

**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 subject to the conditions contained in its Licence.

2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 20 December 2012 ("the Notice") that it proposed to make modifications to Standard Condition 1 (Definitions for the standard conditions) and 5 (Licensee's payments to the Authority) of the Licence and by requiring any representations to the modification to be made on or before 23 January 2013.

3. 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 not to make the modification.

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

5. The Authority has carefully considered in relation to the proposed modification all representations received. Its response to those representations is attached at Schedule 2 to this modification notice.

6. The Authority will make the following additional modifications to those set out in the Notice:

- (i) in paragraph 5.1(f) the word "expenses" (which was added in error) will be removed and the words "Estimated Costs" will be retained;
- (ii) the colon at the end of the definition for "**Relevant Proportion**" and the subsequent letter "a" in brackets will be removed so as to combine the text that currently follows "(a)" into the main definition of "**Relevant Proportion**"; and
- (iii) in paragraphs 5.1(h)(ii) and 5.5(c) the following words in brackets: "(including Citizens Advice or Citizens Advice Scotland)" will be added after the words "Secretary of State".

7. In accordance with section 49A of the Act the Authority gives the following reasons for making the licence modifications:

- i. to remove any obsolete references relating to the payment to the Authority of the costs incurred by the Competition Commission in connection with any reference made to it; and
- ii. to reflect changes to the consumer advocacy services brought about by The Public Bodies (The Office of Fair Trading Transfer of Consumer Advice Scheme Function and Modification of Enforcement Functions) Order 2013.

8. The effect of the modifications will be to:

- (i) remove the definition of "Competition Commission" in Standard Condition 1;
- (ii) remove any references to the payment to the Authority of the costs incurred by the Competition Commission in connection with any reference made to it;
- (iii) replace any references to the "Office of Fair Trading" with "Citizens Advice or Citizens Advice Scotland"; and
- (iv) replace references to "Consumer Direct" with "any qualifying public consumer advice scheme".

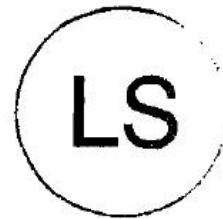
9. Where an application for permission to appeal the Authority's decision is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential 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(10) 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 3. This decision will take effect on and from 3 April 2013.

This document 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**



**PAUL HESELTINE**

**Associate Director Finance and Risk Management**

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

**6 February 2013**



## Schedule 1

### Electricity distribution relevant licensee list:

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
Energetics Electricity Limited	SC234694	International House, Stanley Boulevard, Hamilton International Technology Park, Glasgow, South Lanarkshire, G72 0BN, Great Britain
ESP Electricity Limited	4718806	Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA, Great Britain
Independent Power Networks Limited	4935008	Driscoll 2, Ellen Street, Cardiff, CF10 4BP, 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
The Electricity Network Company Limited	5581824	Energy House, Woolpit Business Park, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP, Great Britain
UK Power Networks (IDNO) Ltd	6489447	Newington House, 237 Southwark Bridge Road, London, SE1 6NP, Great Britain
Utility Assets Limited	7255054	53 High Street, Cheveley, Newmarket, Suffolk, CD8 9DQ, United Kingdom
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 - Response to representations and reasons for any differences between the modifications and those set out in the Notice**

<b>Standard Condition 5: Licensee's payments to the Authority</b>				
<b>Comment from</b>	<b>Para ref</b>	<b>Comment</b>	<b>Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation</b>	<b>Change made to licence (Yes/No)</b>
Ofgem	5.1(h)(ii) and 5.5(c)	In paragraph 5.1(h)(ii) and 5.5(c) the following words in brackets: "(including Citizens Advice or Citizens Advice Scotland)" will be added after the words "Secretary of State".	The amendments have been made to clarify that the costs of the Citizens Advice or Citizens Advice Scotland are also included in the calculation set out in sub-paragraph 5.1(h)(ii) and in the definition of "Estimated Costs" in paragraph 5.5(c).	Yes
UK Power Networks on behalf of: –  Eastern Power Networks plc, London Power Networks plc, South Eastern Power Networks plc, and UK Power Networks (IDNO) Ltd	5.5	Sub paragraph (a) in the definition of "Estimated Costs" is not included – we assume this is being left unchanged and our consent to its implementation is based on this assumption	No changes to sub-paragraph (a) of Standard Condition 5.5 is proposed.	No
UK Power Networks on behalf of: –  Eastern Power Networks plc, London Power Networks plc, South Eastern Power Networks plc, and UK	As above	The deletion of sub paragraph (b) in the definition of "Relevant Proportion" means the need for this definition to have a separate sub paragraph (a) is no more. For clarity of drafting	Amendment made to improve the drafting of the text that follows the definition of "Relevant Proportion", a minor formatting change will also be made to remove the colon at the end of the definition for " <b>Relevant</b>	Yes

