

Supplementary annex 1: Draft RIIO-ED1 SLC licence changes

Draft

Gas and Electricity Markets Authority

ELECTRICITY ACT 1989
Standard conditions of
the Electricity Distribution
Licence

Draft

Standard conditions of the Electricity Distribution Licence – 01 April 2015

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**SECTION A: STANDARD CONDITIONS
FOR ALL ELECTRICITY DISTRIBUTORS**

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Condition 1. Definitions for the standard conditions

Introduction

1.1 This condition sets out most of the defined words and expressions (all of which begin with capital letters) that are used in the standard conditions of both Section A and Section B of this licence, and gives their definitions next to them.

~~1.2 But: w~~Where defined words and expressions are used only in a particular standard condition, their definitions are included in that condition, ~~whether it falls in Section A or Section B; and~~

~~1.3 1.2 some defined words and expressions that are used only in the standard conditions of Section B are set out, with their definitions, at standard condition 33 (Definitions for the Section B standard conditions).~~

Definitions in alphabetical order

[The following defined terms and their definitions are to be contained within this condition, in alphabetical order and in the manner set out below. For clarity, the below list includes new definitions, modified DPCR5 definitions and unmodified DPCR5 definitions that are used in ED1 licence.]

1.4 1.3 In the standard conditions of this licence, unless the context otherwise requires:

[**GREEN** – a modified DPCR5 definition; and
BLUE – a new ED1 definition]

Agreed Upon Procedures

for the purpose of this condition, means procedures from time to time agreed between the Authority, the Appropriate Auditor, and the licensee for the purpose of enabling the Appropriate Auditor to review and report to the Authority on matters relating to the licensee's compliance with the obligation referred to in Part E of this condition.

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[Not part of
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SLC 44

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Agreed Upon Procedures	for the purpose of this condition, means procedures from time to time agreed between the Authority, the Appropriate Auditor, and the licensee for the purpose of enabling the Appropriate Auditor to review and report to the Authority on matters relating to the licensee's provision of specific Specified Information.	<i>SLC 46</i>
Allowed Distribution Network Revenue	means the revenue calculated in accordance with the formula for AR _t set out in Part B of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue).	<i>SLC 46</i>
Applicable Accounting Framework	means either: (a) in respect of any reference to statutory accounts of the licensee (except for group accounts): (i) individual accounts prepared in accordance with section 396 of the Companies Act 2006; or (ii) individual accounts prepared in accordance with international accounting standards, or (b) in respect of any reference to statutory accounts of the licensee that are group accounts: (i) group accounts prepared in accordance with section 404 of the Companies Act 2006; or (ii) group accounts prepared in accordance with international accounting standards.	<i>SLC 44</i>

		<p><i>SLC reference [Not part of final condition]</i></p>
Authority's Website	means www.ofgem.gov.uk .	SLC 47
Base Demand Revenue	means the revenue calculated in accordance with the formula set out in Part C of Charge Restriction Condition 2A.	SLC 46
Business Plan Reporting Guidance	means any guidance from the Authority on the contents or structure of such reports as are issued or modified in accordance with Part B of this condition.	SLC 50
Charging Methodology	<p>means a complete and documented explanation, presented in a coherent and consistent manner, of the methods, principles, and assumptions that apply:</p> <p>(a) in relation to Use of System, for determining the licensee's Use of System Charges; and</p> <p>(b) in relation to connections, for determining the licensee's Connection Charges,</p> <p>as approved by the Authority by virtue of the provisions of standard conditions 13, 13A, 13B and 22A.</p>	<p>SLC 14</p> <p><i>definition of "Distribution Use of System Charges"</i> <i>in 13C</i></p>
Common Network Asset Indices Methodology	has the meaning given to that term in Part C of standard condition 51.	SLC 51
Common Connection Charging Methodology	has the meaning given to that term in the Distribution Connection and Use of System Agreement.	SLC13C
Competition and Markets Authority	means the competition and markets authority established under the Enterprise and Regulatory Reform Act 2013.	

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Connection Activities	for the purposes of Charge Restriction Condition 2K means any and all of such activities comprising or associated with the provision, modification, or retention of a connection to the licensee’s Distribution System as may, in accordance with the licensee’s Connection Charging Statement, be undertaken by persons other than the licensee (as described in Chapters 10 and 12 of the Authority’s decision document published on 7 December 2009 under reference 145/09).	<i>SLC 14</i>
Connection Charge	for the purpose of this condition, means a direct charge levied on a Customer by the licensee in accordance with the Common Connection Charging Methodology.	<i>SLC 13C</i>
Connection Charging Statement	has the meaning given to that term in paragraph 14.1 of standard condition 14.	<i>SLC 14 and definition of “Non-Contestable Connection Services”</i>
Customer	means any person who is supplied or requires to be supplied with electricity at any premises in Great Britain, but does not include any Authorised Electricity Operator in its capacity as such.	<i>Various SLCs</i>

		<i>SLC reference [Not part of final condition]</i>
Data	means information contained in the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a Risk Assessment, as specified in the Data Assurance Guidance (DAG).	<i>SLC 45</i>
Data Assurance Activity	means, in respect of Data, an activity undertaken by or on behalf of the licensee in order to verify and/or provide assurance that Data meets the required level of accuracy and reliability.	<i>SLC 45</i>
Data Assurance Direction	means a direction by the Authority to bring into effect this condition.	<i>SLC 45</i>
DG Connections Guide	means the document described in Part A of this condition.	<i>SLC 25A</i>
DG Standards Direction	has the meaning given to this term in Part C of this condition.	<i>SLC 15A</i>

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[Not part of
final
condition]*

**Distribution Business
Activities**

means the following activities of the licensee:

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- (a) the distribution of electricity through the licensee's Distribution System to Demand Customers (as defined in Charge Restriction Condition 2);
- (b) the distribution of electricity through the licensee's Distribution System in respect of Distributed Generation, together with such of the activities covered by subparagraphs (c) and (d) of this definition as are directly associated with that activity;
- (c) the provision of Directly Remunerated Services (other than any such services falling within the next subparagraph) excluding any such provision falling within subparagraph (b) of this definition;
- (d) the provision of Metering Equipment and Metering Services (including the service of providing Legacy Metering Equipment but excluding any such provision falling within subparagraph (b) of this definition), together with the provision of Data Services;
- (e) any De Minimis Business of the licensee;
- (f) any other activities to which the Authority has consented in accordance with paragraph 294(c) of standard condition 29; and
- (g) any Distribution Business of the licensee in respect of which the activities take place outside the licensee's Distribution Services Area.

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Distribution Losses	means electricity Units lost whilst being transported through the licensee's Distribution System, including: (a) Units lost in the process of transporting energy through power lines and transformers as a result of inherent impedance of electrical conductors; and (b) Units that are unaccounted for and can be attributed to Relevant Theft of Electricity, or inaccuracies or errors in inventories of unmetered supplies or metering data.	<i>SLC 14, SLC 49</i>
Distribution Losses Strategy	means the licensee's strategy for designing, building, and operating its Distribution System in a manner that can reasonably be expected to ensure Distribution Losses are as low as reasonably practicable in accordance with this condition, as published and amended from time to time in accordance with Part B of this condition.	<i>SLC 49</i>
Distribution Losses Strategy Guidance	means any guidance the Authority may issue from time to time during the Price Control Period as to the factors that the licensee should take into account in meeting its obligations under this condition.	<i>SLC49</i>

		<p><i>SLC reference [Not part of final condition]</i></p>
<p>Distribution Services Area</p>	<p>in relation to the licensee if it is a Distribution Services Provider, means the area specified as such by the Authority under:</p> <p>(a) standard condition 2 (Application of Section C) of the licensee’s Electricity Distribution Licence in the form in which that licence was in force on 31 May 2008;</p> <p>(b) standard condition 3 (Application of the Section B standard conditions) of the licensee’s Electricity Distribution Licence in the form in which that licence was in force on 31 March 2015; or</p> <p>(c) standard condition 3 (Application of the Section B standard conditions) of this licence on or after 1 April 2015.</p>	<p><i>SLC 14 definition of “Distribution Business Activities” (SLC 44)</i></p>
<p>Electricity Distribution Group</p>	<p>means any group of Distribution Services Providers in which the licensee and every other Distribution Services Provider within the group are Affiliates.</p>	<p><i>SLC 48</i></p>
<p>Environment Report</p>	<p>means a document published by the licensee that is accessible to stakeholders on activities it has undertaken in relation to environmental matters, and that meets the requirements set out in the ERGD.</p>	<p><i>SLC 47</i></p>
<p>Environment Report Guidance Document (ERGD)</p>	<p>means the document of that name published on the Authority's Website for the purpose of this condition that sets out the scope and contents of what should be contained within the licensee's Environment Report.</p>	<p><i>SLC 47</i></p>

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Examiner

means a member of the Authority's staff or another person whose degree of knowledge and experience is appropriate for the purposes of the relevant review.

SLC 45

Final Determination

means the documents entitled [RIIO-ED1: Final Determination for XXX, XXX and XXX – Overview] (Reference number: XX/XX), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on XX March 2014; or [RIIO-ED1 Final Determination for XXXXX (Reference number: XX/XX), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on [XX] December 2014.

SLC 46

Innovation Strategy

means a document, published by the licensee which complies with the guidance set out in the Strategy Decision for RIIO-ED1 - Outputs, incentives and innovation subsidiary document chapter 10, paragraph 10.16 published by the Authority on 4 March 2013.

