

[Schedule 2 – applicable to EPN only. Note, text in square brackets is not part of the licence]

CRC 14. Distribution Charges: supplementary restrictions

Introduction

14.1 The purpose of this condition is to impose in respect of the Use of System Charges levied by the licensee certain supplementary restrictions relating to:

- (a) the interest rate adjustments to be applied by the licensee to over and under recoveries of revenue; and
- (b) the level of the increases that may be applied to the licensee's Use of System Charges.

Part A: Interest adjustment for over and under recoveries of revenue

14.2 For the purposes of Part D of CRC 3 (Restriction of Distribution Charges: Use of System Charges), **subject to paragraph 14.3**, the value of the interest rate adjustment PR_t is to be treated as follows:

- (a) in the Regulatory Years beginning on 1 April 2010 and 1 April 2011, PR_t will be set in a direction given by the Authority in the Regulatory Year concerned provided that the value directed shall either be zero, 1.5 or 3; and
- (b) in other Regulatory Years:
 - (i) if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue exceeds 103 per cent of Combined Allowed Distribution Network Revenue, PR_t must have the value of 3;
 - (ii) if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue is less than 97 per cent of Combined Allowed Distribution Network Revenue, PR_t must have the value of zero;

and in all other cases:

- (iii) PR_t must have the value of 1.5.

14.3 In any Regulatory Year, if circumstances related to the decision not to activate the Distribution Losses Incentive Mechanism (ref 149/12) and the Decision on restatement of 2009-10 data and closing out the DPCR4 losses incentive mechanism (published 21 March 2014) are deemed by the Authority to have impacted on Regulated Combined Distribution Network Revenue causing either 14.2(b)(i) or (b)(ii) to come into effect, and the Authority considers that these circumstances require the PR_t to be set to a different value, then PR_t will be set in a direction given by the Authority for the

Regulatory Year concerned providing that the value directed shall either be zero, 1.5 or 3.

Part B: Treatment of charges in the event of over recovery

- 14.43 This paragraph applies if, in respect of any Regulatory Year, the licensee's Regulated Combined Distribution Network Revenue exceeds 105 per cent of its Combined Allowed Distribution Network Revenue.
- 14.54 Where paragraph 14.43 applies, the licensee:
- (a) must provide an explanation for that event in Writing to the Authority by 31 July following the end of the Regulatory Year in question; and
 - (b) must not increase its use of System Charges during the next following Regulatory Year except and to the extent that the Authority has consented to such an increase.

Part C: Treatment of charges in the event of under recovery

- 14.65 This paragraph applies if, in respect of each of two successive Regulatory Years, the licensee's Regulated Combined Distribution Network Revenue is less than 90 per cent of Combined Allowed Distribution Network Revenue.
- 14.76 Where paragraph 14.65 applies, the Authority, after consultation with the licensee, may by Notice to the licensee specify the value of the term RDt-1 to be used for the purposes of calculating the licensee's correction factor term (Kt) under Part D of CRC 3 in respect of the next Regulatory Year, subject to paragraph 14.87.
- 14.87 The value specified by the Authority for RDt-1 under paragraph 14.76 may not be lower than the original value for RDt-1 or higher than 90 per cent of the value of the ART-1 term to be used in the calculation to which that paragraph refers.