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*Promoting choice and value for  
all gas and electricity customers*

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Date: 5 April 2013

Dear Mr McGlashan,

## **Application for the approval of a charging methodology statement from a distribution exemption holder**

### **Background**

From 12 October 2011 distribution exemption holders (DEHs, also known as licence exempt distribution networks) have been required to provide access to their network when they receive an expression of interest from a party connected (or wanting to connect) to their network. If a DEH wishes to charge for the use of its system, it is required to produce a methodology for charging for use of its system and submit it to us for approval.

### **The approvals process**

In deciding whether to approve the charging methodology, we consider whether the methodology meets the charging principles set out in our "Guidance on third party access charges for licence exempt gas and electricity distribution networks"<sup>1</sup>. These principles are:

- the resulting tariffs must be justified by reference to the costs of the distribution network; and
- costs must be allocated to individual network users on an objective, justifiable and non-discriminatory basis.

By completing the pro forma the DEH has indicated that it has conformed with the charging principles.

The pro forma also requires the DEH to provide information on its total distribution network costs, an explanation of how it intends to allocate these costs to its network users, and to confirm that these charges include distribution related costs only.

### **Authority Approval**

We have approved the charging statement containing details of the proposed methodology provided for the use of the Port of Leith's distribution network submitted by Forth Ports Limited. The reasons for our decision have been set out in our decision document. However, we expect Forth Ports Limited to review its charging statement in light of any updated guidance that we may issue from time to time.

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<sup>1</sup> <http://www.ofgem.gov.uk/Networks/Policy/Documents1/TPA%20network%20charging.pdf>

If you have any questions relating to the issues discussed in this letter please contact Ayesha Uvais at [ayesha.uvais@ofgem.gov.uk](mailto:ayesha.uvais@ofgem.gov.uk) or on 0207 901 7131.

Yours sincerely,

A handwritten signature in blue ink that reads "Andy Burgess". The signature is written in a cursive style with a large initial 'A'.

Andrew Burgess

**Associate Partner, Transmission and Distribution Policy**

**Signed on behalf of the Authority and authorised for that purpose**