

# APPENDIX – PROPOSED MODIFICATIONS TO THE ELECTRICITY DISTRIBUTION LICENCE TO RECOVER THE COSTS ASSOCIATED WITH APPOINTING A SUPPLIER OF LAST RESORT

**Table 1: Licence conditions covered by this consultation**

<b>STANDARD LICENCE CONDITIONS</b>		<b>Proposed change</b>
SLC 1.	Definitions for the standard conditions	Amendments
SLC 38.	Treatment of payment claims for last-resort supply	Amendments
SLC 38A.	Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019	New
SLC 38B.	Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019	New
SLC 38C.	Treatment of Valid Bad Debt Claims	New
<b>AMENDED STANDARD CONDITIONS</b>		<b>Proposed change</b>
Amended Standard BA5.	Valid Bad Debt Claims	New
<b>SPECIAL CONDITIONS</b>		<b>Proposed change</b>
CRC 2B.	Calculation of Allowed Pass-Through Items	Amendments
CRC 2B.	Calculation of Allowed Pass-Through Items (SSEH only)	Amendments
CRC 2B.	Calculation of Allowed Pass-Through Items (WPD licensees only)	Amendments

## Condition 1. Definitions for the standard conditions

### Introduction

- 1.1 This condition sets out most of the defined words and expressions (all of which begin with capital letters) that are used in the standard conditions of both Section A and Section B of this licence, and gives their definitions next to them.
- 1.2 But where defined words and expressions are used only in a particular standard condition, their definitions are included in that condition.

### Definitions in alphabetical order

- 1.3 In the standard conditions of this licence, unless the context otherwise requires:

**[FOR THE PUPOSES OF THIS INFORMAL CONSULTATION – THE ONLY DEFINITIONS OUTLINED BELOW ARE THE NEW TERMS/ TERMS MOVED FROM OTHER CONDITIONS]**

**Claimant** means an Electricity Supplier entitled to receive the benefit of a Last Resort Supply Payment.

**Last Resort Supply Payment** means a sum of money payable to the Claimant to compensate for any additional costs that it has incurred as a result of complying with a direction from the Authority to supply electricity to premises in accordance with standard condition 8 (Obligations under Last Resort Supply Direction) of the Electricity Supply Licence.

**Specified Amount** means the amount specified in a Valid Claim.

**Valid Claim** means a claim for which the Claimant has received the Authority's consent under standard condition 9 (Claims for Last Resort Supply Payment) of the Electricity Supply Licence.

## **Condition 38. Treatment of payment claims for last-resort supply where Valid Claim is received before 31 March 2019**

### **Application of this condition**

- 38.1 This condition, which must be read in conjunction with condition 38A, applies if the licensee receives from any Claimant a Valid Claim for a Last Resort Supply Payment before 31 March 2019.

### **Obligation to increase Use of System Charges**

- 38.2 Where the licensee receives a Valid Claim, it must, during the Relevant Regulatory Year, make an increase to its Use of System Charges relating to the distribution of electricity to premises in respect of that year to such an extent as it reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the Specified Amount.
- 38.3 During, or as soon as practicable after the end of, the Relevant Regulatory Year, the licensee must pay to the Claimant by quarterly or monthly instalments (as specified in the Valid Claim) the amount of the consequential increase in its Use of System revenue mentioned in paragraph 38.2, to the extent that it does not exceed the Specified Amount.

### **Treatment of any shortfall**

- 38.4 If the amount paid to the Claimant under paragraph 38.3 is less than the Specified Amount, the licensee must in the next Regulatory Year:
- (a) pay to the Claimant (in accordance with any direction given to the licensee by the Authority) the amount of the shortfall plus 12 months' interest on that amount; and

- (b) increase its Use of System Charges relating to the distribution of electricity to premises during the Regulatory Year that follows the Relevant Regulatory Year to such extent as it reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the amount of the shortfall plus 12 months' interest on that amount.

### **Treatment of any excess**

- 38.5 If the amount of the consequential increase in Use of System revenue mentioned in paragraph 38.3 exceeds the Specified Amount, the licensee must, during the year following the Relevant Regulatory Year, reduce its Use of System Charges relating to the distribution of electricity to premises to the extent that it reasonably estimates is necessary in order to reduce its Use of System revenue for that year by an amount equal to the excess plus 12 months' interest on that amount.

### **Questions for the Authority**

- 38.6 Any question about the reasonableness of any estimate made for the purposes of paragraph 38.2, 38.4, or 38.5 is to be resolved by the Authority.

### **Disregard of certain matters**

- 38.7 In calculating the licensee's Use of System revenue during any period for the purposes of any Charge Restriction Condition that may be applicable to the licensee under this licence, any increase or decrease in Use of System revenue attributable to the licensee's compliance with this standard condition 38 must be treated as if it had not occurred.

38.8 The provisions of this condition have effect even if the licensee has not provided the Notice required under paragraph 17 of standard condition 14 (Charges for Use of System and connection).

**Obligation to prepare and publish statement**

38.9 The licensee must, in respect of each Regulatory Year in which it increases or reduces its Use of System Charges under paragraph 38.2, 38.4, or 38.5:

- (a) prepare a statement that shows the matters detailed at paragraph 38.10;
- (b) give any such statement to the Authority within the first four months of the Regulatory Year following that to which it relates; and
- (c) publish that statement in such manner as the licensee believes will ensure adequate publicity for it (including on the licensee's Website, if it has one).

