

Charging Methodology Statement:	Statement for Use of Gatwick Airport Limited's Private Network		
Decision:	The Authority's ¹ decision is that this Charging Methodology Statement is approved ²		
Target audience:	DNOs, IDNOs, Suppliers, Generators, Customers and other interested parties		
Date of publication:	17 July 2015	Implementation Date:	17 July 2015

Background to the charging proposal

In accordance with schedule 2ZA of the Electricity Act 1989 (the Act) distribution exemption holders (DEHs) are required to allow third party supplier access (TPA) where a customer has served on the DEH an expression of interest in taking a supply of electricity from a third party supplier through the DEH's distribution system. Under paragraph 5 of schedule 2ZA of the Act, a DEH must not impose a use of system charge on a customer who has requested third party supply unless we³ have approved its charging methodology.

The term "use of system charge", in relation to a DEH, is defined in paragraph 16 of schedule 2ZA of the Act as a charge which –

- a) *is levied by the distribution exemption holder on a third party supplier identified in an expression of interest that has been served on the distribution exemption holder; and*
- b) *is for use of the exempt distribution system to which the expression of interest relates.*

This decision does not include an approval of Item 2 (External Network Duos [Distribution Use of System] Costs). This item sets out how Gatwick Airport Limited will pass through the costs of using the licensed distributor's network and therefore does not relate to the costs of operating and maintaining the exempt distribution network

On 10 November 2011 we published a guidance document⁴ for DEHs putting together a charging methodology statement. This states that charging methodologies must comply with two principles:

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

The guidance follows our December 2010 consultation on TPA.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document sets out the reasons for the Authority's decision.

³ The terms "we", "us", "the Authority" and "Ofgem" are used interchangeably in this document. The Authority is the gas and electricity markets authority. Ofgem is the office of the Authority.

⁴ <http://www.ofgem.gov.uk/Networks/Policy/Documents1/TPA%20network%20charging.pdf>

Gatwick Airport Limited's Charging Methodology Statement

On 23 December 2014, Gatwick Airport Limited submitted a proposed charging methodology for our approval in accordance with the requirements set out in schedule 2ZA of the Act.

Reasons for our decision

We have decided to approve Gatwick Airport Limited's proposed charging methodology for its network within Gatwick Airport as submitted, with the exception of Item 2. We have decided to reject Item 2 (External Network Duos [Distribution Use of System] Costs).

In reaching our decision we have assessed Gatwick Airport Limited's proposed charging methodology against schedule 2ZA of the Act (ie, the network operator has provided a record of the assets and liabilities associated with its distribution activities and has a charging statement as well as other documents we require to make a decision), the charging principles referred to above and our principal objective under the Act and wider statutory duties.⁵

Charging Principle (i) - the resulting tariffs must be justified by reference to the costs of the distribution network

In accordance with our guidance document, DEHs must have in place a charging methodology⁶ which provides a reasonable and proportionate method of identifying costs on the network where the DEH intends to charge for TPA. Gatwick Airport Limited has set out in its submission the costs associated with the network it operates and has supported this with evidence, such as a cost profile for the next ten years. We conclude that the tariffs proposed by Gatwick Airport Limited are cost-reflective as they are justified by reference to the costs of operating and maintaining the network and have been or will be properly incurred.

Charging Principle (ii) - costs must be allocated to individual network users on an objective, justifiable and non-discriminatory basis

DEHs are required to provide an explanation of how the costs of the distribution network have been allocated between network users. In its charging methodology Gatwick Airport Limited states that costs are allocated to all customers (whether supplied by a third party or not) by the network operator itself according to network usage. Customers are then charged a unit rate for the electricity they consume. We conclude that the costs are allocated to individual customers on an objective, justifiable and non-discriminatory basis

Our principal objective under the Act

We consider that approving this methodology is consistent with our principal objective under section 3A of the Act of protecting the interests of existing and future consumers. Approving this methodology will allow the DEH to operate and maintain its network while allowing consumers connected to that network to take part in the market.



Andrew Burgess

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Signed on behalf of the Authority and authorised for that purpose

⁵ The Authority's statutory duties are detailed mainly in the Electricity Act 1989, Gas Act 1986, Utilities Act 2000, Competition Act 1998, Enterprise Act 2002, the Energy Act 2004 and in European legislation.

⁶ As defined in schedule 2ZA of the Act.