



Making a positive difference
for energy consumers

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Date: 17 July 2015

Dear Martin,

Application for the approval by the Authority¹ of a charging methodology statement from a distribution exemption holder

This letter contains our approval of your charging methodology statement.

Background

From 12 October 2011 distribution exemption holders (DEHs), also known as licence exempt distribution networks, have been required to provide access to their network when they receive an expression of interest from a party connected (or wanting to connect) to their network. If a DEH proposes to charge for the use of its system it is required to produce a methodology for charging for use of its system and submit it to us for approval.

The approvals process

In deciding whether to approve the charging methodology we consider whether the methodology complies with the charging principles set out in our "Guidance on third party access charges for licence exempt gas and electricity distribution networks".² These principles can be summarised as follows:

- the resulting tariffs must be justified by reference to the costs of the distribution network; and
- costs must be allocated to individual network users on an objectively, justifiable and non-discriminatory basis.

You have provided us with information on your total distribution network costs and an explanation of how you intend to allocate these costs to your network users. Your approach is consistent with the above charging principles as explained in the reasons for our decision.

We do however want to highlight one aspect of your methodology which we have not approved. Item 2 (External Network DUoS [Distribution Use of System] Costs) refers to costs which Gatwick Airport Limited intends to pass through to its customers on a £/kWh consumed basis. This item sets out how Gatwick Airport Limited will pass through the costs of using the licensed distributor's network.

¹ The terms "the Authority", "Ofgem", "we" and "us" are used interchangeably in this letter. The Authority is the gas and electricity markets authority. Ofgem is the office of the Authority.

² <http://www.ofgem.gov.uk/Networks/Policy/Documents1/TPA%20network%20charging.pdf>

Schedule 2ZA of the Electricity Act 1989 states that we can only approve charging methodologies relating to charges for the use of the exempt distribution system. This item does not relate to the exempt system but relates to the licensed distributor's network. Therefore our approval does not include Item 2 of your proposed charging methodology. This does not mean you cannot pass through these costs. However, they do not form part of the approved charging methodology for your network.

Approval

We have approved the charging statement containing details of the proposed methodology provided for the use of Gatwick Airport Limited's distribution network. The reasons for our decision are set out in our decision document.

If you have any questions relating to the issues discussed in this letter please contact Neil Copeland at Neil.Copeland@ofgem.gov.uk or on 0207 901 7193.

Yours sincerely,

A handwritten signature in blue ink that reads "Andy Burgess". The signature is written in a cursive, flowing style.

Andrew Burgess,
Associate Partner, Electricity Distribution
Signed on behalf of the Authority and authorised for that purpose