



Making a positive difference
for energy consumers

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Dear Lucy,

Authority¹ decision on proposed changes to Harlaxton Energy Networks Limited's (Harlaxton) Use of System Charging Methodology 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.

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 we have approved.

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") network. This constitutes a relative price control for Independent DNOs.

Modification Request

On 20 March 2018, you submitted modifications to your UoS Charging Methodology, which is incorporated within your Use of System Charging Statement, to us for approval. You have requested that these changes come into effect promptly and that the changes will apply immediately to any new Extra High Voltage ("EHV") and High Voltage ("HV") sub-generation sites.

The submitted modifications changes the fact that EHV and HV Sub Generators do not currently pay a site-specific fixed charge for the sole use assets serving their connections.

¹References 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.

The proposed changes introduce an automatic sole-use asset charge which reflects the operation and maintenance costs for sole use assets attributed to generation. This sole use asset charge will be calculated on the same basis as the host DNO. The charging rate used to calculate this fixed charge will be the charging rate for direct costs and network rates used by the host DNO under its EHV Distribution Charging Methodology (EDCM).

You are also amending wording in your charging methodology to reflect that you do not currently have any EDCM network group costs, as well as minor typographical changes that do not constitute a material change in what the text explains.

Our Decision

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

We consider that the proposed modifications will better facilitate the achievement of the Relevant Objectives set out in SLC 13.3 than your current Charging Methodology. Specifically, we think the proposals will better facilitate cost reflectively by considering the underlying nature of the network applicable to EHV and HV sub-generation sites.

We also consider that the modification application submitted to us meets the requirements of SLC Part C as we have received the terms of the proposal, how the modifications would better achieve the Relevant Objectives and an implementation timetable.

We note that your UoS Charging Statement is in the same document as your Methodology, i.e. the Methodology is set out in the Statement. Whilst the proposed modification is to your Methodology, any change to your Statement has the effect of SLC 14.12 being applicable. Within this context we hereby give our consent in terms of SLC 14.12 in respect of the Charging Statement you have submitted.

Whilst we have assessed this case on its own merits taking into account that your Charging Methodology and Statement are set out in the same document – you should ensure you are familiar with all the conditions relating to this arrangement, should you continue to include your Charging Methodology and Statement in the same document.

The proposed modifications have no impact on domestic customers and the UoS charges that do apply to domestic customers will remain equivalent to those charged by the host DNO (as required by ASLC BA2).

The proposed modifications will come into effect for new sites on the next working day following this decision.

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
Systems and Networks