



Making a positive difference
for energy consumers

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Cc: Ann Neate
Senior Manager
Policy and Regulation – B2C
Angela Pierce
Corporate Policy and Regulation
Director

Date: 17 January 2014

Dear Mr Delamare

Direction issued to EDF Energy Customers plc (company number 2228297) by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph 36 of Standard Licence Condition (SLC) 22B (Restrictions on Tariff numbers and Tariff simplification) of the electricity supply licence – Barkantine Tariff

Further to our letter to you dated 23 December 2013, this letter sets out the Authority's decision to grant EDF Energy Customers plc (the "Licensee") a formal derogation from paragraph 2(b) of SLC 22B in respect of the Barkantine Tariff, which is described below.

The Direction is attached. This will be published and shall remain in force until 31 October 2025 (which is the date of expiry of the current Barkantine Concession Agreement), unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the derogation must be reported to the Authority as soon as possible.

This letter constitutes the Notice under section 49A of the Electricity Act 1989 of the reasons for the Authority's decision to issue the attached Direction.

Background to Derogation Request

The Authority received a request from the Licensee on 28 October 2013 for a derogation from SLC 22B in respect of the Licensee's Barkantine Tariff. The Barkantine Tariff is offered pursuant to a Concession Agreement entered into in 2000 between certain affiliates of the Licensee and the Council of the London Borough of Tower Hamlets in relation to the Barkantine district heating scheme (the "Concession Agreement").

Paragraph 2(b) of SLC 22B prohibits any licensee from offering more than four Core Tariffs (as defined in SLC 1) to any customer in any region in relation to any category of metering arrangement which is permitted under its licence. Given the low number of consumers eligible for Barkantine Tariff, the Licensee requested the licence derogation described above. The effect of the requested derogation is that the Barkantine Tariff would not count towards the Core Tariff limit imposed by paragraph 2(b) of SLC 22B.

SLC 22B also provides that the Authority may grant derogations relieving a licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.

On 23 December 2013 the Authority informed the Licensee that it was minded to grant the Licensee a derogation from paragraph 2(b) of SLC 22B in respect of its Barkantine Tariff.

The Authority's Decision

Having regard to our principal objective and statutory duties, including our duty to consider the interests of individuals who are disabled or chronically sick, of pensionable age or on low incomes, we consider that:

1. the impact of the Barkantine Tariff on consumers as a whole as a result of granting the requested derogation in respect of the Barkantine Tariff is likely to be minimal given the limited number of eligible customers;
2. eligible consumers, a significant proportion of whom are vulnerable or low income customers, are likely to benefit from the lower costs associated with the Barkantine Tariff; and
3. in granting the derogation, any potential detrimental impacts on consumers would likely be outweighed by the social and environmental benefits associated with the district heating scheme in respect of which the Barkantine Tariff is made available.

Therefore, the Authority grants a derogation from paragraph 2(b) of SLC 22B in respect of the Barkantine Tariff with effect from the date of, and subject to the terms of, the attached Direction for the duration of the Concession Agreement.

The attached Direction relates only to the requested derogation from paragraph 2(b) of SLC 22B. For the avoidance of doubt, the Direction does not relieve the Licensee from any other supply licence obligations in relation to the Barkantine tariff, including (without limitation) the notification requirements in SLC 23 (Notification of Domestic Supply Contract terms), which shall continue to have effect.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0203 263 9624 or Jibirila.leinyuy@ofgem.gov.uk.

Yours sincerely,

Maxine Frerk
Partner, Retail Markets and Research

The Company Secretary
EDF Energy Customers plc
40 Grosvenor Place
Victoria
London SW1X 7EN

Direction issued to EDF Energy Customers plc by the Gas and Electricity Markets Authority pursuant to paragraph 36 of Standard Licence Condition 22B (Restrictions on Tariff numbers and Tariff simplification) of the electricity supply licence – Barkantine Tariff

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph 36 of Standard Licence Condition (SLC) 22B of the electricity supply licence (the "Licence") granted under section 6(1)(d) of the Electricity Act 1989 to EDF Energy Customers plc (company number 2228297; the "Licensee").
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in SLC 1 of the Licence.
3. Paragraph 36 of SLC 22B provides that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 17 January 2014.
5. The Authority hereby directs, pursuant to paragraph 36 of SLC 22B, that, subject to the Licensee's continuing compliance with the conditions in paragraphs 6 and 7 of this Direction, the Licensee is, on a time-limited basis, relieved of its obligations under paragraph 2(b) of SLC 22B in respect of the electricity tariff available to customers eligible under the Barkantine district heating scheme in Tower Hamlets, London (the "Barkantine Tariff") pursuant to the terms of a Concession Agreement entered into in 2000 between certain affiliates of the Licensee and the Council of the London Borough of Tower Hamlets in relation to the Barkantine district heating scheme (the "Concession Agreement") for the duration of the Concession Agreement. The effect of this paragraph is that the Barkantine Tariff shall not count towards the maximum limit on the number of Core Tariffs which, pursuant to paragraph 2(b) of SLC 22B, the Licensee may make available to a Domestic Customer in any Region and in relation to any category of metering arrangement permitted under the Licence.
6. The Licensee shall as a condition of this Direction continue to comply with the terms of the Concession Agreement, including (without limitation) the Licensee's obligation to ensure that the Barkantine Tariff is calculated in accordance with the terms of the Concession Agreement.
7. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.

8. This Direction shall take immediate effect and shall remain in force until 31 October 2025 (which is the date of expiry of the current Barkantine Concession Agreement), unless revoked earlier or varied in writing by the Authority.

Dated: 17 January 2014

Maxine Frerk

Partner, Retail Markets and Research

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