38.10 The matters referred to in paragraph 38.9(a) are these:

- (a) in the case of an increase in the licensee's Use of System Charges under paragraph 38.2, the total amount of its Use of System revenue derived from that increase;
- (b) in the case of an increase in the licensee's Use of System Charges under paragraph 38.4, the total amount of its Use of System revenue derived from that increase;
- (c) in the case of a reduction in the licensee's Use of System Charges under paragraph 38.5, the total amount of the decrease in its Use of System revenue resulting from that reduction; and
- (d) in the case of each Last Resort Supply Payment made in response to a Valid Claim, the total payments made to the relevant Claimant in respect of the

Regulatory Year in question (whenever those payments were made).

### **Cumulative effect of separate claims**

- 38.11 Where the licensee receives more than one Valid Claim for a Last Resort Supply Payment, such changes in its Use of System Charges as would result from the separate fulfilment of its obligations under this condition in relation to each such claim are to be given effect within the Relevant Regulatory Year as a single aggregated change in Use of System Charges.

### **Interpretation**

- 38.12 For the purposes of this condition:

**Claimant** means an Electricity Supplier entitled to receive the benefit of a Last Resort Supply Payment.

**Last Resort Supply Payment** means a sum of money payable to the Claimant to compensate for any additional costs that it has incurred as a result of complying with a direction from the Authority to supply electricity to premises in accordance with standard condition 8 (Obligations under Last Resort Supply Direction) of the Electricity Supply Licence.

**Relevant Regulatory Year** for this condition only means, in relation to any Valid Claim:

- (a) where the claim was received by the licensee at least 60 days before the beginning of a Regulatory Year, that Regulatory Year; or
- (b) where the claim was received by the licensee less than 60 days before the

beginning of a Regulatory Year, the next Regulatory Year.

**Specified Amount** for this condition only means the amount specified in a Valid Claim plus interest calculated as simple interest on that amount for the period beginning with the date on which the Valid Claim was received by the licensee and ending with the date that is 61 days before the start of the Relevant Regulatory Year (unless that period is of 30 days or less, in which case no interest will be payable).

~~**Valid Claim** means a claim for which the Claimant has received the Authority's consent under standard condition 9 (Claims for Last Resort Supply Payment) of the Electricity Supply Licence.~~

## **Condition 38A. Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019**

### **Application of this condition**

38A.1 This condition applies if the licensee receives from any Claimant a Valid Claim for a Last Resort Supply Payment before 31 March 2019 and:

(a) the licensee has not yet commenced the process of recovering the Valid Claim through Use of System Charges in accordance with paragraph 2 of standard condition 38, in which case the licensee must follow the process set out in standard condition 38B; or

(b) the licensee has commenced the process of recovering the Valid Claim through Use of System Charges in accordance with paragraph 2 of standard condition 38, but the licensee has not yet increased or decreased its Use of System charges in accordance with paragraphs 4 or 5 of that condition to correct any shortfall or excess, in which case it must:

- (i) follow the process set out in paragraphs 2, 3, 7 and 9 of standard condition 38 in respect of the initial recovery of the Valid Claim;
- (ii) in the event of a shortfall in recovery of the Valid Claim, pay to the Claimant the amount of the shortfall plus any interest on that amount; and
- (iii) follow the process set out in paragraph 38A.3 of this condition in respect of the treatment of any shortfall or excess.

38A.2 Where the licensee received a Valid Claim before 31 March 2019 and the licensee has commenced the process of recovering the Valid Claim through Use of System Charges in accordance with the Original SLC38 and has increased or decreased its



Use of System charges in accordance with paragraphs 4 or 5 of standard condition 38 to correct any shortfall or excess it must:

- (a) follow the process set out in paragraphs 4 or 5 of standard condition 38 in respect of the treatment of any shortfall or excess; and
- (b) follow the process set out in paragraph 38A.3 of this condition in respect of the treatment of any residual shortfall or excess which remains following the consequential increase or decrease in Use of System charges once the process set out in paragraph 4 or 5 of standard condition 38 has been followed.

#### **Treatment of any shortfall or excess**

38A.3 If the amount recovered through Use of System Charges on completion of the processes outlined in paragraphs 38A.1(b) or 38A.2 of this condition does not equal the Specified Amount, the licensee must include the shortfall or excess in SLRA<sub>t</sub>, as defined in Licence Condition CRC 2B, Calculation of Allowed Pass-Through Items.

## **Condition 38B. Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019**

### **Application of this condition**

38B.1 Subject to paragraph 38B.2, this condition applies if the licensee:

- (a) receives from any Claimant a Valid Claim for a Last Resort Supply Payment on or after 31 March 2019; or
- (b) receives from any Claimant a Valid Claim for a Last Resort Supply Payment before 31 March 2019 and has not yet commenced the process of recovering the Valid Claim through Use of System Charges in accordance with of standard condition 38A.1(a).

38B.2 This condition does not apply following a successful application for an Energy Supply Company Administration Order in accordance with section 96 Energy Act 2011.

### **Obligation to pay the Claimant**

38B.3 Subject to paragraph 38B.8, where the licensee receives a Valid Claim, the licensee must make payments to the Claimant, by monthly instalments commencing 60 days after the date on which the Valid Claim was received, such 60 day period to include the date of receipt of the Valid Claim, so that the total Specified Amount has been paid in full in accordance with a schedule defined by the Authority, and in any event by no later than 15 months from the date on which the Valid Claim was received.

