

## **GAS SUPPLY LICENCE**

### **STANDARD CONDITION 1 (DEFINITIONS FOR STANDARD CONDITIONS)**

#### **Notice of directions issued by the Gas and Electricity Markets Authority pursuant to Standard Condition 1**

#### **Notice of reasons for the decision to make a direction under section 38A of the Gas Act 1986**

##### **WHEREAS:**

1. Each of the companies to whom this Notice is addressed ('the licensee') holds a gas supply licence granted, or treated as granted, pursuant to section 7A(1) of the Gas Act 1986 ('the licence').

2. The Gas and Electricity Markets Authority ('the Authority') has the power pursuant to paragraph 1.2 of standard condition 1 of the licence to issue directions in order to specify the consumption value which is the basis for the definition of "Ofgem Consumption Details" in paragraph 1.2.

3. The Authority consulted on giving itself the power to specify the consumption value pursuant to paragraph 1.2 of the licence as part of its Retail Market Review ('RMR') reforms. Further details of the Authority's reasons for the RMR reforms are stated in the following documents:

- a) The Retail Market Review – Implementation of Simpler Tariff Choices and Clearer Information, 27 August 2013;
- b) The Retail Market Review – Statutory consultation on the RMR domestic proposals (95a/13), 20 June 2013;
- c) The Retail Market Review – Final domestic proposals (40/13), 27 March 2013;
- d) The Retail Market Review – Final Impact Assessment for domestic proposals (41/13), 27 March 2013;
- e) The Retail Market Review – Updated domestic proposals (135/12), 26 October 2012;
- f) The Retail Market Review: Domestic Proposals (166/11), 1 December 2011;
- g) The Retail Market Review – Findings and Initial Proposals (34/11), 21 March 2011.

4. The Authority issues Typical Domestic Consumption Values ('TDCV') from time to time. The TDCVs are a key input to estimate the annual electricity and gas bill of a typical domestic customer.

5. The Authority decided on 13 September 2013 to update the TDCVs in line with recent evidence of a sustained fall in domestic energy consumption. The Authority set out its reasons for this decision in:

- a) its letter "Decision: New typical domestic consumption values", 13 September 2013; and
- b) its consultation: "Review of typical domestic consumption values" (113/13), 3 July 2013.

6. These documents (and the documents referred to in paragraph 3 of this direction) are available free of charge from the Ofgem Research and Information

Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003) or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

7. In its letter dated 13 September 2013 the Authority stated that elements of the TDCVs would form the basis of certain RMR reforms, and that it intended to confirm these arrangements before the relevant RMR licence conditions were in force.

8. During the RMR consultation process, the Authority stated its intention that the medium user TDCV should be the basis for the Ofgem Consumption Details for the purpose of standard condition 1.

9. Accordingly, the Authority has decided to issue this direction to specify the consumption value which will be the basis for the Ofgem Consumption Details for the purposes of standard condition 1. The Authority has decided that the relevant consumption value is the TDCV for medium electricity users.

**NOW THEREFORE:-**

10. The Authority hereby directs that the consumption value which forms the basis for the definition of Ofgem Consumption Details as set out in paragraph 1.2 of standard condition 1 will be 13,500 kWh.

11. The directions shall take effect on and from the date specified below and shall continue until revoked or revised by the Authority in accordance with standard condition 1.

Dated the: 23 October 2013



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