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condition]*

July 2013 RIIO-ED1 Business Plan	means the document published by the licensee on 1 July 2013 [to consider whether this will need also to be supplemented by any additional commitments offered as part of the second business plan submission] in response to the document entitled “Strategy decision for the RIIO-ED1 electricity distribution price control” (Ref 26/13) published on 4 March 2013.	<i>SLC 50</i>
Justified Over-delivery	means delivery of Network Asset Secondary Deliverables above the level originally required of the licensee but which has been demonstrated by the licensee and determined by the Authority to be in line with the appropriate operation of the Distribution System.	<i>SLC 51</i>
Justified Under-delivery	means delivery of Network Asset Secondary Deliverables below the level originally required of the licensee but which has been demonstrated by the licensee and determined by the Authority to be in line with the appropriate operation of the Distribution System.	<i>SLC 51</i>
Margin	means a monetary sum, forming part of a Connection Charge, that is in addition to the cost estimated to be incurred by the licensee in providing any of its Connection Activities.	<i>SLC 14</i>
Network Asset Indices	has the meaning given to that term in paragraph 51.4.	<i>SLC 51</i>

		SLC reference [Not part of final condition]
Network Asset Secondary Deliverables	means the asset health, criticality and risk secondary deliverables that the licensee is required to deliver by 31 March 2023 as set out in the Network Assets Workbook.	SLC 51
Network Assets Workbook	means the document described in Appendix 1 of this condition.	SLC 51
Next Price Control Period	means the price control period beginning on 1 April 2023.	SLC 51
Physical Connection	means the fuse and service cable that connects Customer's premises to the shared assets of the Distribution System.	SLC 13C
Price Control Period	means the period of eight years beginning on 1 April 2015 and ending on 31 March 2023.	SLC 51
Quotation Accuracy Scheme	has the meaning given in Part B of this condition.	SLC15A
Registered Metering Point	means a metering point that has been allocated a metering point administration service number under the Master Registration Agreement.	SC 13C
Regulatory Instructions and Guidance (RIGs)	means Regulatory Instructions and Guidance as provided for in in standard condition 46 (Regulatory Instructions and Guidance).	Various SLCs
Reinforcement Costs	means costs which are necessitated by the upgrade of assets on the Distribution System, used by two or more customers, which are required to accommodate additional demand or generation.	SLC 13C
Relevant Customer	has the meaning given to that term in paragraph 13C.4.	SLC 13C

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Relevant Theft of Electricity	means the abstraction of electricity (regardless of where such abstraction takes place) for use otherwise than at a premises where there is a metering point or metering system that is registered by an Electricity Supplier, or has previously been registered by an Electricity Supplier (which in both cases were not illegally reconnected after disconnection), or where there is an approved unmetered connection.	<i>SLC49</i>
Risk Assessment	means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of Data by the licensee to the Authority under this licence.	<i>SLC 45</i>
Scheme	for the purpose of this condition, means a scheme, established pursuant to Schedule 6 of the Act, in respect of supplies of electricity illegally taken.	<i>SLC 49</i>
Specific Items	means items to be audited by the Appropriate Auditor carrying out the Agreed Upon Procedures, as defined under this condition.	<i>SLC 46</i>
Specified Information	means information (or a category of information) that is so described or defined in the RIGs.	<i>SLC 46</i>
UK Listing Authority	means the Financial Conduct Authority (FCA) acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (Official Listing).	<i>SLC 44</i>

		<i>SLC reference [Not part of final condition]</i>
Unit	means a kilowatt hour.	<i>SLC 49, local definition Of “Entry Point” and “Exit Point” (SLC 14)</i>
Unregulated Margin	means a Margin that: (a) becomes chargeable in relation to Connection Activities by the licensee in the circumstances set out in paragraph 14.16 of this condition and paragraphs 2K.5 and 6 of Charge Restriction Condition 2K (Margins on Licensee's Connection Activities); and (b) is not limited in its amount by any provision of this condition.	<i>SLC 14</i>
Use of System Charging Statement	has the meaning given to that term in paragraph 14.1.	<i>SLC 14</i>

Some legislative definitions

1.5|1.4 The following words or expressions used in the standard conditions of this licence are defined in the sections indicated in the legislation specified below, and have in this licence the respective meanings given to them by those sections.

Electricity Act 1989	Section
distribute	s.4(4)
electric line	s.64(1)
electrical plant	s.64(1)
functions	s.3A(7)
licence	s.3A(8)
licence holder	s.3A(8)
making a connection	s.16(4)

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modification [of a legal instrument]	s.111(1)
premises [except in standard condition 15]	s.64(1)
requiring a connection	s.16(4)
supply	s.4(4)
transmission	s.4(4)
Utilities Act 2000	Section
electricity licence	s.106(1)
Gas Act 1986	Section
gas shipper	s.7A(11)
gas shipper licence	s.7A(2)
gas supplier	s.7A(11)
gas supply licence	s.7A(1)

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Condition 11. Reporting on performance

Licensee's obligation

- 11.1 The licensee must provide the Authority and the Consumer Council with information specified by the Authority that relates to matters that it reasonably considers are relevant to the licensee's dealings:
- (a) with Customers under standard condition 9 (Arrangements for access to premises);
 - (b) with Domestic Customers under standard condition 10 (Special services); ~~and~~
 - (c) with Customers under the Electricity (Standards of Performance) Regulations 20[XX05] (SI [XXXX2005/4019XXX]) ("the regulations"); and-
 - ~~(e)~~(d) with Customers under the Electricity (Connections Standards of Performance) Regulations 20[XX] (SI [XXXX/XX]) ("the Connections Regulations").
- 11.2 The information that is referred to in paragraph 11.1 may, in particular, include information about:
- (a) the number of Domestic Customers covered by password arrangements;
 - (b) the services offered by the licensee to Domestic Customers on its Priority Services Register;
 - (c) the number of Domestic Customers who are listed on that register;
 - (d) the number of performance failures by the licensee under the regulations; and
 - (e) the number and value of compensation payments made by the licensee under the regulations.

Reporting format and timeframes

- 11.3 The information provided by the licensee under paragraph 11.1 must be in the form of a statistical record which has such content and is presented in such a format and at such intervals of time as the Authority may from time to time direct, for the purposes of this condition generally, after consultation with the licensee and the Consumer Council.

Condition 13C. Recovery of Reinforcement Costs for Relevant Customers

Introduction

13C.1 This condition prevents the licensees from recovering Reinforcement Costs for Relevant Customers through Connection Charges on individual Customers, unless Part B of this condition applies.

13C.2 The licensee must give effect to the requirements in this condition through the Distribution Connection and Use of System Agreement.

Part A: Costs to be recovered through Use of System charges

13C.3 The licensee must use its best endeavours to recover network Reinforcement Costs caused by Relevant Customers through Use of System Charges other than where Part B of this condition applies.

13C.4 A Relevant Customer is a Customer who is supplied with electricity at a Domestic Premises or a business premises and:

- (a) is connected to a low-voltage single-, two- or three- phase service fused at 100 amperes or less per phase and with whole-current metering;
- (b) is already connected to the network and supplied with electricity through a Registered Metering Point when it causes Reinforcement Costs; and
- (c) does not require any modification to their Physical Connection.

Part B: The licensee's ability to directly charge the Relevant Customers who cause Reinforcement Costs on the Distribution System

13C.5 The licensee may recover the Reinforcement Costs, to the extent that it is reasonable, through a Connection Charge on the Relevant Customer, in line with the Distribution Connection and Use of System Agreement, in one or both of the following circumstances:

- (a) The Reinforcement Costs are necessitated by a Relevant Customer connecting generation equipment, at its premises, with a rated output greater than 16 amps per phase (including the connection of generation equipment of less than 16 amps per phase where the aggregate capacity of installed generation equipment is greater than 16 amperes per phase); and/or
- (b) [OPTION 1- still being considered] The Customer and the equipment that is connected at its premises, can be clearly identified by the licensee as causing a significant proportion of the Reinforcement Costs, and the Reinforcement Costs necessitated by the Relevant Customer connecting equipment at its premises exceed £x [or £x/kW] .

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[OPTION 2 - still being considered] The Customer has connected equipment, of a type described in Appendix 1, at its premises that can be clearly identified by the licensee as causing a significant proportion of the Reinforcement Costs.

- 13C.6 The licensee may only recover Reinforcement Costs directly from Relevant Customers under paragraph 13C.5 where these costs have not been funded through the Charge Restriction Conditions or recovered under another mechanism.

Part C: Disapplication of this condition

- 13C.7 If the licensee, in conjunction with all other licensees, has given effect to the requirements of this condition in through the Distribution Connection and Use of System Agreement, the Authority, will issue a direction to remove this condition from their license.

Part D: Interpretation

- 13C.8 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Connection Charge	XX
Use of System Charges	XX
Domestic Premises	XX
Physical Connection	XX
Relevant Customer	XX
Registered Metering Point	XX
Reinforcement Costs	XX

Appendix 1

A1.1 The licensee should charge Relevant Customers who have connected the following devices in the circumstances described in paragraph 13C.5(b):

- [Device 1
- Device 2
- Etc]

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Condition 14. Charges for Use of System and connection

Charging sStatements to be always available

- 14.1 The licensee must ensure that the following cCharging sStatements prepared by it are at all times available in a form approved by the Authority:
- (a) a cCharging sStatement that sets out the basis on which charges will be made for Use of System (“the Use of System Charging Statement”); and
 - (b) a cCharging sStatement that sets out the basis on which charges will be made for the provision of connections to the licensee’s Distribution System (“the Connection Charging Statement”).

Compliance of cCharging sStatements with Charging Methodologies

- 14.2 Except with the Authority’s consent, the cCharging sStatements available under paragraph 14.1 must:
- (a) in the case of the Use of System Charging Statement, be prepared in accordance with the relevant Charging Methodology within the meaning of standard condition 13 (Charging Methodologies for Use of System and connection), standard condition 13A (Common Distribution Charging Methodology), or standard condition 13B (EHV Distribution Charging Methodology) (as appropriate); and
 - (b) in the case of the Connection Charging Statement, be prepared in accordance with the relevant Charging Methodology within the meaning of standard condition 13 (~~Charging Methodologies for Use of System and connection~~).

Other general requirements in relation to cCharging sStatements

- 14.3 Except with the Authority’s consent, the cCharging sStatements available under paragraph 14.1 must:
- (a) be presented in such form and with such detail as would enable any person to make a reasonable estimate of the charges for which he would become liable in respect of Use of System or (as the case may be) the provision of connections to the licensee’s Distribution System; and
 - (b) be published in such manner as the licensee believes will ensure adequate publicity for it (including on the licensee’s Website).
- 14.4 The licensee must periodically review the information set out in any cCharging sStatement available under paragraph 14.1 and, at least once in every Regulatory Year, must make any changes that are necessary to that statement to ensure that such information continues to be accurate in all material respects.
- 14.5 The licensee must give or send a copy of any cCharging sStatement available under paragraph 14.1 to any person who requests it.

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- 14.6 The licensee may make a charge for any ~~c~~Charging ~~S~~statement given or sent under paragraph 14.5 but this must not exceed the amount specified in directions issued by the Authority for the purposes of this condition generally, based on its estimate of the licensee's reasonable costs of providing the statement.

Contents of the licensee's Use ~~o~~f System Charging Statement

- 14.7 The ~~h~~information that the Use of System Charging Statement must include is specified in Part A of the Schedule of Contents set out at Appendix 1, which is part of this condition.

Charging in accordance with the Use of System Charging Statement

- 14.8 Except with the Authority's consent, every arrangement entered into by the licensee for the purposes of providing Use of System must ensure that the licensee's Use of System Charges ~~will~~ comply with the Use of System Charging Statement, in the form in which it is in force at each time, at which such charges are to be made under the arrangement.