### **Cumulative effect of separate claims**

38B.4 Where the licensee makes payments in respect of more than one Valid Claim within the

Relevant Regulatory Year t, SLRA<sub>t</sub> (as defined in CRC 2B, Calculation of Allowed Pass-Through Items) shall be treated as a single aggregated figure representing the total value of payments made to all Claimants in the Regulatory Year t, excluding those Valid Claims where the licensee has given notice under paragraph 38B.5.

### **Application of materiality threshold**

38B.5 If the value of aggregated payments to be made by a licensee in respect of Valid Claims in any Regulatory Year would exceed the materiality threshold amount applicable to the licensee, as shown in Appendix 1 (the “Materiality Threshold”), the licensee may within 28 days of receipt of the Valid Claim that results in breach of the Materiality Threshold give notice to the Authority of its intention to increase its Use of System Charges for the Relevant Regulatory Year to the extent that the licensee reasonably estimates is necessary in order to recover the Excess Specified Amount.

38B.6 Subject to paragraph 38B.5, where the licensee requires a derogation in order to increase its Use of System Charges for the Relevant Regulatory Year, the Authority may, after consulting with the licensee, give a direction (“a derogation”) to the licensee relieving it of its obligations under the relevant conditions to such extent, for such period of time, and subject to such conditions as may be specified in the derogation.

38B.7 Subject to paragraphs 38A.5 and 38A.6, the Excess Specified Amount will equate to the aggregate value of Valid Claims received in a Regulatory Year in excess of the Materiality Threshold in any single Regulatory Year.

38B.8 Any Valid Claim received after paragraph 38B.7 has effect: (a) which does not result in the aggregate value of payments made in respect of Valid Claims exceeding the Materiality Threshold in any single Regulatory Year; or (b) in respect of which the

licensee has not provided notice under paragraph 38B.5; or (c) in relation to which a derogation required by the licensee is not given by the Authority under paragraph 38B.6, may not be included in the Excess Specified Amount.

38B.9 Where the licensee has given notice under 38B.5 and, if applicable, the Authority has given a derogation under paragraph 38B.6, it must unless the Authority directs otherwise;

- (a) in the Relevant Regulatory Year, increase ESAt in accordance with paragraph 2B.35 of Licence Condition CRC 2B, Calculation of Allowed Pass-Through Items by the Excess Specified Amount;
- (b) in the Relevant Regulatory Year, increase its Use of System Charges in accordance with the approved Use of System Charging Methodology in force under standard condition 13 (Charging Methodologies for Use of System and connection); and
- (c) during the Relevant Regulatory Year, make payments to the Claimant by monthly instalments that equate to the total Specified Amount.

38B.10 Where the licensee does not give notice under paragraph 38B.5, or where, if applicable, the Authority has not given a derogation under paragraph 38B.6, in any Regulatory Year, the aggregate value of payments made in respect of Valid Claims in excess of the Materiality Threshold shall be recovered in SLRA. (as defined in CRC 2B, Calculation of Allowed Pass-Through Items) in accordance with paragraph 38B.4.

### **Interpretation**

38B.11 For the purposes of this condition:

**Excess Specified Amount** means the aggregate value of Valid Claims in excess of the Materiality Threshold recovered in accordance with paragraph 38A.9.

**Relevant Regulatory Year** for this condition only means, in relation to any Valid Claim(s) resulting in breach of the Materiality Threshold:

- (a) where the claim was received by the licensee at least 60 days before the beginning of a Regulatory Year, that Regulatory Year; or
- (b) where the claim was received by the licensee less than 60 days before the beginning of a Regulatory Year, the next following Regulatory Year.

#### **APPENDIX 1:**

##### **Materiality threshold amount (£m, 2012/13 prices)**

<b>Licensee</b>	<b>£m (12/13 prices)</b>
ENWL	2.0
NPgN	1.3
NPgY	1.9
WMID	2.0
EMID	2.2
SWALES	0.9
SWEST	1.3
LPN	1.9
SPN	1.9
EPN	3.0

SPD	1.6
SPMW	1.2
SSEH	0.6
SSES	2.5

## **Condition 38C. Treatment of Valid Bad Debt Claims**

### **Application of this condition**

38C.1 This condition applies if the licensee receives a Valid Bad Debt Claim from a Bad Debt Claimant.

### **Obligation to pay the Bad Debt Claimant**

38C.2 Where the licensee receives a Valid Bad Debt Claim, it must, during or as soon as practicable after the end of the Applicable Regulatory Year, make payments to the Bad Debt Claimant, in instalments (12 monthly instalments unless otherwise agreed with the Bad Debt Claimant), until such a time as the total Specified Bad Debt Amount has been paid in full.

38C.3 Where the licensee receives an adjustment to a previous Valid Bad Debt Claim under paragraph 10 of standard condition BA5, Claims for Use of System Bad Debt, and where the licensee is required to make a further payment to the Bad Debt Claimant, the licensee shall pay the Bad Debt Claimant the amount of that adjustment plus any interest within 30 days of receipt of Notice from the Bad Debt Claimant.

