



Making a positive difference
for energy consumers

All interested stakeholders

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Dear stakeholders,

Modification of electricity distribution licence to introduce a new "Competition in Connections Code of Practice" licence condition

Please find enclosed a modification to the standard conditions of the electricity distribution licence (the Licence).

We are introducing a new standard condition (SLC 52 (Competition in Connections Code of Practice)) to help facilitate effective competition in the market for connections to the electricity distribution network. We are making modifications to SLCs 1 (Definitions for standard conditions) and 14 (Charges for Use of System and connection) to move a defined term and its definition from SLC 14 to SLC 1.

We gave notice on 16 July 2015¹ (the Notice) that we proposed to introduce a new standard condition (SLC 52) and make modifications to standard licence conditions (SLCs) 1 and 14 of the Licence. We required any representations to the Notice to be made on or before 17 August 2015.

We received seven responses to the Notice, which we carefully considered. We have placed all responses on our website (we did not receive any non-confidential responses). We also received several additional comments from stakeholders following the statutory consultation period. The comments received and our responses to them are included in Appendix 1. Based on the responses, it is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in Schedule 2 of the enclosed modification.

In accordance with the powers contained in section 11A(1)(b) of the Electricity Act 1989, the Authority has decided to introduce a SLC 52 and modify SLC 1 and SLC14 of the Licence. These changes will take effect from 30 October 2015.

If you have any queries regarding the information contained within this letter you please contact Stephen Perry on 020 7901 1806 or by email stephen.perry@ofgem.gov.uk.

Yours faithfully

Andrew Burgess

Associate Partner – Electricity Distribution

Duly authorised on behalf of the Gas and Electricity Markets Authority

¹ www.ofgem.gov.uk/publications-and-updates/competition-connections-notice-proposed-licence-modifications-standard-licence-conditions-electricity-distribution-licence

Appendix 1 – Our responses to the comments received in the statutory consultation

Comment received in statutory consultation	Our response
Paragraph 52.8 should refer to 52.7 not 52.9.	Agree - amended accordingly.
The definition of “ <i>Connection Activities</i> ” in SLC 14 excludes partially funded reinforcement elements of new connections. This was not the intent.	Agree - We did not intend to exclude partially funded work or connections to IDNOs. As a result of this response, we decided not to move the definition of “ <i>Connection Activities</i> ” from SLC 14 to SLC 1. Instead we have introduced a new definition for SLC 52 that does not exclude partially funded work or connections to IDNOs.
The definition of “ <i>Connection Activities</i> ” may exclude connections to IDNOs. This was not the intent.	
The reference to “ <i>as set out in paragraph 52.2 (b)</i> ” at the end of paragraph 52.1 is misleading as only half of what is referred to in paragraph 52.1 is set out in paragraph 52.2(b)	Agree - We have amended paragraph 52.1 to refer to the whole paragraph 52.2.
The word “ <i>fullest</i> ” in 52.2 (b)(i), 52.3(a)(i) and 52.3(a)(iii) is unnecessary.	Disagree - We consider that removing the word “ <i>fullest</i> ” would dilute the strength of the licence condition. We therefore did not do this.
The requirement to minimise “ <i>to the fullest extent reasonably practicable, the number and scope of Input Services</i> ” should be subject to a caveat to ensure that it does not undermine or cut across existing licence obligations or the Code of Practice (CoP).	Disagree – The words “ <i>to the fullest extent</i> ” are intentionally accompanied by the wording “ <i>reasonably practicable</i> ” to avoid undermining or cutting across existing licence obligations or the Code of Practice.
<p>The requirement to remove “<i>to the extent that it is within its power to do so, any barrier associated with managing and operating its Distribution Business</i>” introduces unhelpful new terminology and could require licensees to take measures that were at odds with other licence obligations.</p> <p>The respondent proposed that the Licence should refer to ‘unreasonable’ barriers and should require the licensee to consult with relevant stakeholders ahead of any barriers being removed.</p> <p>The licensee was concerned that the proposed wording may leave them vulnerable to undue challenge under the licence.</p>	<p>Disagree - The proposed wording of “<i>within its power</i>” is not new. Indeed, it is used in a number of places in the Licence.</p> <p>We consider that the wording of the Licence is specific that the licensee must remove any barrier associated with how the licensee manages and operates its Distribution Business, to the extent that it is within its power to do so. We therefore did not make any changes.</p> <p>We consider that adding a requirement to consult with stakeholders ahead of removing any barriers would itself create a barrier to competition.</p>
Additional comments received following statutory consultation	Our response
The definition of “ <i>Connection Activities</i> ” in SLC52 should refer to the Connection Charging Methodology rather than the Connection Charging Statement.	We have amended the definition of “ <i>Connection Activities</i> ” in SLC 52 to refer to both the Connection Charging Methodology and Connection Charging Statement (since connection charges need to be calculated in

	accordance with both documents). This is consistent with the approach used to define "Non-Contestable" works in the Competition in Connections Code of Practice.
We should amend the definition of "Connections Activities" that applies to SLC 14 to allow DNOs to charge on a margin on part funded connections, in accordance with the charging methodology. We should also make the definition consistent with the definitions in the special licence conditions.	We recognise that although there may be benefits in amending the definition of "Connection Activities" that applies to SLC 14. We consider that this is outside the scope of our statutory consultation. We therefore do not intend to make these amendments at this time.