Amendment of the licensee's Use of System Charges

- 14.9 Without prejudice to paragraph 14.12, before making any amendment to its Use of System Charges, the licensee must give the Authority a revised Use of System Charging Statement which sets out the amended charges and specifies the date from which they are to have effect.
- 14.10 Without prejudice to paragraph 14.12 and (as appropriate) paragraph 13.4 of standard condition 13 (~~Charging Methodologies for Use of System and connection~~), paragraph 13A.15 of standard condition 13A (~~Common Distribution Charging Methodology~~), or paragraph 13B.15 of standard condition 13B (~~EHV Distribution Charging Methodology~~), the licensee must, before any modification of its Use of System Charging Methodology comes into effect, give the Authority a revised Use of System Charging Statement that sets out the amended charges and specifies the date from which they are to have effect.
- 14.11 The licensee must, not less than three months before the date on which it proposes to amend its Use of System Charges in respect of any agreement for Use of System:
- (a) give the Authority a Notice setting out those proposals, together with an explanation of them (including a statement of any assumptions on which the proposals are based); and
 - (b) send a copy of such Notice to any person who has entered into an agreement for Use of System in accordance with the provisions of this licence.
- 14.12 Except ~~where in so far as with~~ the Authority ~~otherwise directs or 's~~ consents, the licensee may only amend its Use of System Charges in respect of any agreement for Use of System if:

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- (a) it has given Notice of the proposed amendment in accordance with paragraph 14.11; ~~and~~
- (b) the amendment, when made, conforms to the proposals set out in that Notice (except for any necessary revisions resulting from made necessary because there has been occurrence of a material change, since after the Notice was has been given, to any of the matters on which the assumptions set out in the statement under paragraph 14.11 ~~(a)~~ were ~~said to be~~ based); ~~and~~
- ~~(c) —~~ the amendment does not takes effect on a date other than 1 April of each any the relevant Regulatory Year.
- (c)

Contents of the licensee's Connection Charging Statement

- 14.13 The ~~hi~~ information that the Connection Charging Statement must include is specified in Part B of the Schedule of Contents set out at Appendix 1, which is part of this condition.
- 14.14 The licensee must ensure that the schedule of items of significant cost, referred to in paragraph A2(a) of Part B of Appendix 1 to this condition, is presented in accordance with a template common to all licensees (to be referred to as the common connection charging template).

Charging in accordance with the Connection Charging Statement

- 14.15 Except with the Authority's consent, every arrangement entered into by the licensee for the purposes of providing a connection or modifying or retaining an existing connection must ensure that the charges to be levied under that arrangement comply with the Connection Charging Statement in the form in which it is in force at the time at which the licensee offers to enter into the arrangement.

Specific rules for the licensee's Connection Charges

- 14.16 Connection Charges relating to the matters specified for the Connection Charging Statement in Part B of the Schedule of Contents set out at Appendix 1 are to be set at a level that will enable the licensee to recover:
 - (a) ~~t~~ The appropriate proportion (to be determined having regard to the factors set out at paragraphs 14.18 to 14.20) of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Distribution System, or for the provision and installation, maintenance, repair, and replacement, or ~~(as the case may be)~~ removal following disconnection, of any electric lines or electrical plant; ~~and~~
 - (b) where the licensee is a Distribution Services Provider operating in its Distribution Services Area, such Margin as the licensee is allowed to charge under ~~Charge Restriction Condition 12~~ Charge Restriction Condition- CRC-2K (Margins on Licensee's Connection Activities)(Licensee's Connection Activities: Margins and the development of competition); or-

~~(b)~~(c) where the licensee is not a Distribution Services Provider, or is a Distribution Services Provider operating outside of its Distribution Services Area, an Unregulated Margin in the Connection Charges it makes in relation to its Connection Activities.

- 14.17 Paragraphs 14.18 to 14.20 apply for the purpose of determining the appropriate proportion that the licensee may recover of the costs directly or indirectly incurred in carrying out any of the works mentioned in paragraph 14.16(a) under an agreement for providing, modifying, or retaining a connection.
- 14.18 The licensee must have regard to the benefit (if any) to be obtained or likely in future to be obtained by itself or any other person from the extension of the licensee's Distribution System or the provision of additional Entry Points or Exit Points on that system as a result of the carrying out of the works in question.
- 14.19 The licensee must have regard to its ability, or its likely future ability, to recover from third parties a proportion of the costs in question.
- 14.20 The licensee must have regard to the principles that Connection Charges:
- (a) will not generally take into account Distribution System reinforcement carried out at more than one voltage level above the voltage of the connection;
 - (b) will not generally take into account the costs (including any capitalised charge relating to them) for any maintenance, repair, and replacement required of any electric lines or electrical plant provided and installed for making a connection;
 - (c) may, ~~in specific circumstances,~~ include an amount for reinforcement of the licensee's Distribution System that is based on a proportionate share of the costs of such reinforcement ~~and is charged at the time of connection;~~ and
 - (d) will not cover any costs that are covered by Use of System Charges.

Information on circuit capacity, power flows, and loading

- 14.21 The licensee must, in accordance with the requirement of paragraph 14.23, give or send to any person on request a report ("the "capacity report") which shows present and future circuit capacity, forecast power flows and loading on the part or parts of the licensee's Distribution System specified in the request, and fault levels for each distribution node covered by the request.
- 14.22 The capacity report must also contain:
- (a) such further ~~Hi~~ information as is reasonably necessary to enable the person who has made the request under paragraph 14.21 to identify and evaluate the opportunities available when connecting to and making use of the part or parts of the licensee's Distribution System specified in the request; and

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- (b) if so requested, a commentary prepared by the licensee that indicates its views on the suitability of the part or parts of the licensee's Distribution System specified in the request for new connections and the distribution of further quantities of electricity.

14.23 The requirement referred to in paragraph 14.21 is for the capacity report to be given or sent to the person who has made the request as soon as reasonably practicable and in any event within 28 days (or, with the Authority's consent, such longer period as the licensee may reasonably require, having regard to the nature and complexity of the request) after the date that is the later of:

- (a) the date of receipt of the request; and
(b) the date on which the licensee obtains agreement from the person₂ who has made the request to pay the amount estimated by the licensee, or such other amount as is determined by the Authority₇ under paragraph 14.24.

14.24 The licensee may₂ within ten days after receiving the request under paragraph 14.21 provide an estimate of its reasonable costs for preparing the capacity report, and its obligation to provide the statement takes effect when the person who has made the request agrees to pay the amount estimated or such other amount as the Authority may, on the application of the licensee or that person, direct.

14.25 The licensee may:

- (a) with the Authority's consent, omit from a capacity report any details about circuit capacity, power flows, loading, or any other [Hii](#) information whose disclosure would, in the Authority's view, seriously and prejudicially affect the commercial interests of the licensee or any third party; and
(b) —omit any [Hii](#) information whose disclosure would place the licensee in breach of standard condition 42 (Independence of the Distribution Business and restricted use of Confidential Information) (if applicable). [Appendix 1 follows immediately below.](#)

(e)(b)

Interpretation

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

14.26 For the purposes of this condition:

Authorised Electricity Operators	XX
Authority	XX
Balancing and Settlement Code	XX

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Charging Methodology	XX
Confidential Information	XX
Connection Activities	XX
Connection Charges	Xx
Connection Charging Statement	Xx
Distribution Services Area	XX
Distribution Services Provider	XX
Distribution System	XX
Entry Points	XX
Exit Points	XX
Margin	XX
Notice	XX
Regulatory Year	XX
Use of System	XX
Unregulated Margin	XX
Use of System Charging Statement	XX
Website	XX

Appendix 1

Schedule of Contents

This Appendix specifies the Hiinformation that must be included in the licensee's Use of System Charging Statement (Part A) and the Hiinformation that must be included in the licensee's Connection Charging Statement (Part B).

Part A: Use of System Charging Statement

A1. As provided for by paragraph 14.7, the Hiinformation to be set out in the licensee's Use of System Charging Statement must include:

- (a) aA schedule of charges for the distribution of electricity under Use of System;-
- (b) aA schedule of adjustment factors to be made for Distribution Losses, in the form of additional supplies required to cover those losses;-
- (c) aA schedule of the charges (if any) which may be made in respect of accounting and administrative services;-
- (d) aA schedule of the charges (if any) which may be made (i) for providing and installing any electrical plant at Entry Points or Exit Points, where such provision and installation are ancillary to the grant of Use of System, and (ii) for maintaining such plant;- and
- (e) Information on any Use of System rebates given or formally announced to Authorised Electricity Operators in the 12 months preceding the date of publication or revision of the statement.

Part B: Connection Charging Statement

A2. As provided for by paragraphs 14.13 and 14.14, the Hiinformation to be set out in the licensee's Connection Charging Statement must include:

- (a) aA schedule that lists items of significant cost (including the carrying out of works and the provision and installation of electric lines or electrical plant) likely to be required for the purposes of connection (at Entry Points or Exit Points) to the licensee's Distribution System for which Connection Charges may be made or levied and including (where practicable) indicative charges for each such item and (in other cases) an explanation of the principles on which and the methods by which, such charges will be calculated;-
- (b) aA statement of the principles on which and the methods by which any charges will be made in respect of any extension or reinforcement of the licensee's Distribution System that is made necessary or appropriate (at the licensee's discretion) by virtue of providing connection to that system or Use of System to any person seeking such connection;-
- (c) aA statement of the principles on which and the methods by which Connection Charges will be made in circumstances where the electric

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lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required for Use of System by the person seeking connection:-

- (d) aA statement of the principles on which and the methods by which any charges will be made for the provision of special metering or telemetry, or Data Processing equipment by the licensee for the purposes of enabling any person who is party to the Balancing and Settlement Code to comply with his obligations under that code in respect of metering or the performance by the licensee of any service in relation to such metering:-
- (e) a statement of the principles on which and the methods by which any charges will be made for the disconnection of electrical plant and electric lines from the licensee's Distribution System and for the removal of such plant and lines following disconnection; and-
- (f) Aa statement of the principles on which and the methods by which any charges (including any capitalised charge) will be made for any maintenance, repair, and replacement required of electric lines or electrical plant provided and installed for making a connection to the licensee's Distribution System.

Condition 15A. Connection Policy and Connection Performance

Introduction

~~15A.1 This condition applies on and after 1 April 2010 for the following purposes. These first purpose of this condition is to:~~

- (a) ~~impose particular~~ duties of compliance on the licensee with respect to the licensee's performance under:
 - (i) the Connection Regulations; and
 - (ii) any Distributed Generation Connection Standards ("DG Standards") that are prescribed by the Authority in a DG Standards Direction issued under this condition; ~~and-~~
- (b) ~~The second purpose is to~~ requires the licensee to establish and operate a Quotation Accuracy Scheme by reference to which the licensee may in certain circumstances be required to pay compensation to Customers under the Connection Regulations in relation to the accuracy of quotations provided by the licensee.

