



Making a positive difference  
for energy consumers

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## **Authority<sup>1</sup> decision on proposed changes to Harlaxton Energy Networks Limited's (Harlaxton's) Use of System Charging Methodology Statement and Use of System Charging Statement**

### *Background*

Under standard licence condition ("SLC") 13 of the Electricity Distribution Licence ("the Licence"), Harlaxton (referred to below as "you") is required to have in force a use of system ("UoS") Charging Methodology which we have approved on the basis that it achieves the Relevant Objectives. Part B of SLC 13 sets out the Relevant Objectives for the Charging Methodology, and Part C sets out the procedure for modifications to this Charging Methodology.

Under amended standard licence condition ("ASLC") BA2 you must set domestic customers' UoS charges so that the standing charge, unit rate and other components of the charge do not exceed the UoS charges to equivalent domestic customers connected to a host Distribution Network Operator's ("DNO's") network. This constitutes a relative price control for Independent DNOs.

SLC 14 of the Licence requires that licensees prepare a UoS Charging Statement which sets out the basis on which charges will be made for the use of their distribution system. That statement must, at all times, be available in a form that we have approved.

SLC 14.12 states that, except where we consent, the licensee may only amend its UoS charges if "... (c) the amendment takes effect on 1 April of the relevant year." This applies irrespective of whether or not the UoS charges are for existing or for future customers.

SLC 14.11 also sets out the requirements that the licensee must meet before amending its charges. These include giving us a notice (setting out the proposals) not less than three months before the date on which it proposes to amend its UoS charges; and sending a copy of the notice to any person who has entered into an agreement for UoS.

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<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

### *Modification request*

On 31 July 2015, you submitted modifications to your UoS Charging Methodology and UoS Charging Statement to us for our approval. You have requested that these changes come into effect on 1 October 2015.

The proposed modifications combine the UoS Charging Methodology and UoS Charging Statement into one document. The modifications would also calculate UoS charges for generation and large demand customers on a more site-specific basis. You provided information on how this would better facilitate the achievement of the Relevant Objectives.

You also propose to modify the content to update your contact details and provide customers with additional information on how you are regulated and how to identify the host DNO area.

### *Our decision*

We consider that the proposed modifications to the UoS Charging Methodology Statement and UoS Charging Statement comply with the relevant licence requirements.

We note that the revised charging proposals will affect only new large demand customers, as well as half hourly metered generation customers billed on a site specific basis. We note that where export tariffs apply to networks which have been constructed specifically for the purposes of collecting power from a group of generation stations, the costs would not be expected to mirror the host DNO network cost assumptions.

We consider that the proposed modifications will better facilitate the achievement of the Relevant Objectives set out in SLC 13.3 than your current UoS Charging Methodology Statement and UoS Charges Statement. In particular we consider that the proposals will better facilitate competition, through improved transparency of your charging policies for both generation and demand; and will better facilitate cost reflectivity by considering the underlying nature of the network applicable to large demand customers and half hourly metered generation customers who are billed on a site specific basis.

We note that the UoS charges that will apply to domestic customers will be unaffected by this change and these will remain equivalent to those charged by the host DNO (as required by ASLC BA2).

We consider that the application submitted to us on 31 July 2015 meets the requirements of SLC 14.11 (a). A copy of the modified statement has been made available on your website, and has been sent to any person who has entered into an agreement for Use of System with you. This meets the requirements of SLC 14.11 (b).

We consent to the proposed modifications to the revised "Statement of Methodology and Charges for Use of System" coming into effect from 1 October 2015. The modifications will not impact on existing customers, and we consider that it is in the interest of new customers seeking a connection for the modifications to the charging methodology to become effective as soon as practicable.

If you have any questions in relation to this letter please contact Lesley Ferrando at [lesley.ferrando@ofgem.gov.uk](mailto:lesley.ferrando@ofgem.gov.uk) or on 02079 011808.

Yours faithfully,



**Ian Rowson**

**Associate Partner, Regulatory Finance and Compliance**

Signed on behalf of the Authority and authorised for that purpose by the Authority