### **Cumulative effect of separate claims**

38C.4 Where the licensee receives more than one Valid Bad Debt Claim requiring payment in the Applicable Regulatory Year  $t$ ,  $IBDA_t$  (in CRC 2B, Calculation of Allowed Pass-Through Items) shall be treated as a single aggregated figure representing the total Specified Bad Debt Amount of all Valid Bad Debt Claims requiring payment in the Applicable Regulatory Year  $t$ , plus any adjustments to previous Valid Bad Debt Claims received in the

Regulatory Year t.

## **Interpretation**

38C.5 For the purposes of this condition:

**Applicable Regulatory Year** means, in relation to any Valid Bad Debt Claim, the next Regulatory Year in respect of which the licensee has not been required to publish its final Use of System Charges, (the “Next Regulatory Year”) unless the licensee is required to publish its final Use of System Charges within 40 days of the date on which the licensee received the Valid Bad Debt Claim in which case it shall be the Regulatory Year after the Next Regulatory Year.

**Bad Debt Claimant** means a Non-Distribution Services Provider entitled to receive payment for a Valid Bad Debt Claim.

**Non-Distribution Services Provider** means any Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence do not have effect (whether in whole or in part).

**Specified Bad Debt Amount** means the amount specified in a Valid Bad Debt Claim.

**Valid Bad Debt Claim** means a claim for bad debt incurred by a Non-Distribution Services Provider with respect to Use of System Charges as a result of the



insolvency of one or more Electricity Suppliers whose Electricity Supply Licences have been revoked and in respect of which the Bad Debt Claimant has received the Authority's consent under standard condition BA5. Claims for Use of System Bad Debt.

## **Condition BA5. Valid Bad Debt Claims**

### **Ability to make claim**

- 1 If the licensee has received the Authority's consent under paragraph 5, it may make a Valid Bad Debt Claim under standard condition 38C, Treatment of Valid Bad Debt Claims.
- 2 The licensee may make a Valid Bad Debt Claim to each Relevant Distributor in accordance with paragraphs 9 and 11.

### **Process for making claim**

- 3 If the licensee intends to make a Bad Debt Claim in respect of bad debts incurred in a regulatory year not before 2018/19, no later than 60 days after the end of a Regulatory Year in respect of that Regulatory Year, it must:
  - (a) give Notice to the Authority of its claim; and
  - (b) in a statement in a form prescribed by the Authority, provide to the Authority the amount of the bad debt plus any interest.
- 4 If the licensee intends to make a Bad Debt Claim in respect of bad debts incurred in 2015/16, 2016/17 or 2017/18, no later than 30 June 2019 it must:
  - (c) give Notice to the Authority of its claim; and
  - (d) in a statement in a form prescribed by the Authority, provide to the Authority the amount of the bad debt plus any interest.
- 5 If the Authority considers it appropriate in all the circumstances of the case for the licensee to make the Bad Debt Claim notified to it in accordance with paragraph 3 or paragraph 4, the Authority shall, by Notice within three months of having received the claim, give its consent to the licensee for the licensee to make a Valid Bad Debt Claim and direct the

amount to be included in the Valid Bad Debt Claim (the “Relevant Amount”).

6 The Authority may only adjust the amount specified in the statement submitted by the licensee in accordance with paragraph 3 or paragraph 4 for: (a) any amount of the bad debt that has arisen because of the licensee’s failure to follow Schedule 1 (‘Cover’) of the Distribution Connection and Use of System Agreement (“the DCUSA”); and (b) the proportion of the value of bad debt relative to the age of that bad debt at the time of the Defaulting Electricity Supplier’s insolvency, calculated as shown in Appendix 1 of this condition.

7 A direction issued by the Authority under paragraph 5 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the Notice the reasons for the Authority’s proposed modifications;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) given due consideration to any representations received in response to the Notice.

8 If the Authority makes a direction under paragraph 5, the amount specified by it must be treated as the Relevant Amount for the purpose of paragraph 9.

### **Submissions to Distribution Services Providers**

9 A Valid Bad Debt Claim by the licensee to each Relevant Distributor must specify:

- (a) the respective proportion of the Relevant Amount to be paid by the Relevant Distributor (being the bad debt incurred relating to premises in the Relevant Distributor’s Distribution Services Area supplied by the

Electricity Supplier which has had its Electricity Supply Licence revoked);

(b) any interest on the Relevant Amount calculated as simple interest for the period beginning on the date of the Valid Bad Debt Claim and ending on the date that is 31 March of the Regulatory Year before the Valid Bad Debt Claim will be paid; and

(c) the payment instalments that have been agreed with the Relevant Distributor, otherwise 12 monthly instalments.

10 Where the licensee intends to make a Valid Bad Debt Claim to a Relevant Distributor, it shall submit such claim within six months beginning with the date that the Authority gives its consent to the licensee pursuant to paragraph 5.

### **Adjustment to previous claim**

11 Within 60 days of receipt of the Final Reconciliation Settlement Run for the final day of supply by the Electricity Supplier which has had its Electricity Supply Licence revoked, the licensee must revise the Relevant Amount (the “Revised Relevant Amount”) and, if the Revised Relevant Amount is more or less than 10% of the Relevant Amount, the licensee must:

(a) give Notice to the Authority of the difference between the Revised Relevant Amount and the Relevant Amount;

(b) give Notice to each Relevant Distributor of the Revised Relevant Amount and the Relevant Amount;

(c) where the Revised Relevant Amount is lower than the Relevant Amount, submit a further Valid Bad Debt Claim for the difference between the

Revised Relevant Amount and the Relevant Amount (the “Lower Difference”) plus any interest on the Lower Difference in accordance with paragraph 9 and pay the Lower Difference to the Relevant Distributor within 30 days; and

- (d) where the Revised Relevant Amount is higher than the Relevant Amount (the “Higher Difference”), submit a further Valid Bad Debt Claim for the Higher Difference plus any interest on the Higher Difference in accordance with paragraph 9.