~~15A.1 The third purpose is to provide for the Authority to issue Regulatory Instructions and Guidance ("the Connection RIGs") about Connection Policy and Connection Performance within the meaning of Part A below.~~

~~Part A: Meaning of terms with respect to policy and performance~~

~~15A.2 For the purposes of this condition:~~

- (c) ~~references to "Connection Policy" are references to the Authority's policy of promoting competitive connection activity, as reflected in the provisions of Charge Restriction Condition 12 (Licensee's Connection Activities: Margins and the development of competition); and~~
- (d) ~~references to "Connection Performance" are references to the licensee's performance under or in relation to the provisions of:~~
 - (iii) ~~standard condition 15 of this licence (Standards for the provision of Non-Contestable Connection Services);~~
 - (iv) ~~any DG Standards prescribed by the Authority, and~~
 - (v) ~~the Connection Regulations.~~

~~Part C: Scope and contents of the Connection RIGs~~

~~15A.3 Any Connection RIGs issued under this condition may, in particular, include provision about or impose requirements in respect of:~~

- (a) ~~the nature and formulation of the criteria against which the licensee's facilitation of Connection Policy will be assessed by the Authority;~~
- (c) ~~details of the information to be collected and recorded by the licensee in relation to the application and development of Connection Policy;~~

- ~~(d) — the form and manner in which, and the frequency with which, such information is to be provided to the Authority in respect of Connection Policy;~~
- ~~(e) — the meaning of particular words or expressions used, whether under this licence or elsewhere, in relation to Connection Policy;~~
- ~~(f) — details of the information to be collected and recorded by the licensee in relation to Connection Performance;~~
- ~~(g) — the form and manner in which, and the frequency with which, such information is to be provided to the Authority in respect of Connection Performance;~~
- ~~(h) — the meaning of particular words or expressions used, whether under this licence or elsewhere, in relation to Connection Performance;~~
- ~~(i) — the scope and conduct of any audit required by the Authority in relation to any of the requirements or purposes of either or both of Connection Policy and Connection Performance; and~~
- ~~(j) — the contents of any commentary to be provided by the licensee when providing information to the Authority in respect of either or both of Connection Policy and Connection Performance.~~

~~15A.4 — The provisions of the Connection RIGs must not exceed what is reasonably required to achieve the purposes of this condition.~~

Part D: Procedure for issuing the Connection RIGs

~~15A.5 — Before issuing Connection RIGs, the Authority, by Notice given to all Electricity Distributors, must:~~

- ~~(k) — state that it proposes to issue the RIGs and specify the date on which it proposes that they should take effect;~~
- ~~(l) — set out the text of the RIGs and the Authority's reasons for proposing to issue them; and~~
- ~~(m) — specify the time (which must not be less than a period of 28 days from the date of the Notice) within which representations or objections with respect to the proposal may be made.~~

~~15A.6 — The Authority must consider any representations or objections that are duly made and not withdrawn.~~

~~15A.7 — The requirements of paragraphs 15A.9 and 15A.10 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.~~

Part E: Compliance with and modification of the Connection RIGs

~~15A.8 — In fulfilling its obligations under or in relation to matters of Connection Policy and Connection Performance, the licensee must at all times act in accordance with any relevant provisions of the Connection RIGs.~~

~~15A.9~~ The Connection RIGs may be modified at any time on or after the date on which they come into force in accordance with the procedures and subject to the other provisions specified in standard condition 49 (Modification of RIGs in force under Chapters 4 and 12 and overarching RIG structure).

Part AF: Licensee's particular duties of compliance

~~15A.10~~ 15A.2 The licensee must ~~It is the licensee's duty under this condition:~~

- (a) ~~use all reasonable endeavours~~ to take all reasonable steps to achieve the standards of performance prescribed for the licensee:
 - (i) by the Connection Regulations; and
 - (ii) by any DG Standards specified by the Authority in a DG Standards Direction,in every case to which each such standard applies; and
- (b) without limiting the general effect of that obligation, to achieve those standards of performance, calculated on a quarterly basis, in at least 90 per cent on average of all of the cases falling within each of the following groups:
 - (i) metered standards of performance relating to budget estimates and quotations (in total);
 - (ii) all other metered standards of ~~performance~~ performance (in total); and
 - (iii) all unmetered standards of performance (in total).

Part GB: Quotation Accuracy Scheme

~~15A.11~~ 15A.3 The licensee must from time to time submit to the Authority for its approval a Quotation Accuracy Scheme that:

- (a) enables a Customer to require the licensee to review the accuracy of a quotation provided in respect of the terms for making or modifying such types of connection to the licensee's Distribution System as may be specified in the Connection Regulations for the purposes of that scheme; and
- (b) in the event that the licensee provides an inaccurate quotation, requires the licensee to adjust any charge made to the Customer to the amount properly due under an accurate quotation.

Part CH: Scope and contents of a DG Standards Direction

~~15A.12~~ 15A.4 The Authority may issue a DG Standards Direction for the purposes of this condition in accordance with the provisions of Part ID below.

~~15A.13~~ 15A.5 The licensee must comply with the requirements of a DG Standards Direction.

~~15A.14~~ 15A.6 A DG Standards Direction is a direction the purpose of which is to ensure that ~~with effect from 1 October 2010~~ there are standards of performance in place in relation to DG Connections that are equivalent to the standards of performance prescribed for the licensee by the Connection Regulations in relation to the Demand Connections to which those regulations refer.

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- ~~15A.15~~ 15A.7 Accordingly, a DG Standards Direction ~~will~~must, in particular, include provision for:
- (a) the specification of the standards of performance that are to apply to DG Connections in relation to the matters and activities covered by regulations 4, 6 and 9 of the Connection Regulations in respect of ~~D~~demand ~~C~~connections;
 - (b) the licensee's performance of those standards within prescribed periods or by reference to agreed dates that are defined in terms consistent with the definitions given to those terms in the Connection Regulations in respect of ~~D~~demand ~~C~~connections;
 - (c) the exemption of the licensee from the specified standards of performance in relation to DG Connections in the same terms as apply under regulation 15 of the Connection Regulations in respect of ~~D~~demand ~~C~~connections;
 - (d) extensions of time in relation to those standards of performance as they apply to DG Connections in the same terms as apply under regulation 16 of the Connection Regulations in respect of ~~d~~Demand ~~e~~Connections;
 - (e) the resolution of disputes between the licensee and DG Operators in relation to any of the matters covered by ~~paragraph 15A.7~~sub-paragraphs (a) to (d); and
 - (f) any other matters in relation to the achievement of standards of performance in relation to DG Connections that are consistent with, or incidental to, the fulfilment of the purpose described in paragraph ~~15A.6~~15A.18 ~~above~~.

~~15A.16~~ 15A.8 Subject to ~~paragraph paragraph 15A.2~~15A.9, a DG Standards Direction may also require the licensee to give undertakings to the Authority as to the circumstances in which, and the levels at which, compensation will be payable to DG Operators in respect of contraventions of the standards of performance imposed by the direction.

~~15A.17~~ 15A.9 The circumstances giving rise to a requirement to pay such compensation, and the levels of the compensation payable, must be consistent with those that apply under the Connection Regulations to contraventions of the standards of performance prescribed by those regulations in relation to the ~~D~~demand ~~C~~connections to which they refer.

Part ID: Procedure for ~~issuing or amending to~~ a DG Standards Direction

~~15A.18~~ ~~A DG Standards Direction may be issued or amended by the Authority at any time up to and including 30 June 2010, but may not take effect before 1 October 2010.~~

~~15A.19~~ ~~Before issuing or amending a DG Standards Direction, the Authority, by Notice given to all Electricity Distributors, must will:~~

~~15A.20~~ ~~state that it proposes to issue the direction and specify the date on which it proposes that it should have effect;~~

~~15A.21~~ ~~set out the text of the direction and the Authority's reasons for proposing the direction; and~~

~~15A.22~~ ~~specify the time (which may not be less than 28 days from the date of the Notice) within which representations or objections with respect to the proposal may be made.~~

~~15A.23~~ ~~The Authority must will consider any representations or objections that are duly made and not withdrawn.~~

~~15A.24~~ The requirements of paragraphs 15A.23 and 15A.24 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.

~~Part J: Amendment procedures for a DG Standards Direction~~

~~15A.25~~ 15A.10 Notwithstanding any other provision of this licence, a DG Standards Direction ~~duly issued in accordance with Part I above~~ may only be amended in accordance with the procedures that would apply to that direction if it were in fact a standard condition of this licence subject to modification under section 11A of the Act.

~~Part E~~K: Derogations

~~15A.26~~ 15A.11 The Authority may, after consulting with the licensee, give a direction (“a derogation”) to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

~~Part F: Interpretation~~

~~15A.27~~ 15A.12 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Demand Connection	XX
DG Connection	XX
DG Operator	XX
DG Standards	XX
Direction	
Connection Regulations	XX
Quotation Accuracy	XX
Scheme	

Condition 25A. Distributed Generation Connections Guide and Information Strategy

Introduction

~~25A.1~~ This condition applies on and after 1 April 2015¹⁰ for ~~the purpose of condition requires the licensee to~~ ensure that the licensee to:

~~25A.2~~ 25A.1 makes information available in the public domain ~~to~~ assist any person who might wish to enter into arrangements with the licensee that relate to the connection of Distributed Generation to the licensee's Distribution System ("DG Connections") to understand and evaluate the process for doing so; ~~and~~

~~(b) implements a DG Information Strategy in respect of that information and also of other information more generally related to DG connections.~~

Part A: Scope and contents of the DG Connections Guide

~~25A.3~~ 25A.2 Where the Authority gives the licensee a direction to do so, ~~the~~ licensee must work collectively with such other licensees as are ~~also~~ subject to a direction under this condition ("relevant licensees") to prepare and maintain a common set of documents, approved by the Authority and to be known as the DG Connections Guide, that:

- (a) is in such form as may be specified in the direction for the purposes of this condition; and
- (b) contains such information as the licensee can reasonably provide that identifies or relates to the matters specified in paragraph 25A.3.

~~25A.4~~ 25A.3 Those matters must (without limitation) include:

- (a) details of the statutory and regulatory framework (including health and safety considerations) that applies to DG Connections;
- (b) the likely costs, charges, and timescales involved in the application process typically operated by Electricity Distributors in respect of such connections;
- (c) details of the arrangements and opportunities available for competitive activity in the provision or procurement of such connections; and
- (d) engineering and other technical matters relevant to the commissioning, energisation, and maintenance of such connections.

Part B: Preparation and revision of the DG Connections Guide

~~25A.5~~ Except where ~~the~~ the Authority's otherwise consents, ~~the~~ licensee must, together with the relevant licensees,:

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~~25A.6~~ (a) ~~prepare and issue the DG Connections Guide, as approved by the Authority, within a period of three months after the date of the Authority's direction; and~~

~~25A.7~~ ~~25A.4~~ (b) ~~except with the Authority's consent,~~ review and where appropriate revise the DG Connections Guide in each following Regulatory Year to ensure that, so far as is reasonably practicable, the information contained in it is up to date and accurate in all material respects.

Licensee's DG Information Strategy

~~25A.5~~ Where the Authority gives the licensee a direction to do so, the licensee must prepare a DG Information Strategy, for the approval of the Authority, which sets out how the licensee intends to ensure that all existing and potential users of its Distribution System are able to receive an adequate level of information and a satisfactory standard of service in relation to the DG connections process and matters relevant to it.

~~25A.6~~ The licensee must submit the DG Information Strategy for the approval of the Authority within the time period set out in the direction (which must not be a period of less than 28 days).