Power Networks (IDNO) Ltd		we support the combining of the text in (a) into the main definition of "Relevant Proportion"	<b>Proportion</b> " and the subsequent letter "a" in brackets so as to combine the text that currently follows "(a)" into the main definition of <b>"Relevant Proportion"</b> .	
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**Licence Fee Cost Recovery Principles (LFPD)**

<b>Comment From</b>	<b>Para ref in the LFPD</b>	<b>Comment</b>	<b>Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the LFPD</b>	<b>Change made to LFPD Yes/No)</b>
National Grid	Paragraph 1.2, line 6	After "gas transportation" insert instead of the proposed wording, "paragraphs 3(a) to (g) of the electricity transmission SLCs and paragraphs 5.1(a) – 5.1(g) of the electricity distribution SLC" as paragraphs 2(a) – 2(g) is not the right reference for the electricity transmission SLCs following the proposed amendments.	Relevant amendments made to clarify which paragraphs of which licence conditions are affected by the principles covered in the LFPD.	Yes
Ofgem	Paragraph 1.2, line 7	After "gas transportation" insert "SLCs"	Minor drafting change made to aid clarity.	Yes
Ofgem	Paragraph 1.2, line 8	After "electricity transmission SLCs," insert "and"	Minor drafting change made to aid clarity.	Yes
Ofgem	Paragraph 1.2, line 9	After "electricity distribution SLC" insert "s"	Minor drafting change made to aid clarity.	Yes
National Grid	Paragraph 1.2, line 8/9	Before "electricity transmission SLCs" insert "3(h) of the".	Minor change made to clarify which paragraph of the electricity transmission licence is affected.	Yes
National Grid	Paragraph 2.4, first bullet, first	Reference should be to "paragraph 2.5" rather than	Amendment made to correct an error in paragraph numbering.	Yes

	paragraph, line 4	" <i>paragraph 2.6</i> ".		
National Grid	Paragraph 2.7, line 3	Reference should be to " <i>paragraph 2.3</i> " rather than " <i>paragraph 2.2</i> ".	Amendment made to correct an error in paragraph numbering.	Yes
National Grid	Paragraph 2.8, line 3	Reference should be to " <i>paragraph 2.3</i> " rather than " <i>paragraph 2.2</i> ".	Amendment made to correct an error in paragraph numbering.	Yes
UK Power Networks	Page 14	We believe that it would be beneficial to explain who Chiene and Tait are and their relationship to Ofgem.	In the struck out section, Chiene and Tait are noted as providers of Ofgem's Internal Audit service. Our current Internal Auditors are Deloitte LLP. This is noted on page 18 of the updated version.	No
National Grid	Page 17, 'Work undertaken on behalf of other government departments'	Ofgem indicate that their administration costs will include fees for work related to existing and new legislation or European Directives that is not part of Ofgem's core responsibility and that these costs may be recovered from licensees. We do not think it is appropriate that licensee's costs should include costs that are not part of Ofgem's core responsibilities. If Ofgem carry out work on behalf of other departments (e.g. government) Ofgem should charge the relevant body directly for this work so as to impose some cost discipline on them.	This section is a long-standing part of the Cost Control Regime (RPI-X) guidelines and procedures. It covers a scenario where Ofgem is required to recharge to licence fee payers the cost of any work that it is not part of its core responsibility. This scenario has yet to be realised. In line with Ofgem's transparency commitments, should the scenario occur in the future, there will be a consultation with licence fee payers through the forward work programme consultation process.	No
National Grid	Page 18, Year-End Reserves (also known as Teem and	Year-End Reserves (also known as Teem & Lade) has increased by £2 million to £5	A new five year regime came into effect from 2010-11. As notified in the Corporate Strategy and Plan 2010-2015	No

