

Electricity Distribution Licensees
and other interested parties



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Extension of Derogation from Standard Licence Condition 24 (Distribution System planning standard and quality of performance reporting) of the Electricity Distribution Licence

Electricity Distribution Licensees have an obligation¹ to comply with Engineering Recommendation P2/6² Table 1. On 8 July 2010 we issued an extension of the previous derogation³ relieving them of this obligation under specific circumstances. The derogation affected those parts of the distribution system where the Group Demand is less than 60 MW and when specific conditions were satisfied.

The derogation extension was effective until 31 March 2015. On 31 January 2015 Electricity North West (ENW) requested that the derogation be extended until the end of March 2019.

Background

The purpose of the initial derogation issued in March 2007 was to simplify arrangements relating to the management of compliance with P2/6. After consultation, we acknowledged that compliance with P2/6 could be difficult to maintain on all parts of the licensee's distribution system as the licensee did not have certainty about, or control over, customers' actions.

In March 2010 we consulted⁴ on our proposal to extend this derogation for a further five year period, and received no objections. None of the respondents considered there to be any evidence that the arrangements had caused any deterioration of service to customers. The DPCR5⁵ price control (from 2010-2015) also put DNOs under pressure to maintain or improve the reliability of networks and deliver appropriate reinforcement of their networks.

We subsequently decided to extend the period of the derogation until 31 March 2015. We expected that any negative impact would be evident by the end of that period. It would also then be possible to consider a change to the Standard Licence Conditions of the Electricity Distribution Licence to make the arrangement permanent, or to take another course of action based on the information available at that time.

¹ Contained within Standard Licence Condition (SLC) 24.1(a) of the Electricity Distribution Licence.

² In March 2007 the relevant standard was Engineering Recommendation P2/5, which after consultation was replaced by P2/6

³ <https://www.ofgem.gov.uk/ofgem-publications/52368/p2-6-derogation-final-decision-letter-3-2.pdf>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/open-letter-consultation-standard-condition-24-distribution-system-planning-standard-and-quality-performance-reporting-electricity-distribution-licence>

⁵ Fifth Distribution Price Control Review effective from 1 April 2010 to 31 March 2015

Early in 2015 the industry began a wider review of the P2 Engineering Recommendation. The issue of smaller demand groups and how to deal with security arrangements will be included in that review. There is also still no evidence that this derogation has had any adverse impact on supply reliability to customers. The review is expected to take under three years to complete, and we do not consider that it would be efficient to undertake a separate review of this P2/6 derogation during that time. After the P2 review has been concluded we will consider whether any additional action under this derogation is required.

Our Decision

We have considered the request for an extension of the existing derogation in accordance with our principal objective and general duties and in light of the information currently available to us. We have considered in particular those factors set out in our 'Guidance on licence derogation requests'.⁶

We have decided to grant a further extension to the derogation to all licensees from complying with SLC 24.1, "Distribution system planning standard and quality of performance reporting", in respect of those parts of the distribution system where the group demand is less than 60MW and when specific circumstances set out in the Direction are satisfied.

We have decided to extend the period of the derogation until 31 March 2018.

The period of further derogation is to allow for the completion of the review of the P2 Engineering Recommendation. Once that review has been finalised we will consider whether any further action is required with regard to this derogation. We may revoke or vary the derogation at any time upon reasonable notice.

Should a supply interruption occur, the derogation granted does not provide an exemption from either the Interruptions or the Guaranteed Standards of Performance incentives.

I attach a copy of our Direction for the purposes of this derogation.

This letter constitutes notice for the purposes of section 49A of the Electricity Act 1989 in relation to the Direction.

Yours sincerely,



Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose

⁶ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=14&refer=Networks/Techn/TechStandds/Derogtns>