~~25A.7~~ In particular, the scope and contents of the DG Information Strategy must cover how the licensee will provide information to all such users, by type of user, in a form and manner tailored to their particular needs and designed to help them to:

- ~~i.~~ understand the DG connections process and the likely range of the costs and timescales involved in obtaining such connections;
- ~~ii.~~ form an indicative view, by reference to the likely costs and timescales involved, of the most (and the least) advantageous locations within the licensee's Distribution Services Area in which to obtain such connections;
- ~~iii.~~ understand in appropriate detail the connection opportunities available to DG schemes in a specified locality within that area, and the factors driving any constraints;
- ~~iv.~~ make an indicative assessment of the connection costs applicable to any specific DG scheme within that area; and

~~(e)~~ request a formal quotation for the connection of a specific DG scheme to the licensee's Distribution System.

~~25A.8~~ The licensee must implement its DG Information Strategy, as approved by the Authority, with effect from such date as may be specified by the Authority when it approves the Strategy.

Review and revision of the DG Information Strategy

~~25A.9~~—The licensee must review its DG Information Strategy at least once a year with a view to ensuring that it remains fit for the purposes envisaged by paragraph 25A.5 and, with the consent or at the direction of the Authority, must make any changes to the strategy that may be necessary to enable it to better achieve those purposes.

~~Procedure for directions under this condition~~

~~25A.10~~—Before the Authority gives a direction under this condition, whether in accordance with paragraph 25A.2 or 25A.5, it must inform the licensee of its intention to do so in a Notice that:

- ~~— (a) — states the date on which it is proposed that the direction should take — effect;~~
- ~~(b) — sets out the proposed contents of the direction with respect to the form in which the DG Connections Guide or the DG Information Strategy (as the case may be) is to be prepared and maintained for the purposes of this condition; and~~
- ~~— (c) — specifies the time (which must not be less than a period of 28 days from the date of the Notice) within which representations with respect to the proposed direction may be made.~~

~~25A.11~~—The Authority must consider any representations that are duly made and are not withdrawn.

~~25A.12~~—A direction under this condition, whether in accordance with paragraph 25A.2 or 25A.5, may be given at any time in a Regulatory Year.

Part C: Availability of the DG Connections -Guide and the Strategy

~~25A.8~~ ~~25A.5~~ The licensee must give the Authority a copy of the latest DG Connections Guide, and the DG Information Strategy and of each revision of either document.

~~25A.9~~ ~~25A.6~~ The licensee must also:

- (a) give or send a copy of the DG Connections Guide to any person who requests one and who makes such payment to the licensee as it may require (which must not exceed such amount as the Authority may from time to time approve for that purpose in respect of the document); and
- (b) publish the DG Connections Guide in such manner as the licensee believes will ensure adequate publicity for it (including by making it readily accessible from the licensee's Website).

Part D: Interpretation

~~25A.15~~ ~~The requirements of paragraphs 25A.10 and 25A.11 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.~~

~~25A.16 In this condition, Distributed Generation has the meaning given in Charge Restriction Condition 2 (Definitions for the Charge Restriction Conditions) and DG is to be read as a reference to that term.~~

25A.7 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

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Draft

**SECTION B: ADDITIONAL STANDARD
CONDITIONS FOR ELECTRICITY
DISTRIBUTORS WHO ARE
DISTRIBUTION SERVICES PROVIDERS**

Condition 44. Regulatory Accounts

Application and purposeIntroduction

- 44.1 This condition applies to Regulatory Accounts prepared for Regulatory Years commencing on and after 1 April 2010-2015 and requires the licensee to ~~for the purpose of ensuring that the~~ licensee to:
- (a) prepares and publishes Regulatory Accounts within the meaning ~~of paragraph 44.5~~ set out in Part A of this condition; and
 - (b) maintains (and ensures that any Affiliate or Related Undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to comply with that obligation.

Part A: Preparation of Regulatory Accounts

- 44.2 For the purposes of this condition, but without prejudice to paragraph 44.89, the licensee must prepare Regulatory Accounts for each Regulatory Year.
- 44.3 Except and so far as the Authority otherwise consents, the licensee must comply with the obligations imposed by ~~paragraphs 44.4 to 44.7~~ Part A of this condition, in relation to the preparation of Regulatory Accounts.
- 44.4 The licensee must keep or cause to be kept, for a period approved by the Authority that is not less than the period referred to in section 388(4)(b) of the Companies Act 2006, and in the manner referred to in that section 388, such accounting and other records as are necessary to ensure that all of the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the Distribution Business Activities of the licensee are separately identifiable as such in those records (and in those of any Affiliate or Related Undertaking of the licensee).
- ~~44.5~~ The Regulatory Accounts are to ~~must~~ be prepared on a consistent basis derived from the accounting and other records referred to in paragraph 44.4.
- ~~44.5~~ They ~~The Regulatory Accounts; and~~ must be prepared under the same A ~~applicable~~ Accounting F ~~framework as the most recent or concurrent statutory accounts of the licensee; and must comprise:~~
- ~~44.6~~ the ~~matters~~ items set out at paragraph 44.67; ~~;~~ supported by ~~;~~ and
- ~~44.6~~ the ~~matters~~ items mentioned at paragraph 44.78. ~~;~~ and
- ~~44.7~~ the matters set out in paragraph 44.8.
- ~~44.8~~ 44.7 The items in this paragraph ~~matters~~ to which paragraph 44.65(a) refers are:

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- (a) a profit and loss account (or, as appropriate, an income statement and a statement of comprehensive income);
- (b) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and, if appropriate, a statement of recognised income and expense);
- (c) a balance sheet (or, as appropriate, a statement of financial position);
- (d) a cash flow statement (or, as appropriate, a statement of cash flows);
- (e) a Corporate Governance Statement;
- (f) a Strategic Report; and
- ~~(g) a Directors' Report; and~~ ana Business Review.

44.9 44.8 The ~~items in this paragraph matters~~ to which paragraph 44.65(b) refers are explanatory notes that: _____

- (a) provide a summary of the accounting policies adopted by the licensee for the purpose of producing Regulatory Accounts;
- (b) disclose, in relation to the accounts to which paragraph 44.76(a) refers, Segmental Information for each of the Distribution Business Activities of the licensee for each of the disclosure lines in the relevant account or statement down to the total operating profit level; and
- (c) disclose, in relation to the accounts to which paragraph 44.76(c) refers, Segmental Information for each of the Distribution Business Activities of the licensee for gross additions to tangible and intangible assets in the case of a balance sheet, or for gross additions to non-current assets by category in the case of a statement of financial position.

Part B: Consistency with the statutory accounts

44.10 44.9 Regulatory Accounts prepared in respect of a Regulatory Year under paragraph 44.5 Part A of this condition must, so far as is reasonably practicable and except with the Authority's approval, having regard to the purposes of this condition:

- (a) have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under Chapter 4 of Part 15 of the Companies Act 2006 and follow the reporting requirements of the Applicable Accounting Framework, subject to the inclusion of Segmental Information as prescribed in paragraphs 44.78(b) and (c); ~~and~~
- (b) comply with all relevant accounting and reporting standards currently in force under the Applicable Accounting Framework as set out in section 395 of the Companies Act 2006; and
- ~~(b) where the holder of this licence is a parent undertaking as defined in Section 1162 of the Companies Act 2006 and itself prepares either IAS or Companies Act group accounts under the an Applicable Accounting Framework, its~~

~~Regulatory Accounts must also be prepared as group accounts in the format required by that Act under that Applicable Accounting Framework~~

- (c) ~~also be prepared as group accounts in the format required under the Applicable Accounting Framework, where the holder of this licence is a parent undertaking as defined in Section 1162 of the Companies Act 2006 and itself prepares group accounts under the Applicable Accounting Framework.~~

Part C: Audit and delivery of Regulatory Accounts

44.11 4.10 Unless the Authority otherwise consents, the licensee must:

- (a) procure an audit by an Appropriate Auditor of such parts of its Regulatory Accounts and the Directors' Report ~~and Business Review as are would be specified in as would be required~~ required by the Companies Act 2006 ~~as being required to be so audited as~~ if the licensee were a Quoted Company and they were the licensee's statutory accounts drawn up to 31 March and prepared under Part 15 of the Companies Act 2006;
- (b) procure a report by ~~the Appropriate Auditor that auditor~~, addressed to the Authority, that states ~~-whether in his opinion those accounts fairly present the licensee's financial position, financial performance, and cash flows in accordance with the requirements of this condition; and~~
- (c) deliver those accounts and the ~~Appropriate Auditor's auditor's~~ report required under paragraph 44.910(b) to the Authority as soon as is reasonably practicable and in any event before the date of their publication under ~~paragraph 44.14~~ Part F of this condition.

Part D: Terms of appointment of Appropriate Auditor

44.12 4.11 For the purposes of paragraph 44.109, the licensee must, at its own expense, enter into a contract of appointment with an Appropriate Auditor ~~which that~~ includes a term requiring that the audit of the licensee's Regulatory Accounts must be conducted by that ~~Appropriate Auditor auditor~~ in accordance with all such relevant auditing standards in force on the last day of the Regulatory Year to which the audit relates as would be appropriate for accounts prepared in accordance with the provisions of Part 15 of the Companies Act 2006.

Part E: Agreed Upon Procedures: ~~in relation to the prohibition of cross-subsidy and discrimination for the Appropriate Auditor~~

44.13 4.12 The licensee must at its own expense enter into a contract of appointment with an Appropriate Auditor for the completion of Agreed Upon Procedures in relation to the prohibition of cross-subsidy and discrimination generally and in particular under paragraph 9 of standard condition 4 (No abuse of the licensee's special position) and under standard conditions 19 (Prohibition of discrimination under Chapters 4 and 5) and 39 (Prohibition of discrimination under Chapter 9).

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~~44.13~~ The contract must require that the Agreed Upon Procedures are conducted in relation to each Regulatory Year and that the licensee will arrange for the Appropriate Auditor to address a report to the Authority by 31 July following the end of each Regulatory Year ~~which~~ which:

(a) states that he has, in a manner consistent with the relevant auditing standards, completed the Agreed Upon Procedures issued by the Authority in respect of the Regulatory Year under report; and

~~(d)~~(b) ~~which~~ sets out his findings.

~~44.14~~ If the Authority is satisfied that the report referred to in paragraph ~~44.13~~ 2 above demonstrates that the licensee has complied with the obligation to avoid discrimination and cross-subsidies that is specified in Article 31 of Directive 2009/72/EC of the European Parliament and of the European Council of 13 July 2009 and is imposed on the licensee by the standard conditions of this licence referred to in paragraph ~~44.12~~ 2 above, the report ~~is to~~ will be deemed to represent the results of an audit of that obligation, as required by the Article.

Part F: Publication and provision of Regulatory Accounts

~~44.15~~ Unless the Authority after consulting with the licensee directs otherwise, the licensee must publish its Regulatory Accounts:

- (a) as a stand-alone document in accordance with this condition;
- (b) by 31 July after ~~the~~ end of the Regulatory Year to which the accounts relate;
- (c) on, and in a way that is readily accessible from, its Website or that a Website of an Affiliate or Ultimate Ceontroller of the licensee provided that the link is both clear and readily accessible; and
- (d) in any other manner, ~~which~~ that, in the opinion of the licensee, is necessary believes will ensure to secure adequate publicity for the accounts.

