

All Network Operators and other interested parties

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Version seven of the Low Carbon Networks (LCN) Fund Governance Document

On 25 February 2015 we¹ published a notice saying we planned to issue version seven of the LCN Fund Governance Document and specifying the date on which we proposed the revised Governance Document should take effect. We provided the revised text and our reasons for changing it.

The LCN Fund Governance Document explains the regulation, governance and administration of the LCN Fund. The amendments to this version ensure that the LCN Fund Governance Document is fit for purpose in the new electricity distribution price control, RII0-ED1. The updates also reflect decisions we made on administering the Discretionary Funding Mechanism aspect of the LCN Fund. We asked for comments, representations or objections to the proposed amendments to the LCN Fund Governance Document on or before 25 March 2015.

Stakeholder comments

We received two responses, both from Distribution Network Operators, to our consultation on the proposed amendments. We have published these on our website. Neither respondent objected to the introduction of the revised Governance Document. However, they did note some typographical errors and proposed that some additional clarifications should be made. We have therefore made a small number of changes.

Main changes to the Governance Document since consultation

- Introduction, paragraph 1.1 – based on feedback from one respondent, we changed the word 'adequate' to 'appropriate' as it is a more accurate description of the document.
- Section 1, paragraph 2.23 – we have corrected incorrect paragraph references.
- Section 1, paragraph 2.39 – we have included an additional cross reference to requirements in another section of the document. This change was made in response to a respondent's suggestion and will improve clarity.
- Section 1, paragraph 2.46 and throughout – references to Project Close-Down Report have been capitalised throughout as this is a defined term.

¹ The terms "we", "us" and "the Authority" are used to refer to the Gas and Electricity Markets Authority.

- Section 1, Paragraphs 2.52 and 2.53 – we have reinstated the requirements around the Annual Conference. These paragraphs had been inadvertently deleted from the version consulted on.
- Section 2, paragraph 2.3 – we have changed the word ‘published’ to ‘accepted’. We have also corrected a paragraph reference and said that we will circulate any updated guidance at least two months before the deadline. All changes referred to in this bullet have been made in response to issues raised by respondents.
- Section 2, paragraphs 3.4 and 4.2 – we have said that if we issue further guidance we will do so at least two months before the submission deadline.
- Section 3, paragraph 1.2 – we have removed the second half of this paragraph as it no longer applies in RIIO-ED1.

Next steps

In accordance with Charge Restriction Condition 2J of the distribution licence,² we have today published version seven of the LCN Fund Governance Document.

Yours faithfully,



Andrew Burgess

**Associate Partner, Transmission and Distribution Policy
For and on behalf of the Gas and Electricity Markets Authority**

² From 1 April 2015 with the beginning of RIIO-ED1, the licence condition that relates to operation of the LCN Fund will be Charge Restriction Condition 2J (The Low Carbon Networks Fund) instead of CRC13.