

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. introducing a new standard licence condition (SLC), 52; and
 - b. amending SLC 1 (Definitions for standard conditions) and SLC 14 (Charges for Use of System and connection).
2. The reason why the Authority proposes to make this licence modification is to help facilitate effective competition in the market for connections to the electricity distribution network.
3. Further details on the reasons for this licence modification are available in the following documents:
 - a. The findings of our review of the electricity connections market, 21 January 2015;¹
 - b. Update on our work to resolve issues in the market for new connections to electricity distribution networks and informal licence consultation, 12 May 2015;²
 - c. Our decision on the suitability of the Competition in Connections Code of Practice, 30 June 2015;³ and,
 - d. Our decision to approve the revised Competition in Connections Code of Practice, 16 July 2015.⁴
4. The effect of the proposed SLC 52 is to require the licensee to facilitate competition in the Local Connections Market through:
 - a. minimising, to the fullest extent reasonably practicable, the number and scope of Input Services which are only available from the licensee;
 - b. providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Market; and
 - c. removing, to the extent that it is within its power to do so, any barrier associated with managing and operating its Distribution Business, which would prevent entry to, or continued participation in, the Local Connections Market.
5. The effect of the proposed SLC 52 is also to require the DNOs to have and comply with a new Competition in Connections Code of Practice.
6. The proposed changes to SLCs 1 and 14 are to move two defined terms and their definitions from SLC 14 to SLC 1. The effect of these amendments is to ensure that definitions that are used in more than one SLC are located in SLC 1.
7. The proposed SLC 52 of the electricity distribution licence is presented in Schedule 1 of this Notice. The proposed amendments to SLCs 1 and 14 are also presented in Schedule 1 of this Notice.

¹ <https://www.ofgem.gov.uk/ofgem-publications/92527/connectionscompetitionreviewfindings-pdf>

² <https://www.ofgem.gov.uk/ofgem-publications/94810/connections2015decisionconsultation-pdf>

³ <https://www.ofgem.gov.uk/publications-and-updates/our-decision-competition-connections-code-practice>

⁴ This decision is approved alongside this consultation letter. A link can be found on this webpage:

<https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition-connections>

8. A copy of the proposed modification and other documents referred to in this Notice have been published alongside this Notice and are available on the Ofgem website (www.ofgem.gov.uk).
9. Any representations with respect to the proposed licence modification must be made on or before 17 August 2015 to: Stephen Perry, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to connections@ofgem.gov.uk.
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 modification, it will take effect not less than 56 days after decision is published.

**Andrew Burgess,
Associate Partner, Electricity Distribution
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

16 July 2015

Schedule 1 – Proposed new Standard Licence Condition 52 and amendments to Standard Licence Condition 1 and 14

Condition 1. Definitions for the standard conditions

[The following definitions are to be removed from standard condition 14 and to be added to standard condition 1, in alphabetical order. For clarity, the text of standard condition 1 that is not being amended is not included in this Schedule 1.]

Connection Activities

means any and all of such activities that comprise or are associated with the provision, modification, or retention of a Relevant Connection to the licensee's Distribution System as are able, in accordance with the licensee's Connection Charging Statement, to be undertaken by persons other than the licensee, where those activities are fully funded by the owner or occupier of the premises in respect of which the activities are required.

Relevant Connection

means any connection to the licensee's Distribution System other than an LVSSA connection or an LVSSB connection within the meaning given to those terms respectively in Part F of Charge Restriction Condition 2F (Time to Connect Incentive).

Condition 14. Charges for Use of System and connection

Part A: Charging statements to be always available

- 14.1 The licensee must ensure that the following charging statements prepared by it are at all times available in a form approved by the Authority:
- (a) a charging statement that sets out the basis on which charges will be made for Use of System (“the Use of System Charging Statement”); and
 - (b) a charging statement 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”).

Part B: Compliance of charging statements with Charging Methodologies

- 14.2 Except with the Authority’s consent, the charging statements 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.

Part C: Other general requirements in relation to charging statements

- 14.3 Except with the Authority’s consent, the charging statements 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 them (including on the licensee’s Website).
- 14.4 The licensee must periodically review the information set out in any charging statement 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 charging statement available under paragraph 14.1 to any person who requests it.
- 14.6 The licensee may make a charge for any charging 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.

Part D: Contents of the licensee's Use of System Charging Statement

- 14.7 The 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.

Part E: 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 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.

Part F: 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 that 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, paragraph 13A.15 of standard condition 13A, or paragraph 13B.15 of standard condition 13B, 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 the Authority otherwise directs or consents, the licensee may only amend its Use of System Charges in respect of any agreement for Use of System if:

- (a) it has given Notice of the proposed amendment in accordance with paragraph 14.11;
- (b) the amendment, when made, conforms to the proposals set out in that Notice (except for any necessary revisions resulting from the occurrence of a material change, after the Notice has been given, to any of the matters on which the assumptions set out in the statement under paragraph 14.11 were based, and then only to such extent as is necessary to reflect the change in such matters); and
- (c) the amendment takes effect on 1 April of the relevant Regulatory Year.

Part G: Contents of the licensee's Connection Charging Statement

- 14.13 The 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).