~~44.16~~ ~~The licensee must provide a~~ copy of the Regulatory Accounts ~~must be provided~~ free of charge to ~~;~~

~~44.17~~ ~~the National Consumer Council (or any successor entity), no later than the date on which the accounts are published; and~~

~~44.18~~ ~~44.16~~ any person who requests a copy.

Part G: Definitions

~~44.19~~ ~~Definitions~~

~~44.20~~ ~~44.17~~ For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

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Agreed Upon Procedures	XX
Applicable Accounting Framework	XX
Appropriate Auditor	XX
Distribution Business Activities	XX
Quoted Company	XX
Segmental Information	XX
UK Listing Authority	XX

Part H: Interpretation

- 44.21/4.18 The requirement under paragraph 44.76 of this condition for the licensee to include a [Business Strategic Review report](#), a Corporate Governance Statement, and a Directors' Report in its Regulatory Accounts ~~is to will~~ be read as if the requirement applied to the licensee as a Quoted Company, whether or not it is such a company, [such that:-](#)
- (a) ~~The requirement under paragraph 44.17 of this condition for the licensee to include a business review, a corporate governance statement, and a directors' report in its rRegulatory Accounts, is to be read as if the requirement applied to the licensee as a quoted company, whether or not it is such a company, such that:~~ The documents referred to in paragraph 44.17 must therefore have:
- ~~in the case of the Business Review has, the coverage and content of the business review that a Quoted Company is required to prepare under section 417 of the Companies Act 2006;~~
- ~~in the case of the Corporate Governance Statement, has the coverage and content of the corporate governance statement that a Quoted Company is required to prepare under the UK Corporate Governance Code issued under the Financial ServicesUK Listing Authority's listing rules and interpretations on corporate governance; and~~
- (b) ~~the Strategic Report has the coverage and content of the Strategic Report that a Quoted Company is required to prepare under section sections 414A, 414C and 414D of the Companies Act 2006; and~~
- (c) ~~in the case the the~~ Directors' Report, ~~has~~ the coverage and content of the directors' report that a Quoted Company is required to prepare under ~~section sections 415, 416, 417, 418(2), and 419(3) and (4)-417 of the -Companies Act 2006.~~

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44.224.19 ~~4.19~~ Regulatory Accounts prepared by the licensee in respect of the Regulatory Year beginning on 1 April ~~2009-2014~~ are subject to the provisions of this condition in the form in which it was in force at 31 March 201~~0~~5.

Draft

Condition 45. Data Assurance requirements

Introduction

45.1 This condition requires the licensee to undertake processes and Data Assurance Activities for the purpose of reducing the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.

Part A: Licensee's obligations under this condition

45.2 The licensee must:

- (a) comply with the provisions of the Data Assurance Guidance (the “DAG”), a document that will be incorporated into this licence by way of a direction as set out in Part C of this condition;
- (b) carry out a Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the DAG, and ensure that it has used its best endeavours to mitigate, in accordance with the DAG, such risks as it has identified in that assessment;
- (c) if directed by the Authority, procure an independent review of its Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the DAG; and
- (d) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the DAG, reports that variously contain:
 - (i) the results of the licensee's Risk Assessment;
 - (ii) a description of the Data Assurance Activities that the licensee intends to undertake concerning Data for the coming Regulatory Year to mitigate the risks identified in that assessment;
 - (iii) a description of the Data Assurance Activities undertaken by the licensee concerning Data for the preceding Regulatory Year; and
 - (iv) if required, the details and results of any independent review procured by the licensee of its Data Assurance Activities.

45.3 The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 45.2.

45.4 The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific Data Assurance Activity in accordance with the provisions of Part D of this condition.

Part B: Scope and contents of the Data Assurance Guidance

- 45.5 The purpose of the DAG is to establish a process under which the licensee must comply with its obligations as set out in paragraph 45.2(b) to (d).
- 45.6 Subject to paragraphs 45.8 and 45.9, the DAG may include, or make provision for, any of the following matters:
- (a) the Data to which the Risk Assessment applies;
 - (b) the format of the Risk Assessment;
 - (c) the frequency with which and the timescales within which the Risk Assessment is required to be carried out;
 - (d) the format of any independent review that may be required of the licensee's Data Assurance Activities and the associated reporting requirements;
 - (e) the format of the reporting requirements detailed in paragraph 45.2(d); and
 - (f) the frequency with which and the timescales within which the licensee must report on its Data Assurance Activities to the Authority.
- 45.7 Reference in paragraph 45.6 to the format of an assessment, review, or reporting requirement includes reference to its form, layout, scope and content.
- 45.8 The provisions of the DAG must not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions and the impact on consumers of Data reporting errors.
- 45.9 Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part C: The process to issue and modify the Data Assurance Guidance

- 45.10 The Authority will issue, and may modify, the DAG by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 45.11 A direction issued by the Authority under paragraph 45.10 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to all licensees in whose licence this condition has effect set out the text of the proposed DAG or modifications to it that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposed modifications;
 - (c) specified in the Notice the date on which it proposes that the new or modified provisions of the document should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and

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- (e) considered any representations duly received in response to the Notice.

Part D: Authority's power to specify Data Assurance Activity

- 45.12 The Authority may, after consulting with the licensee, issue a direction, in accordance with the provisions of paragraph 45.13, requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such Data Assurance Activity as may be specified in the direction.
- 45.13 The requirements for the direction under paragraph 45.12 are that it must:
- (a) contain a description of the Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of assuring the accuracy and completeness of Data provided to the Authority;
 - (b) if it refers to a person nominated by the Authority, specify the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;
 - (c) contain a description of the Data to which the activity that is described in the direction must apply;
 - (d) contain an explanation of why the Authority requires the licensee to carry out that activity;
 - (e) specify any relevant dates by which that activity must be completed; and
 - (f) specify the form and content of any information relating to that activity that the licensee must provide to the Authority.
- 45.14 The Authority may, following submission of Data, appoint or nominate a person (Examiner) to undertake a review of this Data or the systems or processes used to generate it.
- 45.15 Subject to paragraph 45.18, the licensee must co-operate fully with an Examiner so as to enable him to carry out, complete, and report to the Authority on any review or examination specified by the Authority.
- 45.16 The licensee's obligation to co-operate fully with an Examiner under paragraph 45.17 includes an obligation to ensure, so far as it can, that the following persons also co-operate fully with that Examiner:
- (a) any Affiliate or Related Undertaking of the licensee;
 - (b) any person from whom the licensee procures reporting services or who measures and records data on behalf of the licensee; and
 - (c) any auditor of such person, or of the licensee, or of any Affiliate or Related Undertaking of the licensee.

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- 45.17 The licensee's obligation under paragraphs 45.15 and 45.16 to co-operate or ensure co-operation with an Examiner includes, so far as may be necessary or expedient for such purpose, and in each case subject to reasonable Notice to the licensee:
- (a) providing access to management, employees, agents, or independent contractors of the licensee sufficient to enable the Examiner to make any enquiries and to discuss any matters that he reasonably considers to be relevant to the carrying out of the examination;
 - (b) giving the Examiner access at reasonable hours to any premises occupied by the licensee or by any other person in performing the obligations set out in this condition; and
 - (c) allowing the Examiner at reasonable hours:
 - (i) to inspect and make copies of, and take extracts from, any documents and records of the licensee maintained in relation to the Data (other than information that is subject to legal privilege);
 - (ii) to carry out inspections, measurements, and tests on or in relation to any systems maintained and operated for or in relation to the Data; and
 - (iii) to take onto such premises or onto or into any assets used for the purposes of the licensee such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.
- 45.18 The licensee is not required to perform its obligations in relation to an Examiner and his functions unless the Examiner has entered into an agreement with the licensee to maintain confidentiality on reasonable terms.

Part E: Derogations

- 45.19 The Authority may, after consulting with the licensee, give a direction ("derogation") to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Part F: Interpretation

- 45.20 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Affiliate	XX
Data	XX
Data Assurance Activity	XX
Examiner	XX
Notice	XX

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Related Undertaking **XX**

Risk Assessment **XX**

Draft

Condition 46. Regulatory Instructions and Guidance

Introduction

- 46.1 This condition sets out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance (“RIGs”) published by the Authority pursuant to this condition.
- 46.2 The RIGs are the primary means by which the Authority directs the licensee to collect and provide to it the information that the Authority needs to administer:
- (a) the Charge Restriction Conditions of this licence; or
 - (b) where not referenced in the Charge Restriction Conditions of this licence, the Final Determination.

Part A: Licensee’s obligations under this condition

- 46.3 Unless and so far as the Authority otherwise consents, the licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
- (a) to measure and record, or where permitted in the RIGs estimate, the information detailed in the RIGs (“Specified Information”); and
 - (b) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
- 46.4 To facilitate compliance with paragraph 46.3, the accounting records and other records kept by the licensee with respect to the Specified Information must:
- (a) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the licensee’s business and the business of any Affiliate or Related Undertaking of the licensee; and
 - (b) be maintained for a period of eight Regulatory Years, or such shorter period as may be set out in the RIGs, from the date that they are made.

Part B: Scope and content of the RIGs

- 46.5 Subject to paragraph 46.6 and of this condition, the matters that may be included, or for which provision may be made, in the RIGs are:
- (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing Specified Information;
 - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of Specified Information (including different classes of such information);
 - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;

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- (d) instructions on when the licensee must at its own expense enter into a contract of appointment with an Appropriate Auditor, and on compliance with the Agreed Upon Procedures;
 - (e) the methodology for calculating or deriving numbers comprising Specified Information;
 - (f) provision with respect to the meaning of words and phrases used in defining Specified Information;
 - (g) requirements as to the form and manner in which, or the frequency with which, Specified Information must be recorded;
 - (h) requirements as to the form and manner in which, or the frequency with which, Specified Information must be provided to the Authority; and
 - (i) explanation of why the Specified Information is required for the purposes of the RIGs.
- 46.6 No Specified Information may exceed what could be requested from the licensee by the Authority under standard condition 6 (Provision of Information to the Authority).

Part C: The process to issue and modify the RIGs

- 46.7 The Authority will issue, and may modify, the RIGs by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 46.8 Subject to paragraph 46.19, Specified Information collected in relation to the Regulatory Year commencing in 2014 must be reported according to the relevant reporting requirements provided for in these standard conditions as they were in force at 31 March 2014.
- 46.9 If, having first consulted with the licensee, the Authority specifies by direction that the licensee must report Specified Information for the Regulatory Year commencing in 2014 according to requirements that are different from those referred to in paragraph 46.8, the licensee must comply with that direction.
- 46.10 A direction issued by the Authority under paragraph 46.7 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to all licensees in whose licence this condition has effect, set out the text of the proposed RIGs or modifications to it that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposed modifications;
 - (c) specified in the Notice the date on which it proposes that the provisions of the document to be issued or modifications to it should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (e) considered any representations duly received in response to the Notice.