12 Any revision to a Valid Bad Debt Claim made in accordance with paragraph 11 must be made within 60 days of receipt of the Final Reconciliation Settlement Run for the final day of supply by the Electricity Supplier which has had its Electricity Supply Licence revoked.

13 If the licensee makes a successful claim to recover bad debts from the administrator of a Defaulting Electricity Supplier, within 60 days of recovering any bad debt (“the Recovered Amount”), the licensee must:

- (a) give Notice to the Authority of the value of the Recovered Amount;
- (b) give Notice to each Relevant Distributor of the amount to be returned, being the proportion of the Recovered Amount relative to the Relevant Amount paid by the Relevant Distributor to which the Recovered Amount relates; and
- (c) submit a further Valid Bad Debt Claim for the Recovered Amount plus any interest on this amount in accordance with paragraph 9 and pay the Recovered Amount to the Relevant Distributor within 30 days.

## **Interpretation**

**Bad Debt Claim** means a claim for bad debt incurred after 1 April 2015 by a Non-Distribution Services Provider with respect to Use of System Charges as a result of the insolvency of one or more Electricity Suppliers whose Electricity Supply Licences have been revoked.

**Defaulting Electricity Supplier** means an Electricity Supplier whose insolvency has resulted in the licensee incurring bad debt. For the purposes of this condition the timing and definition of insolvency is as per the Insolvency Act 1986.

**Final Reconciliation Settlement Run** has the meaning given to that term in Section U2.3 of the Balancing and Settlement Code (BSC).

**Non-Distribution Services Provider** means any Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence do not have effect (whether in whole or in part).

**Relevant Distributor** means each Distribution Services Provider in whose Distribution Services Area the relevant Electricity Supplier, which has had its Electricity Supply Licence revoked, supplied electricity to premises.

**Valid Bad Debt Claim** means a claim for bad debt incurred by a Non-Distribution Services Provider with respect to Use of System Charges as a result of the

insolvency of one or more Electricity Suppliers whose Electricity Supply Licences have been revoked and in respect of which the Bad Debt Claimant has received the Authority's consent under standard condition BA5. Claims for Use of System Bad Debt.

## APPENDIX 1

**Proportion of recoverable bad debt in respect of use of system charges overdue for payment at the date of the Defaulting Electricity Supplier's insolvency**

No. of business days past due	Percentage of face value recoverable
0 – 30	100
31 – 35	90
36 – 40	80
41 – 45	70
46 – 50	60
51 – 55	50
56 – 60	35
61 – 65	20
>65	5

## CRC 2B. Calculation of Allowed Pass-Through Items

### Introduction

- 2B.1 This condition sets out the calculation of the amount of the term PT (the allowed pass-through term) that applies in CRC 2A (restriction of Allowed Distribution Network Revenue).
- 2B.2 The allowed pass-through term in CRC 2A amends the licensee's Allowed Distribution Network Revenue so as to allow certain costs as specified below to be passed through to users of the licensee's Distribution System through Use of System Charges.

### Part A: Calculation of Allowed Pass-Through Items (PT)

- 2B.3 For the purposes of Part B of CRC 2A, which establishes the calculation of Allowed Distribution Network Revenue, the total amount of the PT term is calculated in accordance with the following formula (in this condition, the Principal Formula):

$$PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t + SLR_t + EBD_t$$

- 2B.4 In the Principal Formula:

$LF_t$  means the licence fee adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part B of this condition.

$RB_t$  means the Business Rates adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part C of this condition.



TB<sub>t</sub> means the Transmission Connection Point Charges adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part D of this condition.

SMC<sub>t</sub> means the Smart Meter Communication Licensee Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part E of this condition.

SMIT<sub>t</sub> means the Smart Meter Information Technology Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part F of this condition.

RF<sub>t</sub> means the Ring Fence Costs adjustment in Regulatory Year t, as derived in accordance with Part G of this condition.

SLR<sub>t</sub> means the Supplier of Last Resort Costs adjustment in Regulatory Year t in accordance with Part H of this condition.

EBD<sub>t</sub> means the Eligible Bad Debt Costs adjustment in Regulatory Year t in accordance with Part I of this condition.

## **Part B: Calculation of the licence fee adjustment (LF)**

2B.5 For the purposes of the Principal Formula, and subject to paragraph 2B.7, LF<sub>t</sub> is derived in accordance with the following formula:

$$LF_t = \left( \frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.6 In the above formula for LF<sub>t</sub>:

LFA<sub>t-2</sub> means the amount of licence fee payments, in Regulatory Year t-2, made by the licensee in accordance with its obligations under standard condition 5 (Licensee's payments to the Authority).

LFE<sub>t-2</sub> means the amount of the licence fee allowance, in Regulatory Year t-2, and is represented by the amount set out in Appendix 1 of this condition that applies to the licensee.

RPIA<sub>t-2</sub> has the value given to it by Part C of CRC 2A.

