

**To: All holders of an electricity distribution licence**

**NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989**

The Gas and Electricity Markets Authority (the Authority) hereby gives Notice pursuant to section 11A(2) of the Electricity Act 1989 (the Act) as follows:

1. The Authority proposes to modify all electricity distribution licences granted or treated as granted under section 6(1)(c) of the Act by:

- a) amending certain existing standard conditions<sup>1</sup>
- b) deleting certain standard conditions.

There is a summary in Schedule 1 of this notice.

2. The primary reason why the Authority proposes to make this licence modification is to give effect to the policy set out in the Strategy decision for the RIIO-ED1 electricity distribution price control - Overview (Reference number 26: 26/13), referred to within this notice as "Strategy Decision".<sup>2</sup>

3. The effect of the proposed modifications is to implement that policy and to update legislative references and improve clarity.

4. The proposed standard conditions to the electricity distribution licence are in Schedule 2 of this notice.

5. Schedule 3 of this notice details the reasons for and the effects of the proposed modifications. There are more details in:

- a) RIIO-ED1: Second informal consultation on licence drafting – Standard Licence Conditions<sup>3</sup>
- b) Strategy Decision<sup>4</sup>.

6. Schedule 4 of this notice has a link to our website, where we have published our responses to issues raised by stakeholders as part of RIIO-ED1: Second informal consultation on licence drafting – Standard Licence Conditions, in respect of standard conditions.

7. Relevant licence holders for the purposes of the modifications referred to in paragraph 1 are all holders of an electricity distribution licence at the relevant time with standard conditions referred to in schedule 1 in effect in their licence.

8. A copy of the proposed modifications and other documents referred to in this Notice are published alongside this Notice on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

9. If you have any representations about the proposed licence modifications, please make them on or before 19 January 2014 to: Clothilde Cantegreil, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [clothilde.cantegreil@ofgem.gov.uk](mailto:clothilde.cantegreil@ofgem.gov.uk).

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<sup>1</sup> An acronym "SLC" is also used in schedules to this notice where references are made to any particular standard condition.

<sup>2</sup> <https://www.ofgem.gov.uk/ofgem-publications/47067/riioed1decoverview.pdf>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-second-informal-consultation-licence-drafting-%E2%80%93-standard-licence-conditions>

<sup>4</sup> <https://www.ofgem.gov.uk/ofgem-publications/47067/riioed1decoverview.pdf>

10. We will publish all responses on Ofgem's website. If you do not want your response to be made public, please clearly mark your response as not for publication. We prefer to receive responses electronically so they can be published easily on the Ofgem website.

11. If the Authority decides to make the proposed modifications, they will take effect on 1 April 2015.

**Maxine Frerk, Interim Senior Partner, Smarter Grids and Governance  
(Distribution)**

**Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**17 December 2014**

## Schedule 1 - Summary of standard conditions to be amended or removed

The following table is an overview of the structure of the Standard Licence Conditions (SLCs), existing DPCR5 conditions and any changes that are being made as part of the RIIO-ED1 price control review.

In particular, the table shows:

- changes to the SLCs made in May 2014<sup>5</sup> (in blue)
- changes to the SLCs we are consulting on now (in green)
- SLCs to which changes were made in May 2014 and on which we are consulting on further amendments (in orange).

Licence Number	SLC	Proposed change for RIIO-ED1	Associated Document Created?
<b>Section A: Standard conditions for all electricity distributors</b>			
<b>Chapter 1: Interpretation and Application</b>			
1	Definitions for the standard conditions	Amendment	No
2	Interpretation of this licence	No Change	No
3	Application of Section B of the standard conditions	No Change	No
<b>Chapter 2: General Obligations and Arrangements</b>			
4	No abuse of the licensee's special position	No Change	No
5	Licensee's payments to the Authority	No Change	No
6	Provision of Information to the Authority	No Change	No
6A	Smart metering systems and provision of information to the Secretary of State	No Change	No
7	Determinations by the Authority	No Change	No
<b>Chapter 3: Public Service Requirements</b>			
8	Safety and security of supplies enquiry service	No Change	No
9	Arrangements for access to premises	No Change	No
10	Special services and complaints procedure	No Change	No
10A	Smart metering – matters relating to obtaining and using consumption data	No Change	No
11	Reporting on performance	Amendment	No
<b>Chapter 4: Arrangements for the Provision of Services</b>			
12	Requirement to offer terms for Use of System and connection	Amendment	No
13	Charging Methodologies for Use of System and connection	Amendment	No
13A	Common distribution charging methodology	No Change	No
13B	EHV distribution charging methodology	No Change	No
13C	Recovery of reinforcement costs for relevant customers	New for RIIO-ED1	No
14	Charges for Use of System and connection	Amendment	No
15	Standards for the provision of Non-Contestable Connection Services	Amendment	No
15A	Connection Policy and Connection Performance	Amendment	No
16	Requirement to offer terms for the connection of Metering Equipment	No Change	No
17	Requirement to offer terms for the provision of Metering Point Admin Services	No Change	No
18	Provision of and charges for Metering Point Administration Services	No Change	No
19	Prohibition of discrimination under Chapters 4 and 5	No Change	No
<b>Chapter 5: Industry Codes and Agreements</b>			
20	Compliance with core industry documents	No Change	No