	Lade)	million. Whilst the RPI-X regime has not changed it would be useful to have clarity over the reasons for this increase and an understanding of Ofgem's plans regarding the Year-End Reserves.	published in March 2010, the 'teem and lade' amount has been set at £5 million. During the five year regime any savings in excess of £5 million will be returned to licence fee payers. At the end of the regime, any remaining savings over and above those that are not to be carried forward to the successor regime will be returned.	
National Grid	Page 18, definition of a gas customer	Delete " <i>A customer means</i> " and start the definition with " <i>Any person</i> ".	Minor drafting change made to aid clarity.	Yes
National Grid	Page 18, first paragraph under " <i>Source</i> "	Use the full title for the QoS RIGs.	Amended to aid clarity.	Yes
<b>Consultation covering letter (Reference 181/12)</b>				
National Grid	General	It is important that Ofgem remain transparent with all their costs associated with licence fees. For consistency we consider Ofgem should continue to use the relevant cost control regime for the five years that commenced from April 2010. As changes within the industry occur (e.g. European, and UK government initiatives) any additional costs that are relevant to the licensee to support Ofgem's increased workload must be transparent and with a clear auditable basis for any licence fee change.	Ofgem continues to use the RPI cost control regime that commenced in April 2010. Any additional costs that are relevant to the licensee are clearly highlighted in the Forward Work Programme. The 2013-14 Programme is currently being consulted on.	No
National Grid	Removal of references to the Competition	In light of the above the section titled 'Removal of references to the Competition	Although it is no longer possible to make a reference to the Competition	No



	Commission	<p>Commission' creates some confusion. In the opening paragraph it indicates that references to the Competition Commission will be removed from the licence which we agree with. However later, the consultation indicates that Ofgem would continue to recover the Commission's costs through the licence fee cost recovery mechanism. Whilst the reference to the Competition Commission is removed will licensees still be required to fund such costs?</p>	<p>Commission, under the new appeals mechanism, introduced by the Electricity and Gas (Internal Markets) Regulations 2011, an appeal can be made to the Competition Commission against a licence modification decision. Where an appeal is successful, the costs that the Competition Commission directs Ofgem to pay will still be recovered from holders of a licence with a payment condition still in force through the licence fee cost recovery mechanism.</p>	
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## Schedule 3

### Condition 1. Definitions for the standard conditions

Competition Commission means the body of that name established by section 45 of the Competition Act 1998;

### Condition 5. Licensee's payments to the Authority

#### Determination of amounts

- 5.1 In respect of each Regulatory Year at the beginning of which the licensee holds this licence, the licensee must pay to the Authority the total of:
- (f) ~~an amount which is the Relevant Proportion of the Estimated Costs of the Office of Fair Trading which relate to the expansion of Consumer Direct to enable it to cater for gas and electricity consumers;~~
  - (gf) an amount which is the Relevant Proportion of the Estimated Costs of the Office of Fair Trading on, or in connection with, the support of Citizens Advice or Citizens Advice Scotland on, or in connection with, the support of any qualifying consumer advice scheme ~~Consumer Direct~~ that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;
  - (hg) an amount that is the Relevant Proportion of the Estimated Costs of the Secretary of State during the year in question in respect of –
    - (i) payments made by the Secretary of State by virtue of paragraph 4(2) or (2A) of Schedule 7 the Act (payments relating to meter examiners);
    - (ii) any other costs incurred by the Secretary of State in performing functions conferred by Schedule 7 to the Act or by electricity meter regulations (as defined in section 95(5) of the Energy Act 2008);and
  - (i) ~~an amount which is the Relevant Proportion of the Estimated Costs incurred by the Competition Commission in the previous Regulatory Year in connection with any reference made to it with respect to this licence or any other licence granted under the Act or the Gas Act 1986; and~~
  - (jh) an amount which is the Relevant Proportion of the difference (being a positive or negative amount), if any, between:
    - (i) any costs estimated by the Authority in the previous Regulatory Year under sub-paragraphs (a) to (ig); and
    - (ii) the actual costs of the Authority, the National Consumer Council, and the Secretary of State (including Citizens Advice or Citizens Advice

~~Scotland) and the Commission (in connection with references of the type referred to in sub-paragraph (i)) for the previous Regulatory Year. or, in the case of the Competition Commission, for the Regulatory Year prior to the previous Regulatory Year.~~

## Interpretation

5.5 For the purposes of this condition:

**Estimated Costs** means costs estimated by the Authority ~~(after taking account, in the case of sub-paragraph (c), of any views of the Competition Commission)~~ as likely to be or likely to have been:

- (b) the costs of the National Consumer Council; and
- (c) the costs of the Secretary of State (including Citizens Advice or Citizens Advice Scotland). ~~and~~
- ~~(d) the costs incurred by the Competition Commission in connection with references to it in respect of this licence or any other licence granted under the Act or the Gas Act 1986.~~

**Relevant Proportion** means the proportion of the costs that are attributable to the licensee:

- ~~(a) in accordance with principles that the Authority has determined for the purposes of this condition generally (after consulting the licensee and others likely to be affected by the application of such principles) and has notified to the licensee. ~~or~~~~
- ~~(b) in relation to the costs of the Competition Commission, in accordance with any direction given by the Competition Commission under section 177(3) of the Energy Act 2004 (or, in the absence of such a direction in accordance with the principles referred to in sub-paragraph (a)).~~