PVF<sub>t</sub> has the value given to it by Part C of CRC 2A.

RPIF<sub>t</sub> has the value given to it by Part C of CRC 2A.

2B.7 In the Regulatory Years 2015/16 and 2016/17, LF<sub>t</sub> will have the value of zero.

### **Part C: Calculation of the Business Rates adjustment (RB)**

2B.8 For the purposes of the Principal Formula, and subject to paragraphs 2B.10 and 2B.11, RB<sub>t</sub> is derived in accordance with the following formula:

$$RB_t = \left( \frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.9 In the above formula for RB<sub>t</sub>:

RBA<sub>t-2</sub> means the amount, in Regulatory Year t-2, paid by the licensee in respect of Business Rates.

RBE<sub>t-2</sub> means the amount of the allowance in respect of Business Rates, in Regulatory Year t-2, and is represented by the amount set out in Appendix 2 of this condition that applies to the licensee.

RPIA<sub>t-2</sub> has the value given to it by Part C of CRC 2A.

PVF<sub>t</sub> has the value given to it by Part C of CRC 2A.

RPIF<sub>t</sub> has the value given to it by Part C of CRC 2A.

2B.10 In Regulatory Years 2015/16 and 2016/17, RB<sub>t</sub> will have the value of zero.

2B.11 In paragraphs 2B.12 and 2B.13, the relevant valuation agency in England and Wales is the Valuation Office Agency and in Scotland is the Scottish Assessors Association.

2B.12 Paragraphs 2B.13 to 2B.16 apply if the relevant valuation agency revalues any of the licensee's assets for the purposes of setting Business Rates.

2B.13 If, after reviewing the licensee's engagement with the relevant valuation agency with respect to a particular revaluation, the Authority considers that the licensee has not used its reasonable endeavours to minimise the amount of the Business Rates to which it is liable, the Authority may, subject to paragraphs 2B.14 and 2B.15, by Notice to the licensee specify that any positive value for RB<sub>t</sub> for one or more

Regulatory Years derived under the formula set out in paragraph 2B.8 is to be changed to a different value.

- 2B.14 A Notice under paragraph 2B.13 is of no effect unless the Authority has first consulted with the licensee.
- 2B.15 A Notice under paragraph 2B.13:
- (a) may not specify a different value for  $RB_t$  for the Regulatory Year following the Regulatory Year in which the revaluation took place or for any earlier Regulatory Year; and
  - (b) may not specify a different value for  $RB_t$  that is less than zero.
- 2B.16 At any time after giving a Notice under paragraph 2B.13, the Authority may by a further Notice to the licensee nullify the original Notice and its effects.

#### **Part D: Calculation of the Transmission Connection Point Charges adjustment (TB)**

- 2B.17 For the purposes of the Principal Formula, and subject to paragraph 2B.19,  $TB_t$  is derived in accordance with the following formula:

$$TB_t = \left( \frac{PTPA_{t-2}}{RPIA_{t-2}} - PTPE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.18 In the above formula for  $TB_t$ :

$PTPA_{t-2}$	means the amount of Pass-through Transmission Connection Point Charges incurred by the licensee in Regulatory Year t-2.
$PTPE_{t-2}$	means the amount of the Pass-through Transmission Connection Point Charges allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 3 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

- 2B.19 In the Regulatory Years 2015/16 and 2016/17,  $TB_t$  will have the value of zero.

#### **Part E: Calculation of the Smart Meter Communication Licensee Costs adjustment (SMC)**

- 2B.20 For the purposes of the Principal Formula, and subject to paragraph 2B.22,  $SMC_t$  is derived in accordance with the following formula:

$$SMC_t = \left( \frac{SMCA_{t-2}}{RPIA_{t-2}} - SMCE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.21 In the above formula for  $SMC_t$ :

$SMCA_{t-2}$	means the amount of Smart Meter Communication Licensee Costs incurred by the licensee in Regulatory Year t-2.
$SMCE_{t-2}$	means the amount of the Smart Meter Communication Licensee Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 4 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

2B.22 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMC_t$  will have the value of zero.

## **Part F: Calculation of the Smart Meter Information Technology Costs adjustment (SMIT)**

2B.23 For the purposes of the Principal Formula, and subject to paragraph 2B.25,  $SMIT_t$  is derived in accordance with the following formula:

$$SMIT_t = \left( \frac{SMIA_{t-2}}{RPIA_{t-2}} - SMIE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + SMITR_t$$

2B.24 In the above formula for  $SMIT_t$ :

$SMIA_{t-2}$	means the amount of Smart Meter Information Technology Costs incurred by the licensee in Regulatory Year t-2.
$SMIE_{t-2}$	means the amount of the Smart Meter Information Technology Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 5 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.
$SMITR_t$	means the adjustment to Smart Meter Information Technology Costs for the licensee in Regulatory Year t as a result of the SMIT review.

2B.25 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMIT_t$  will have the value of zero.

- 2B.26 In 2020/21, the Authority will commence a review (the “SMIT review”) of the information technology costs that the licensee has incurred or plans to incur, during the Price Control Period, to enable it to use smart metering data for the operation and maintenance of its Distribution System.
- 2B.27 The SMIT review will determine whether the costs incurred or planned are falling or capable of falling within the definition of Smart Meter Information Technology Costs.
- 2B.28 Before making the determination referred to in paragraph 2B.27, the Authority will consult with the licensee and any other party that the Authority considers appropriate.
- 2B.29 A determination under this Part may:
- (a) set the value of  $SMITR_t$  for any Regulatory Year, subject to paragraph 2B.30; and
  - (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the  $SMIT_t$  term.
- 2B.30 In the Regulatory Years before 2021/22,  $SMITR_t$  will have the value of zero.