<sup>5</sup> RIIO-ED1: Modifications to the standard conditions of the electricity distribution licences - <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-modifications-standard-conditions-electricity-distribution-licences>

21	The distribution code	No Change	No
22	Distribution connection and Use of System agreement	No Change	No
22A	Governance and change control arrangements for Relevant Charging	No Change	No
23	Master registration agreement	No Change	No
<b>Chapter 6: Integrity and Development of the Network</b>			
24	Distribution system planning standard and quality of performance reporting	No Change	No
25	Long-Term development statement	No Change	No
25A	Distributed generation: connections guide and information strategy	Amendment	No
26	Disposal of relevant assets and restrictions on charges over Receivables	No Change	No
27	Theft, damage, and meter interference	No Change	No
28	Application of statutory powers	No Change	No

<b>Chapter 7: Financial and Ring-Fencing Arrangements</b>			
29	Restriction of activity and financial ring-fencing of the Distribution Business	No Change	No
30	Availability of resources	No Change	No
31	Undertaking from Ultimate Controller	No Change	No
31A	Accounts	No Change	No
31B	Independence of the Distribution Business and restricted use of Confidential Information	No Change	No
31C	Appointment of compliance officer	No Change	No

<b>Section B: Additional standard conditions for electricity distributors who are distribution services providers</b>			
<b>Chapter 8: Application and Interpretation of Section B</b>			
32	Effect of the application of Section B	No Change	No
<b>Chapter 9: Requirements within the Distribution Services Area</b>			
34	Requirement to offer terms for the provision of Legacy Metering Equipment	No Change	No
35	Requirement to offer terms for the provision of Data Services	No Change	No
36	Charges for the provision of Legacy Metering Equipment and Data Services	No Change	No
37	Provision of the Data Transfer Service	No Change	No
38	Treatment of payment claims for last-resort supply	No Change	No
39	Prohibition of discrimination under Chapter 9	No Change	No
<b>Chapter 10: Credit Rating and Restriction of Indebtedness</b>			
40	Credit rating of the licensee	No Change	No
41	Restriction of Indebtedness and transfers of funds	No Change	No
<b>Chapter 11: Independence of the Distribution Business</b>			
42	Independence of the Distribution Business and restricted use of Confidential Information	No Change	No
43	Appointment of compliance officer	No Change	No
43a	Requirement for sufficiently independent directors	No Change	No
<b>Chapter 12: Provision of Regulatory Information</b>			
44	Regulatory accounts	Amendment	No
45	Data assurance requirements	New for RIIO-ED1	Yes
46	Regulatory instructions and guidance	New for RIIO-ED1	Yes
47	Environmental reporting	New for RIIO-ED1	Yes
48	Innovation strategy	New for RIIO-ED1	No
49	Electricity distribution losses management obligation and distribution losses	New for RIIO-ED1	Yes
50	Business plan commitment reporting	New for RIIO-ED1	Yes
51	Network asset indices methodology	New for RIIO-ED1	No

Current conditions proposed for complete removal			
33	Definitions for the Section B standard conditions	Removal	No
44a-49	Multiple RIG conditions: <ul style="list-style-type: none"> <li>▪ Network Outputs Regime</li> <li>▪ Distribution Losses Reporting Requirement</li> <li>▪ Low Carbon Networks Fund Reporting</li> <li>▪ Incentive scheme for quality of service</li> <li>▪ Incentive scheme for Transmission Connection Point Charges</li> <li>▪ Incentive schemes for innovation funding and Distributed Generation</li> <li>▪ Business Carbon Footprint Reporting</li> <li>▪ Reporting of Price Control Revenue Information</li> <li>▪ Reporting of Price control Cost Information</li> <li>▪ Modification of the RIGs in force under Chapter 4 and 12 and overarching RIG structure</li> </ul>	Removal	No
50a	Development and implementation of an EHV Distribution Charging Methodology	Removal	No

## **Schedule 2: Proposed standard conditions to the electricity distribution licences**

A copy of the proposed modifications to the standard conditions is on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-modifications-standard-conditions-electricity-distribution-licences-0>

## **Schedule 3: Reasons and effect of proposed modifications to the standard conditions of the electricity distribution licences**

### **Section A: Standard conditions for all Electricity Distributors**

#### **SLC 1. Definitions for the standard conditions**

Type of change: amendment

1.1. This condition sets out the defined terms and expressions that apply to the standard conditions of the licence and appear in more than one standard condition. Any defined terms and expressions used in a single condition are listed in condition in which they are used.

