

By e-mail to
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Your ref

Arun Pontin
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Our Ref

Date
23 May 2013

Contact / Extension

Jeremy Blackford

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Dear Arun

Consultation on proposed licence modifications to Charge Restriction Conditions (CRC) 13 and 15 of the electricity distribution licence

I am writing on behalf of SP Energy Networks in response to the consultation issued on 26 April 2013.

Our main comment is that we think that there should be more transparency on the face of the licence regarding the principles on which returned second tier LCNF royalties are determined, particularly given that the conditions concerned relate to price control and allowed revenue. We do not think that it is satisfactory that this support is relegated to the LCNF Fund Governance document, and believe that there should be an explicit reference to the principles set out in the DPCR5 Final Proposals document.

We therefore suggest the following amendment to draft paragraph 13.15 as follows.

13.15 Returned LCN Fund Royalties are the portion of revenues earned from intellectual property generated through Second Tier LCN Fund projects (whether by the licensee or another DSP) less Directly Attributable Costs ~~and that are payable to customers under the Second Tier and Discretionary Funding Mechanism.~~ They are determined in accordance with the principle set out in paragraph 1.9 of the Electricity Distribution Price Control Review Final Proposals (Incentives and Obligations) – 145/09 that royalty income for second tier projects should normally be returned to customers in the same proportion as they have funded the projects concerned, and in accordance with the principle set out in the they are calculated in accordance with the provisions of the LCN Fund Governance Document.

I hope that this is helpful but please contact me if you have any queries or would like to discuss.

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Yours sincerely

A handwritten signature in black ink, appearing to read 'J Blackford', with a stylized flourish at the end.

Jeremy Blackford
Regulation and Commercial
SP Energy Networks