### **Part G: Calculation of the Ring Fence Costs adjustment (RF)**

- 2B.31 For the purposes of the Principal Formula, and subject to paragraph 2B.33,  $RF_t$  is derived in accordance with the following formula:

$$RF_t = \left( \frac{RFA_{t-2}}{RPIA_{t-2}} - RFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.32 In the above formula for  $RF_t$ :

$RFA_{t-2}$	means the amount of Ring Fence Costs incurred by the licensee in Regulatory Year t-2.
$RFE_{t-2}$	means the amount of the Ring Fence Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 6 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

- 2B.33 In the Regulatory Years 2015/16 and 2016/17,  $RF_t$  will have the value of zero.

## Part H: Calculation of the Supplier of Last Resort adjustment (SLR)

2B.34 For the purposes of the Principal Formula, and subject to paragraph 2B.36, SLR<sub>t</sub> is derived in accordance with the following formula:

$$SLR_t = \frac{SLRA_{t-2}}{RPIA_{t-2}} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + ESA_t$$

2B.35 In the above formula for SLR<sub>t</sub>:

SLRA<sub>t-2</sub>

Means:

- (a) the amount of payments, in Regulatory Year t-2, made by the licensee to a Claimant in response to a Valid Claim, in accordance with its obligations under standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019),
- (b) plus the correction of any shortfall or excess revenue recovery plus 12 months' interest relating to a Valid Claim recovered by the licensee under standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019);
- (c) less any costs received from a Claimant, in Regulatory Year t-2, credited by the administrator of a Former Electricity Supplier whose customers the Claimant has been appointed as Supplier of Last Resort for, and where the Claimant subsequently made a Valid Claim under standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019), standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March

2019), and standard condition 38 (Treatment of payment claims for last-resort supply); and

- (d) plus any other reasonably incurred costs by the licensee as a result of conducting the processes set out in standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019).

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

$ESA_t$  means the Excess Specified Amount in accordance with paragraph 38B.7 of standard condition 38B, Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019.

2B.36 In the Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20,  $SLR_t$  will have the value of zero.

### **Part I: Calculation of the Eligible Bad Debt adjustment (EBD)**

2B.37 For the purposes of the Principal Formula, subject to paragraph 2B.38,  $EBD_t$  is derived in accordance with the following formula:

$$EBD_t = \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + IBDA_t$$

2B.38 For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22,  $EBD_t$  is derived, respectively, in the following ways:

- (a) For Regulatory Year 2021/22,  $EBD_t$  is derived in accordance with the following formula:

$$EBD_t = \left( HBD + \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \right) \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + LBDA_t$$

(b) For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21,  $EBD_t$  will have the value of zero.

2B.39 In the above formulae for  $EBD_t$ :

**HBD** Means the aggregate value directed by the Authority which the licensee has been directed to recover in respect of historic bad debts incurred between 1 April 2015 and 31 March 2018, which will be in 2012/13 prices and will include any relevant interest.

**EBDA<sub>t-3</sub>** Means the aggregate value directed by the Authority in accordance with paragraph 2B.40 below and that value shall be equal to the value of the bad debt the licensee has incurred with respect to Use of System Charges owed to the licensee by one or more Defaulting Electricity Suppliers.

**RBD<sub>t-3</sub>** Means:

- (a) the aggregate amount of debt recovered by the licensee, in Regulatory Year t-3, where the licensee has been credited by the administrator of a Defaulting Electricity Supplier, and where the licensee subsequently recovered the costs via the EBDA term; and
- (b) the aggregate amount of payment received by the licensee from a Non-Distribution Services Provider, and where the licensee subsequently recovered the costs via the EBDA term.

**RPIA<sub>t-3</sub>** has the value given to it by Part C of CRC 2A.

**PVF<sub>t</sub>** has the value given to it by Part C of CRC 2A.

**RPIF<sub>t</sub>** has the value given to it by Part C of CRC 2A.



**IBDA<sub>t</sub>** Means the aggregate amount of Valid Bad Debt Claims requiring payment in the Regulatory Year *t*, in accordance the licensee's obligations under standard condition 38B. (Treatment of Valid Bad Debt Claims).

**2B.40** Where the licensee has incurred bad debts with respect to Use of System Charges owed to the licensee by one of more Defaulting Electricity Suppliers within a given Regulatory Year, within 60 days of the end of that Regulatory Year the licensee shall submit to the Authority a statement in a form that has been prescribed by the Authority setting out the amount of the bad debt arising as a result of the Defaulting Electricity Supplier(s)' insolvency during that Regulatory Year, together with any prior year adjustments following receipt of the Final Reconciliation Settlement Run for the final day of supply by the Former Electricity Supplier.

**2B.41** The Authority shall by Notice to the licensee direct the value of the EBDA term to be used in the calculation of the Eligible Bad Debt Cost adjustment set out in 2B.37 provided that the amount specified in the statement submitted in 2B.40 is adjusted only for any amount of the bad debt that has arisen because of the licensee's failure to follow good industry practice detailed in Schedule 1 ('Cover') of the Distribution Connection and Use of System Agreement ("the DCUSA") and proportion of the value of bad debt relative to the age of that bad debt at the time the Defaulting Electricity Supplier's insolvency, calculated as shown in Appendix 7 of this condition.