1.2. The reasons for the proposed modifications are:

- to ensure the term "Charging Methodology" operates appropriately in consequence of changes to the SLCs; and
- provide a definition of "DG Standards Direction" for SLC 11.

1.3. Initial changes were made to SLC 1 in May 2014.<sup>6</sup> This is an update following changes to the remaining SLCs which could not be finalised early.

1.4. The effect of the changes is to remove references to SLCs 50 and 50A from the definition of "Charging Methodology" and to move the definition of "DG Standards Direction" from SLC 15A to this condition.

#### **SLC 11. Reporting on Performance**

Type of change: amendment

1.5. This condition requires the DNOs to report on a number of matters in relation to its dealings with customers.

1.6. The reason for the proposed change is to ensure the licence is kept up-to-date and consistent with licensees' other reporting requirements.

1.7. The effect of the proposed changes is to update the reference to Electricity Standards of Performance Regulations, include the Electricity (Connection Standards of Performance) Regulations and DG Standards Direction and amend the reporting format and timescales to make it consistent with the rest of the RIGs.

#### **SLC 12. Requirement to offer terms for Use of System and connection**

Type of change: amendment

1.8 This condition sets out how the licensee must treat requests to enter into a Use of System agreement or make a connection.

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<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/rrio-ed1-modifications-standard-conditions-electricity-distribution-licences>

The reason for this change is to ensure that licensees provide connection quotations consistently throughout the regulatory year. This also ensures that SLC 12 remains consistent with the standards outlined in the Connection Guaranteed Standards of Performance.

The effect of this change is to specify that the licensee must give customers a quote within 65 working days rather than the current three months.

We are also making minor drafting changes to this condition to improve its clarity.

### **SLC 13. Charging Methodologies for Use of System and connection**

Type of change: amendment

The reason for the proposed changes is to ensure that the licence condition is kept up-to-date.

The effect of the condition is to delete dates which have already passed and to amend cross references in consequence of modifications to the SLCs.

### **SLC 15. Standards for the provision of Non-Contestable Connection Services**

Type of change: amendment

This condition sets out the standards of service that the licensee must provide for non-contestable connection services. We are proposing modifications for the following reasons and with the following effects.

The reasons for the proposed changes are to put the responsibility on the licensee to contact the applicant as soon as possible if they need additional information, because the standards become effective once the applicant has supplied the specified information (ie contact details, the work-site location, the service required and, where relevant, the total load required). These changes will also provide more consistent reporting requirements across SLC15 and our Guaranteed Standards of Performance and ensure obligations are relevant to current sample sizes.

The effects of our proposed changes are to:

- Combine the licensee's 90% obligation to provide the relevant service standard for the Final Works and Phased Energisation categories due to low sample numbers.
- Delete references to a specific guidance document and audit requirements as reporting requirements are being incorporated into the RIGs
- Specify that the licensee must provide quotes within 65 working days rather than three months.
- Allow licensees to exclude Final Works and Phased Energisation work where the applicant has requested deferred dates.
- Make the standards effective once the licensee has been provided with contact details, the work-site location, the service required and, where relevant, the total load required.
- Delete the requirement for the licensee to contact the applicant within five working days if the application does not contain all the information required.



## **SLC 15A. Connection policy and connection performance**

Type of change: amendment

We are moving the definition of "DG Standards Direction" from this condition to SLC 1 so that it will also apply to SLC 11.

## **SLC 47. Environment Reporting**

Type of change: Amendment

The reason for this change is to ensure that the annual Environment Report published by the licensee is also submitted to the Authority and falls under the definition of "Data" in SLC 45 Data Assurance requirements.

The effect of the change is to ensure that the Environment Report is submitted to the Authority as well as published.

## **SLC 50A. Development and implementation of an EHV distribution charging methodology**

Type of change and effect: removal from licence

The reason for proposing this modification is that the vast majority of the current condition's obligations have now been fulfilled and the current condition SLC 13B carries the necessary arrangements going forward.

Given the obligations under SLC50A have been fulfilled, the effect of removing it is to remove redundant obligations from the licence.

## **SLC 51. Network Asset Indices Methodology**

Type of change: Amendment

The reason for this change is to provide clarity on how the Risk Index is determined.

The effect of this change is to modify the definition of "Risk Index".

#### **Schedule 4: Response to issues raised as part of RII0-ED1: Second Informal consultation on licence drafting – Standard Licence Conditions**

A copy of the responses is on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-modifications-standard-conditions-electricity-distribution-licences-0>