Part H: 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.

Part I: 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) 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, replacement, disconnection, or 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 2K (Margins on licensee's Connection Activities); or
 - (c) where the licensee is not a Distribution Services Provider, or is a Distribution Services Provider operating outside its Distribution Services Area, an

Unregulated Margin in the Connection Charges that 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 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
 - (d) will not include any costs that are recovered by Use of System Charges.

Part J: 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") that 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 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
 - (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 person who has made the request to pay the amount estimated by the licensee, or such other amount as is determined by the Authority, under paragraph 14.24.
- 14.24 The licensee may, 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 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 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).

Part K: Interpretation

~~14.26 — For the purposes of this condition:~~

~~**Connection Activities** means any and all of such activities that comprise or are associated with the provision, modification, or retention of a Relevant Connection to the licensee’s Distribution System as are able, in accordance with the licensee’s Connection Charging Statement, to be undertaken by persons other than the licensee, where those activities are fully funded by the owner or occupier of the premises in respect of which the activities are required.~~

~~**Relevant Connection** means any connection to the licensee’s Distribution System other than an LVSSA connection or an LVSSB connection within the meaning given to those terms respectively in Part F of Charge Restriction Condition 2F (Time to Connect Incentive).~~

Appendix 1

Schedule of Contents

This Appendix specifies the information that must be included in the licensee's Use of System Charging Statement (Part A) and the information 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 information to be set out in the licensee's Use of System Charging Statement must include:
- (a) a schedule of charges for the distribution of electricity under Use of System;
 - (b) a schedule of adjustment factors to be made for Distribution Losses, in the form of additional supplies required to cover those losses;
 - (c) a schedule of the charges (if any) that may be made in respect of accounting and administrative services;
 - (d) a schedule of the charges (if any) that 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 information to be set out in the licensee's Connection Charging Statement must include:
- (a) a 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) a 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) a statement of the principles on which, and the methods by which, Connection Charges will be made in circumstances where the electric 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) a 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) a 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 52. Competition in Connections Code of Practice

Introduction

52.1 This condition requires the licensee to have, maintain and comply with a Competition in Connections Code of Practice and to facilitate competition in the Local Connections Market, as set out in paragraph 52.2 (b).

Part A: Duties

52.2 The licensee must:

- (a) have, maintain and comply with a Competition in Connections Code of Practice which is designed to facilitate the achievement of the Relevant Objectives set out in paragraph 52.3; and
- (b) facilitate competition in the Local Connections Market through:
 - (i) minimising, to the fullest extent reasonably practicable, the number and scope of Input Services which are only available from the licensee;
 - (ii) providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Market; and
 - (iii) removing, to the extent that it is within its power to do so, any barrier associated with managing and operating its Distribution Business, which would prevent entry to, or continued participation in, the Local Connections Market.

52.3 The Relevant Objectives are to:

- (a) facilitate competition in the Local Connections Markets through:
 - (i) minimising, to the fullest extent reasonably practicable, the number and scope of Input Services which are only available from the licensee;
 - (ii) providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Markets;
 - (iii) harmonising, to the fullest extent reasonably practicable, the Input Services provided by Distribution Services Providers.
- (b) not distort, prevent or restrict competition in the Local Connections Markets;
- (c) facilitate compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators; and
- (d) facilitate the efficient discharge by the licensee of the obligations imposed upon it by this condition.

- 52.4 The licensee must periodically review (including upon the request of the Authority) the Competition in Connections Code of Practice and, subject to the governance arrangements, make such modifications as are necessary for the purpose of better achieving the Relevant Objectives.
- 52.5 Modifications to the Competition in Connections Code of Practice shall have no effect unless made in accordance with procedures specified in the Competition in Connections Code of Practice.
- 52.6 The Competition in Connections Code of Practice must contain provisions for the governance of the Competition in Connections Code of Practice.
- 52.7 The Authority may (after consulting with the licensee and, where appropriate, any other materially affected party) issue a direction amending the governance arrangements of the Competition in Connections Code of Practice.
- 52.8 A direction issued by the Authority under paragraph 52.9 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 modifications to the governance arrangements that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's proposals;
 - (c) specified in the Notice the date or dates on which it proposes that the modifications 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.
- 52.9 The licensee must ensure that a copy of the Competition in Connections Code of Practice (as from time to time modified) is publicly available on its Website.

Part B: Derogations

- 52.10 The Authority may (after consulting the licensee and, where appropriate, any other materially affected party) issue 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 C: Definitions

52.11 For the purposes of this condition:

Connection Parties

means:

- (a) any business of the licensee comprising the provision of connections to the licensee's Distribution System;
- (b) any business of any Affiliate or Related Undertaking of the licensee comprising such provision; and
- (c) any business of any other person comprising such provision.

Competition in Connections Code of Practice

means the document described in Part A of this condition.

Input Services

means any essential input required to enable another party to connect to the licensee's Distribution System, as further clarified in the Competition in Connections Code of Practice.

Local Connections Market

means the market for the procurement and provision of Connection Activities within the licensee's Distribution Services Area.

Relevant Objectives

means the objectives for the Competition in Connections Code of Practice set out in paragraph 52.3 of this condition.