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- 46.11 The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph 46.10 may be satisfied by actions taken by the Authority before as well as after the coming into effect of this condition.

Part D: Requirements for new or more detailed information

- 46.12 This Part D applies if any modified or new RIGs have the effect of introducing a requirement to provide:
- (a) a new category of Specified Information; or
 - (b) an existing category of Specified Information to a greater level of detail, and such category of Specified Information has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.
- 46.13 Where this Part D applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any relevant Regulatory Year specified by the Authority.
- 46.14 The estimates that are mentioned in paragraph 46.13 may be derived from such other information available to the licensee as may be appropriate for that purpose.

Part E: Compliance with the provisions of the RIGs

- 46.15 The licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this condition.
- 46.16 Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part F: Events with a material impact on information

- 46.17 This paragraph applies where there has been a change in the industry's or the licensee's processes or procedures that has a significant effect on the calculation of one or more items to be considered by the Appropriate Auditor carrying out the Agreed Upon Procedures ("Specific Items") and the RIGs do not provide adequate or sufficient guidance in relation to the collection and reporting of such items.
- 46.18 For the purposes of paragraph 46.17, a "significant effect" means a change to the calculation of one or more Specific Items such that its effect on the calculation of Allowed Distribution Network Revenue exceeds, or is likely to exceed, 1 per cent of Base Demand Revenue for that Regulatory Year.
- 46.19 Where paragraph 46.17 applies, the licensee must request guidance from the Authority in relation to the treatment of the item or items in question.
- 46.20 On receiving a request for guidance, the Authority:

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- (a) having regard to whether the change to the calculation of one or more specified items has material implications for other Distribution Services Providers; and
- (b) after consultation with the licensee and, where appropriate because of paragraph 46.20(a), other Distribution Services Providers, may by Notice to the licensee and (where relevant) other Distribution Services Providers direct how such Specific Items should be reported for the purposes of this condition.

Part G: Derogations

- 46.21 The Authority may, after consulting with the licensee, give a direction (“derogation”) to the licensee that relieves it of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Part H: Interpretation

- 46.22 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Affiliate	XX
Agreed Upon Procedures	XX
Appropriate Auditor	XX
Allowed Distribution Network Revenue	XX
Authority	XX
Base Demand Revenue	XX
Charge Restriction Conditions	XX
Distribution Services Provider	XX
Final Determination	XX
Regulatory Year	XX
Related Undertaking	XX
Specific Items	XX
Specified Information	XX

Condition 47. Environment Reporting

Introduction

- 47.1 This condition sets out requirements for the licensee to inform stakeholders about activities it has undertaken in relation to environmental matters, through the publication of an annual Environment Report.

Part A: Scope and contents of the Environment Report

- 47.2 On or before 1 September 2016 and by each subsequent 1 September, unless the Authority directs otherwise, the licensee must publish an Environment Report for the preceding Regulatory Year.
- 47.3 The Environment Report must be published and be readily accessible to the public from the licensee's Website.
- 47.4 The Environment Report must be prepared in accordance with the provisions set out in the Environment Report Guidance Document (ERGD) published on the Authority's Website (which may be modified from time to time in accordance with the provisions outlined in Part B).
- 47.5 The ERGD will set out how the licensee must report on activities it has undertaken in relation to environmental matters, including, but not limited to, the following:
- (a) the requirements for the structure of and level of detail in the report; and
 - (b) the policies, business practices, existing obligations and activities that must be covered in the report.

Part B: The process for issuing or modifying the ERGD

- 47.6 The Authority will issue, and may modify, the ERGD by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 47.7 A direction issued by the Authority under paragraph 47.6 will be of no effect unless, the Authority has first:
- (a) by Notice to all licensees in whose licence this condition has effect, set out the text of the proposed ERGD or modifications to it that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposed modifications;
 - (c) specified in the Notice the date on which it proposes that the provisions of the document to be issued or modifications to it should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (e) considered any representations duly received in response to the Notice.

Part C: Interpretation

47.8 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Authority’s Website	XX
Environment Report	XX
Environment Report Guidance Document (ERGD)	XX

Draft

Condition 48. The Innovation Strategy

Introduction

- 48.1 This condition requires the licensee to have in place and maintain an Innovation Strategy for the purpose of demonstrating the role of innovation within the Electricity Distribution Group of which it is a part.
- 48.2 This condition should be read in conjunction with Charge Restriction Condition 2H (The Network Innovation Allowance), which provides an allowance of funding to the licensee to spend on innovative projects.

Part A: Requirement to have an Innovation Strategy

- 48.3 On or before 1 April 2015, the licensee must have in place and maintain an Innovation Strategy.
- 48.4 The Innovation Strategy must be:
- (a) published by the licensee;
 - (b) readily accessible to the public from the licensee's Website; and
 - (c) updated from time to time in accordance with such procedures as are set out for that purpose in the document.

Part B: Interpretation

- 48.5 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Electricity Distribution Group	XX
Innovation Strategy	XX

Condition 49. Electricity Distribution Losses Management Obligation and Distribution Losses Strategy

Introduction

- 49.1 This condition requires the licensee to manage electricity Distribution Losses on its Distribution System to ensure losses, including Units lost to the Relevant Theft of Electricity from its Distribution System, are as low as reasonably practicable and to maintain and act in accordance with a Distribution Losses Strategy.

Part A: Licensee's obligation to manage Distribution Losses

- 49.2 The licensee must design, build, and operate its Distribution System in a manner that can reasonably be expected to ensure Distribution Losses on its Distribution System are as low as reasonably practicable.
- 49.3 In designing, building and operating its Distribution System the licensee must act in accordance with its Distribution Losses Strategy, having regard to the following:
- (a) the Distribution Losses characteristics of new assets to be introduced to its Distribution System;
 - (b) whether and when assets that form part of its Distribution System should be replaced or repaired;
 - (c) the way that its Distribution System is operated under normal operating conditions;
 - (d) any relevant European Union legislation that may impact on the investment decisions;
 - (e) compliance with or participation in any initiatives to detect and/or control the Relevant Theft of Electricity; and
 - (f) any Distribution Losses Strategy Guidance issued by the Authority under paragraph 49.6.

Part B: The Distribution Losses Strategy

- 49.4 The licensee must maintain a Distribution Losses Strategy and must keep it under review and where necessary modify it from time to time to ensure that it:
- (a) remains calculated to ensure Distribution Losses are as low as reasonably practicable; and
 - (b) remains based upon an up-to-date positive cost-benefit analysis.
- 49.5 The licensee must maintain on its Website:
- (a) an up-to-date version of its Distribution Losses Strategy; and
 - (b) an up-to-date record of the modifications it has made to its Distribution Losses Strategy, including explanations of:

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- (i) the reasons for and effects of each such modification; and
- (ii) how, in the licensee's opinion, the modification better facilitates the requirements of 49.4 compared with the previous version of the Distribution Losses Strategy.

Part C: Distribution Losses Strategy Guidance from the Authority

- 49.6 The Distribution Losses Strategy Guidance referred to in paragraph 49.3 is any guidance issued from time to time by the Authority as to the factors that the licensee should take into account in meeting its obligations under paragraph 49.2.
- 49.7 The Authority may issue, and modify, the Distribution Losses Strategy Guidance by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 49.8 A direction issued by the Authority under paragraph 49.7 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to all licensees in whose licence this condition has effect set out the text of the proposed Distribution Losses Strategy Guidance or modifications to it that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposals;
 - (c) specified in the Notice the date on which it proposes that the new or modified provisions of the Distribution Losses Strategy Guidance should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (e) considered any representations duly received in response to the Notice.

Part D: Electricity losses related to the Relevant Theft of Electricity from the Distribution System

- 49.9 Notwithstanding the generality of paragraph 49.1, the licensee must undertake all reasonable cost-effective steps to identify and resolve the Relevant Theft of Electricity from its Distribution System.
- 49.10 The licensee must employ all reasonable endeavours to recover the value of stolen electricity from the person who has taken the electricity, in accordance with Schedule 6 of the Act.
- 49.11 In addition to the value of the stolen electricity taken, the licensee should where practical and efficient to so endeavour to recover from the person who has taken the electricity, in accordance with the licensee's Scheme made under Schedule 6 of the Act:
- (a) the costs of disconnecting the connection;

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- (b) the costs of any damage to the licensee's distribution system, meters, plant or equipment;
- (c) the costs of any investigation; and
- (d) the costs associated with pursuing any action with respect to theft of electricity under relevant legislation.

Part E: Publication of Distribution Losses performance

49.12 The licensee must report on and publish its actions to reduce Distribution Losses and the Relevant Theft of Electricity in accordance with the requirements of standard condition 46 (Regulatory Instructions and Guidance).

Part E: Interpretation

49.13 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Distribution System	XX
Distribution Losses	XX
Distribution Losses Strategy	XX
Distribution Losses Strategy Guidance Scheme	XX
Relevant Theft of Electricity	XX
Unit	XX

Condition 50. Business Plan Commitment Reporting

Introduction

- 50.1 This condition requires the licensee to publish an annual report on how it has performed against commitments made in its RIIO-ED1 Business Plan.

Part A: Reporting requirement

- 50.2 On or before 31 October 2016 and by each subsequent 31 October, unless the Authority directs otherwise, the licensee must publish on its Website a report setting out, in detail, how it has performed against any commitments it made in its RIIO-ED1 Business Plan.
- 50.3 By the same date, the licensee must also send a copy of this report to the Authority.
- 50.4 In drafting its report, the licensee must have regard to any Business Plan Reporting Guidance that the Authority may have issued on the contents or structure of such reports.

Part B: The process to issue and modify the Business Plan Reporting Guidance

- 50.5 The Authority may issue, and modify, the Business Plan Reporting Guidance by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 50.6 A direction issued by the Authority under paragraph 50.5 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to all licensees in whose licence this condition has effect set out the text of the proposed Business Plan Reporting Guidance or modifications to it that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposals;
 - (c) specified in the Notice the date on which it proposes that the new or modified provisions of the document should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (e) considered any representations duly received in response to the Notice.

Part C: Interpretation

- 50.7 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Business Plan Reporting Guidance	XX
RIO-ED1 Business Plan	XX

Draft

Condition 51. Network Asset Indices Methodology

Introduction

51.1 This condition:

- (a) requires the licensee to maintain a Network Asset Indices Methodology and to establish and follow an information gathering plan so that there is appropriate information to enable the assessment of:
 - (i) its Network Assets and Distribution System against the Network Asset Indices and in accordance with the RIGs; and
 - (ii) its delivery of the Network Asset Secondary Deliverables;
- (b) requires the licensee to work with the other DNOs to develop a Common Network Asset Indices Methodology;
- (c) establishes a process for modifying the Common Network Asset Indices Methodology where that would better facilitate the Methodology Relevant Objectives;
- (d) requires the licensee to keep its Network Asset Indices Methodology under review and, where necessary, modify it to ensure that it is consistent with the Common Network Asset Indices Methodology; and
- (e) establishes a framework for reporting on the licensee's delivery of the Network Asset Secondary Deliverables.

