



Making a positive difference
for energy consumers

Mr Andy Ledward
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Date: 21 March 2018

Dear Andy,

Authority¹ decision on Fulcrum Electricity Assets Limited's proposed Use of System Charging Methodology and Use of System Charging Statement

Under standard licence condition ("SLC") 13.1 (a) of the Electricity Distribution Licence ("the Licence"), you (Fulcrum Electricity Assets Limited) are required to at all times have in force a Use of System ("UoS") Charging Methodology which we have approved on the basis that it achieves the Relevant Objectives.² Under SLC 14 of the Licence, you are also required to ensure that the UoS Charging Statement prepared by you is at all times available in a form approved by the Authority.

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 the UoS Charging Statement set 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.

On 12 February 2018 you submitted UoS Charging Statements to us for approval. You did so for both the 2017/18 Regulatory Year, as well as the 2018/19 Regulatory Year – and in separate documents. You then subsequently sent us your UoS Charging Methodology Statement on 27 February 2018 for approval.

¹ 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.

² The relevant objectives for the methodology, as contained in paragraph 3 of SLC 13 of your licence are:
(a) that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Electricity Act 1989 and its licence;
(b) that compliance with the methodology facilitates competition in generation and supply of electricity, and does not restrict, distort or prevent competition in the transmission or distribution of electricity;
(c) that compliance with the methodology results in changes which reflect, as far as is reasonably practicable (taking into account of implementation costs), the costs incurred by the licensee and its Distribution Business;
(d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the methodology, as far as is practicable, properly takes account of developments in the licensee's Distribution Business; and
(e) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

We have assessed both of your proposed UoS Charging Statements against the Relevant Objectives and against the charging principles outlined in ASLC BA2, as well as the other requirements of the license. In doing so, we have decided to approve your UoS Charging Statement for both Regulatory Years. This letter sets out our reasons for our decision.

Your proposed UoS Charging Methodology is to replicate the host DNO UoS tariffs in the areas that you'll operate in. We have previously approved a UoS Charging Methodology for each DNO. Adopting the methodology of the host DNO provides a proxy to the "all the way"³ costs faced by customers connected to the DNO network. Replicating the host DNO charges also ensures compliance with ASLC BA2 which states your charges can't exceed those of the host DNO. We have therefore decided to approve your UoS Charging Methodology.

You should note that under SLC 13.2 of the License you must review your UoS Charging Methodology at least once every year and make such modifications (if any) as are necessary for the purpose of better achieving the Relevant Objectives. Under SLC 14.4 of the Licence you must periodically review and at least once in every Regulatory Year make any changes necessary.

If you have any questions surrounding the issues raised in this letter, please contact Mohamed Khalif at Mohamed.khalif@ofgem.gov.uk or on 0207 901 7194.

Yours sincerely



Chris Brown
Head of Core and Emerging Policy
Energy Systems

³ These are the costs that the host DNO would levy on its own end users.