods in respect of which the licensee must collect it, and the timeframes within which the licensee must give it to the Authority.

#### Specified Information Category 1

- A2. This information comprises the actions taken by the licensee, which may be physical or non-physical actions, to reduce losses on its Distribution System ~~This information comprises the System Entry Volumes, Units Distributed and DG Losses Adjustment, which are the primary inputs into the calculation of Adjusted Distribution Losses for the purpose of Charge Restriction Condition 7 (Adjustment of licensee's revenues to reflect distribution losses performance).~~
- ~~A3. System Entry Volumes are the Volumes of Energy entering the licensee's Distribution System through any and all of the following Entry Points:~~
- ~~(a) Grid Supply Points,~~
  - ~~(b) Distribution System Connection Points,~~
  - ~~(c) Balancing Mechanism Unit Connection Points,~~
  - ~~(d) Half hourly Settled Connection Points,~~
  - ~~(e) Non half hourly Settled Connection Points, and~~
  - ~~Non DSP Connection Points.~~
- ~~A4.A4. Units Distributed are Volumes of Energy leaving the licensee's Distribution System through the following Exit Points:~~
- ~~(a) Grid Supply Points,~~
  - ~~(b) Distribution System Connection Points,~~
  - ~~(c) Balancing Mechanism Unit Connection Points,~~
  - ~~(d) Half hourly Settled Connection Points,~~
  - ~~(e) Non half hourly Settled Connection Points, and~~
  - ~~Non DSP Connection Points.~~

- ~~A5. The DG Losses Adjustment is the allowed adjustment to the calculation of Adjusted Distribution Losses to take account of the effect caused by distributed generators connected to the Distribution System with a Loss Adjustment Factor less than 0.997.~~
- ~~A6. The methodology for measuring the Volumes of Energy entering and exiting the licensee's Distribution System through the Entry Points and Exit Points is set out in the Distribution Losses Reporting RIGs.~~
- A7. The licensee must report annually ~~provide an annual update~~ to the Authority, of the information provided under paragraph A2 in accordance with such rules and requirements as are set out in the Distribution Losses Reporting RIGs.

### **Specified Information Category 2**

- A8. This information comprises such commentary and analysis as the Distribution Losses Reporting RIGs may require the licensee to produce to accompany the Specified Information ~~provided~~ reported to the Authority under Category 1 above.

### **Specified Information Category 3**

- A9. This category comprises such other information as may from time to time be specified by the Authority in a direction given under this condition to the licensee and all other Distribution Services Providers as if it were a direction issued under and subject to the provisions of standard condition 49 (Modification of RIGs in force under Chapters 4 and 12 and overarching RIG structure) to modify the Distribution Losses Reporting RIGs.

### **Collection periods and reporting timeframes**

- A10. All of the Specified Information detailed under this Schedule must:
- (a) be collected (with effect from and including 1 April 2010~~3~~) in respect of the period comprising each Regulatory Year; and
  - (b) be ~~provided~~ reported to the Authority on or before 31 July in the ~~second~~ Regulatory Year following the Regulatory Year to which the information relates.

## **Condition 47. Reporting of Price Control Revenue Information**

### **Appendix 1**

#### **Schedule of Price Control Revenue Information**

- A1. As provided for at paragraph 47.2, this Schedule details the Price Control Revenue Information that the licensee must measure and record under this condition, the periods in respect of which the licensee must collect it, and the timeframes within which the licensee must give it to the Authority.

#### **Meaning of Price Control Revenue Information**

- A2. For the purposes of this condition, Price Control Revenue Information means such items referred to in the Charge Restriction Conditions of this licence as the Authority considers are necessary to monitor, to an appropriate degree of accuracy, compliance with those conditions and will, in particular, include the items specified below.

#### **Items for Use of System Charges**

- A3. These items comprise, in relation to the restriction on Demand Use of System Charges and Generation Use of System Charges:
- (a) Regulated Combined Distribution Network Revenue;
  - ~~(b) System Entry Volumes and Units Distributed;~~
  - ~~(c) Distribution Losses; and~~
  - (d) Combined Allowed Distribution Network Revenue and its associated terms.

#### **Items in relation to other matters**

- A4. These items comprise:
- (a) in relation to the restriction of charges for the provision of Legacy Metering Equipment, the charges for that service;
  - (b) a breakdown of revenue from charges for Excluded Services;
  - (c) details of the licensee's De Minimis Business and associated income; and
  - (d) such other information as is specified in the Revenue Reporting RIGs, or as may from time to time be specified in a direction given to the licensee and all other Distribution Services Providers under this condition as if it were a direction issued under and subject to the provisions of standard condition 49 (Modification of RIGs in force under Chapters 4 and 12 and overarching RIG structure) to modify the Revenue Reporting RIGs.

#### **Collection periods and reporting timeframes**

- A5. With the exception of information under paragraph A4(d), all of the Price Control Revenue Information specified under this Schedule must be collected (with effect from and including 1 April 2010) in respect of the period comprising each Regulatory Year.
- A6. Price Control Revenue Information collected in accordance with this Schedule or any requirement of the Revenue Reporting RIGs must be provided to the Authority:

- (a) in the case of information specified in Template A (“the detailed return”) included in the Revenue Reporting RIGs, by no later than 31 July in the next Regulatory Year following the Regulatory Year under report; and
- (b) in the case of information specified in Template B (“the forecast return”) included in the Revenue Reporting RIGs, by no later than 31 October of the relevant Regulatory Year under report, being the licensee’s estimates of those specified items made after 31 July of that year.

A7. Price Control Revenue Information referred to under paragraph A4(d) must be collected:

- (a) where such information is specified as a requirement of the Revenue Reporting RIGs in force on 1 April 2010, from and including that date; and
- (b) where such information has been specified by the Authority in the direction referred to in paragraph A4(d), in respect of such period and from such date as is specified in that direction.

### **Interpretation**

A8. For the purposes of this condition (including this Schedule):

- (a) words and expressions appearing in the condition that are defined under any provision of the Charge Restriction Conditions of this licence have the meaning given by that provision; and
- (b) any words and expressions appearing in the condition that are defined, explained, or further elaborated under any provision of the Revenue Reporting RIGs have the meaning given by, or are to be read in accordance with, that provision.

## **Condition 49. Modification of RIGs in force under Chapters 4 and 12 and overarching RIG structure**

### **Appendix 1**

#### **Table of correspondence**

<b>RIG (see paragraph 49.2)</b>	<b>Corresponds to following RIG document or documents (see paragraph 49.14)</b>
Connection RIGs	NADPR RIG document CSR RIG document CRR RIG document
Network Outputs RIGs	NADPR RIG document
Distribution Losses Reporting RIGs	<del>NADPR RIG document</del> CRR RIG document
Low Carbon Network Funds RIGs	CRR RIG document
Quality of Service RIGs	NADPR RIG document CSR RIG document
Transmission Connection Point Charges RIGs	NADPR RIG document CRR RIG document
DG RIGs	NADPR RIG document CRR RIG document
Business Carbon Footprint RIGs	NADPR RIG document
Revenue Reporting RIGs	CRR RIG document
Cost Reporting RIGs	CRR RIG document