Part A: The Network Asset Indices Methodology

51.2 From 1 April 2015 the licensee must at all times have in force and keep under review and, where necessary, modify a Network Asset Indices Methodology so as to ensure that it:

- (a) enables the assessment of its Network Assets and Distribution System against the Network Asset Indices and in accordance with the RIGs and its delivery of the Network Asset Secondary Deliverables; and
- (b) is consistent, to the extent one has been approved or designated by the Authority, with the Common Network Asset Indices Methodology as modified from time to time in accordance with Part H of this condition.

51.3 The licensee must set out in its Network Asset Indices Methodology the categories of data that are to be used and the methodology that will be applied to assess its delivery of the Network Asset Secondary Deliverables.

Part B: The Network Asset Indices

51.4 The Network Asset Indices are:

- (a) the "Health Index", which relates to the current condition of the licensee's Network Assets, and the predicted rate of deterioration in the condition of the

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licensee's Network Assets, so as to assess the present and future condition of the Network Assets and the probability of failure of the Network Assets;

- (b) the "Criticality Index", which reflects the safety impact, environmental impact, network (or system) reliability impact or financial implications and other consequences that the licensee may reasonably deem to be relevant to asset, network (or system) failure; and
- (c) the "Risk Index", which is a measure of the overall level of risk to the reliability of the Distribution System to which this licence relates. This is determined from the Health Index, the Criticality Index and the interdependence between the Network Assets.

Part C: The Common Network Asset Indices Methodology

- 51.5 The licensee must use its best endeavours to ensure that by 1 July 2015 the DNOs have submitted the Common Network Asset Indices Methodology for approval by the Authority in accordance with Part D of this condition.
- 51.6 The Common Network Asset Indices Methodology must:
- (a) facilitate the achievement of the Network Asset Indices Methodology Objectives set out in Part D of this condition;
 - (b) enable the objective evaluation of the Network Asset Secondary Deliverables set out in Part E of this condition;
 - (c) be implemented by the licensee through appropriate amendment of its own Network Asset Indices Methodology in accordance with the provisions of Part H of this condition; and
 - (d) be capable of being modified from time to time in accordance with the provisions of Part H of this condition.
- 51.7 If the DNOs submit a Common Network Asset Indices Methodology by 1 July 2015, the Authority will review that methodology.
- 51.8 If the Authority is satisfied that the Common Network Asset Indices Methodology complies with paragraph 51.6 it will approve the methodology.
- 51.9 If the DNOs do not submit a Common Network Asset Indices Methodology by 1 July 2015 or if the Authority is not satisfied that any methodology submitted within that deadline complies with paragraph 51.6, it will, by direction to the DNOs, designate a Common Network Asset Indices Methodology which complies with paragraph 51.6.
- 51.10 A direction issued by the Authority under paragraph 51.9 will be of no effect unless, before issuing it, the Authority has first:
- (a) by Notice to all DNOs set out the text of the proposed Common Network Asset Indices Methodology that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposals;

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- (c) specified in the Notice the date on which it proposes that the provisions of the document should take effect;
- (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (e) considered any representations duly received in response to the Notice.

51.11 The Authority will, after consulting with DNOs and any other interested parties as it considers appropriate, direct the areas in which the DNOs shall make improvements to the information gathering plan and the date by which the licensee shall submit to the Authority for approval such a revised information provision plan.

Part D: The Network Asset Indices Methodology Objectives

51.12 The Network Asset Indices Methodology Objectives are that compliance with the Common Network Asset Indices Methodology will enable:

- (a) the comparative analysis of performance between Distribution Network Operators and over time;
- (b) the assessment of the licensee's delivery of the Network Asset Secondary Deliverables; and
- (c) the communication of information affecting the Network Asset Secondary Deliverables between the licensee, the Authority and, as appropriate, other interested parties in a transparent manner.

Part E: Information gathering plan

51.13 Unless the Authority otherwise consents in writing because the licensee already has sufficient information to support its Network Asset Indices Methodology, the licensee must also provide the Authority with a plan setting out how it will gather and record information required for the application of its Network Asset Indices Methodology (“the information gathering plan”), including the scope and form of data it will collect, and the frequency with which it will collect it, so that it can report accurately on its Network Asset Secondary Deliverables at two milestones:

- (a) 24 months in advance of the mid-period of the Price Control Period (1 April 2019) (or such alternative date as the Authority may direct) to facilitate a mid-period review; and
- (b) 24 months in advance of the end of the Price Control Period (1 April 2023) (or such alternative date as the Authority may direct) to facilitate the subsequent price control review.

51.14 The Authority will review the information gathering plan submitted to it and if it is satisfied that the information gathering plan would enable the licensee to report accurately on its Network Asset Secondary Deliverables at the two milestones referred to in paragraph 51.13 it will approve the information plan. If the Authority is not satisfied that the information gathering plan proposed by the licensee would

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enable the licensee to report accurately on its Network Asset Secondary Deliverables at the two milestones referred to in paragraph 51.13, it will issue a notice of disapproval.

- 51.15 The Authority will, after consulting the licensee and any other interested parties as it considers appropriate, direct the areas in which the licensee shall make improvements to the information gathering plan and the date by which the licensee shall submit to the Authority for approval such a revised information provision plan.
- 51.16 The licensee must keep the information gathering plan under review and where necessary modify it, subject to the Authority's consent, to ensure that it continues to enable the licensee to report accurately on its Network Asset Secondary Deliverables at the two milestones referred to in paragraph 51.13.

Part F: Additional requirement for licensee(s) who have not sufficiently justified their Network Asset Indices prior to commencement of RIIO-ED1

- 51.17 Where the Authority has determined in the RIIO-ED1 Final Determination that the licensee has not sufficiently justified its Network Asset Secondary Deliverables, in accordance with paragraph 51.1, the following requirements will apply to the licensee:
- (a) the licensee must provide a plan to the Authority, indicating how they will ensure their Network Asset Secondary Deliverables reporting and methodology are sufficiently well justified, by 1 July 2015;
 - (b) by 1 July 2015 and every three months on the first of that month thereafter, the licensee will provide an update on the progress it has made in providing sufficiently well justified Network Asset Secondary Deliverables reporting and methodology; and
 - (c) when the licensee feels it has sufficiently well justified Network Asset Secondary Deliverables reporting and methodology, the licensee must demonstrate that this is the case and that the requirements of this licence condition have therefore been met.
- 51.18 On successful completion of the requirements of paragraph 51.17 by the licensee concerned, Part F of this condition will cease to be applicable to the licensee.

Part G: Implementation of the Network Asset Indices Methodology

- 51.19 Except where the Authority otherwise consents, the licensee must:
- (a) from 1 April 2015, or such later date as the Authority may direct, record the data required for the application of the Network Asset Methodology together with the Network Asset Indices derived pursuant to it any information gathering plan established under Part E of this condition;
 - (b) in respect of the Regulatory Year commencing on 1 April 2015, or such later date as the Authority may direct, and each subsequent Regulatory Year, submit a report on the Network Asset Secondary Deliverables to the Authority

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by 31 July (or such later date as the Authority may direct) in the year immediately following the end of the Regulatory Year to which the Network Asset Secondary Deliverable Measures relate; the Authority will make any corresponding specific reporting arrangements applicable to the Network Asset Secondary Deliverables;

- (c) submit such information (whether historical, current, or forward-looking) about the Network Asset Secondary Deliverables; and
- (d) submit such relevant other data and such examples of network modelling, as may be specified for the purposes of this condition in any RIGs that have been issued by the Authority.

51.20 The information in paragraph 51.19 must be provided in such manner, in respect of such periods, and within such timeframes as will be specified in the RIGs.

Part H: Modification of the Common Network Asset Indices Methodology and/or the information provision plan

51.21 The licensee must at all times keep the Common Network Asset Indices Methodology under review and use its best endeavours to ensure that it continues to comply with paragraph 51.6.

51.22 The licensee, or any other DNO, may modify the Common Network Asset Indices Methodology, subject to paragraph 51.21 after:

- (a) consulting with all other DNOs and any other interested parties, allowing them a period of at least 28 days within which to make written representations with respect to the licensee's modification proposal; and
- (b) submitting to the Authority a report that addresses all of the matters that are listed in paragraph 51.23.

51.23 The matters to which paragraph 51.22(b) refers are these:

- (a) a statement of the proposed modification to the Common Network Asset Indices Methodology;
- (b) a full and fair summary of any representations that were made to the licensee (or relevant other DNO) pursuant to paragraph 51.22(a) and were not withdrawn;
- (c) an explanation of any changes that the licensee has made to its modification proposal as a consequence of such representations;
- (d) an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the objectives of the Common Network Asset Indices Methodology;
- (e) a presentation of the data and other relevant information (including historical data) that the licensee has used for the purpose of developing the proposed modification; and

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- (f) a timetable for the implementation of the proposed modification, including an implementation date.
- 51.24 Where the licensee has complied with the requirements of paragraphs 51.22 and 51.23, the licensee may implement the proposed modification to the Common Network Asset Indices Methodology and/or information gathering plan unless the Authority, within 28 days after receiving the report submitted to it under paragraph 51.22(b), issues a direction to the licensee requiring it not to implement the proposed modification.
- 51.25 The Authority, after consulting with the licensee and any other interested parties, may direct the licensee to modify the Network Asset Indices Methodology and/or the information gathering plan in such manner, to such extent, and with effect from such time as may be specified in the direction (which must be no earlier than 3 months after the date of the direction).
- 51.26 The licensee must comply with the requirements of any direction given to it under paragraph 51.24.

Part I: Interpretation

- 51.27 For the purposes of this condition:

[Defined terms are all set out in SLC 1. In SLC1, definitions listed only against one condition will ultimately be defined in that condition only and not in SLC1.]

Authority	XX
Common Network Asset Indices Methodology	XX
Distribution System	XX
Network Asset Secondary Deliverables	XX
Network Asset Indices	XX
Price Control Period	XX

Conditions being removed from existing licence

CONDITIONS WE PROPOSE TO REMOVE FROM THE CURRENT LICENCE

Condition 33. Definitions for the Section B standard conditions

Condition 44A. Network Outputs Regime

Condition 44B. Distribution Losses Reporting Requirement

Condition 44C. Low Carbon Networks Fund Reporting

Condition 45. Incentive scheme for quality of service

Condition 45A. Incentive scheme for Transmission Connection Point Charges

Condition 46. Incentive schemes for innovation funding and Distributed Generation

Condition 46A. Business Carbon Footprint Reporting

Condition 47. Reporting of Price Control Revenue Information

Condition 48. Reporting of Price Control Cost Information

Condition 49. Modification of RIGs in force under Chapters 4 and 12 and overarching RIGs structure

Condition 50A. Development and implementation of an EHV Distribution Charging Methodology