



Making a positive difference  
for energy consumers

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Date: 06 January 2014

Dear Gwen

## **Application for the approval of a charging methodology statement from a distribution exemption holder**

### **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 wishes 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 meets the charging principles set out in our "Guidance on third party access charges for licence exempt gas and electricity distribution networks".<sup>1</sup> These principles are:

- the tariffs must be justified by reference to the costs of the distribution network; and
- costs must be allocated to individual network users on an objective and justifiable 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.

### **Authority Approval**

We have approved the charging statement containing details of the proposed methodology provided for the use of SSE's Heat Networks Ltd distribution network at Woolwich. The reasons for our decision are set out in our decision document.

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<sup>1</sup> <http://www.ofgem.gov.uk/Networks/Policy/Documents1/TPA%20network%20charging.pdf>

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

Yours sincerely,

A handwritten signature in blue ink that reads "Andy Burgess".

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