**2B.42** If, within three months of receiving the statement from the licensee referred to in paragraph 2B.40, the Authority has not made a direction under that paragraph, the EBDA adjustment proposed by the licensee will be deemed to have been made.

2B.43 The licensee may submit a statement under paragraph 2B.40 with respect to each Defaulting Electricity Supplier and, where more than one such statement is submitted in the Regulatory Year, the EBDA term shall reflect the cumulative effect of each statement and the requirements of paragraph 2B.44 will apply with respect to each such statement.

2B.44 A direction issued by the Authority under paragraph 2B.41 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the Notice the reasons for the Authority's proposed adjustments;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) given due consideration to any representations received in response to the Notice.

2B.45 If the Authority has not received any completed claim forms by 30 June for the previous Regulatory Year, then the EBDA<sub>t</sub> for the licensee for that Regulatory Year will have the value zero.

## **Part J: Interpretation**

2B.46 For the purposes of this condition:

**Business Rates**

means:

(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 (or any legislation amending or replacing those enactments); or  
(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government (Scotland) Act 1975 or the Local Government (Scotland) Act 1994 (or any legislation amending or replacing those enactments).

**Elective  
Communication  
Services**

has the meaning given to that term in the Smart Energy Code.

**Defaulting  
Electricity Supplier**

means an Electricity Supplier whose insolvency has resulted in the licensee incurring bad debt. For the purposes of these criteria the timing and definition of insolvency is as per the Insolvency Act 1986.

**Final Reconciliation  
Settlement Run**

has the meaning given to that term in Section U2.3 of the Balancing and Settlement Code (BSC).

**Former Electricity  
Supply**

means an Electricity Supplier whose supply licence has been revoked.

**Pass-through  
Transmission  
Connection Point  
Charges**

means those elements of Transmission Connection Point Charges that do not qualify as New Transmission Capacity Charges.

**Ring Fence Costs**

means the amount of the incremental costs necessarily incurred by the licensee in Regulatory Year t-2 as a direct result of complying with the additional regulatory requirements referred to in the Authority's letter dated 1 February 2013 entitled "Modifications to the ring fence conditions in network operator licences" and published on the Authority's Website, provided that those costs:  
(a) have been ascertained in accordance with the RIGs referred to in standard condition 46 (Regulatory Instructions and Guidance); and  
(b) have not been otherwise remunerated under any other provision of this licence.

**Smart Energy Code**

means the document of that name referred to in standard condition 21A (The Smart Energy Code), that is maintained for the purposes of that condition and is subject to modification pursuant to Condition 23 (Change control for Smart Energy Code), of the Smart Meter Communication Licence.

**Smart Meter  
Communication  
Licence**

means the licences granted under section 6(1A) of the Act and section 7AB(2) of the Gas Act 1986.

**Smart Meter  
Communication  
Licensee Costs**

means charges payable by the licensee (by virtue of the requirement for it to be a party to the Smart Energy Code) to the holder of the Smart Meter Communication Licence in accordance with section J of the Smart Energy Code, excluding any charges in respect of Elective Communication Services.

**Smart Meter  
Information  
Technology Costs**

means any information technology costs that the licensee reasonably incurs that are necessary to enable the licensee to use data from Smart Meters (within the meaning given to that term in Condition 1 of the Smart Meter Communication Licence) effectively for the efficient and economic operation, maintenance and development of its Distribution System, as further clarified in the RIGs.

## APPENDIX 1

**Values for the LFE term (£m, 2012/13 prices) by licensee  
(see Part B of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
NPgN	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
NPgY	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
LPN	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
SPN	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
EPN	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
SPD	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
SPMW	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SSES	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

## APPENDIX 2

**Values for the RBE term (£m, 2012/13 prices) by licensee  
(see Part C of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	24.5	24.8	25.1	25.4	25.8	26.1	26.4	26.7
NPgN	11.3	11.3	13.3	13.3	13.3	13.3	13.3	13.3
NPgY	23.8	23.8	28.7	30.0	29.3	29.3	29.3	29.3
LPN	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
SPN	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
EPN	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
SPD	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.3
SPMW	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
SSes	39.3	39.3	40.5	40.5	40.5	40.5	40.5	40.5

### APPENDIX 3

**Values for the PTPE term (£m, 2012/13 prices) by licensee  
(see Part D of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	15.5	16.8	16.5	16.3	17.0	16.7	19.5	22.9
NPgN	8.7	8.7	8.8	8.8	8.9	8.9	8.9	9.0
NPgY	11.8	11.9	11.9	12.0	12.0	12.1	12.2	12.2
LPN	28.2	32.6	35.5	40.9	47.7	49.8	52.8	53.3
SPN	14.8	16.1	17.5	17.4	17.9	18.2	18.4	18.6
EPN	32.5	35.6	36.8	39.2	42.3	48.1	46.4	47.9
SPD	21.6	22.1	22.4	22.1	21.8	22.1	21.8	21.5
SPMW	17.3	17.5	17.3	16.9	16.5	17.0	16.8	16.6
SSES	13.2	13.3	13.4	13.4	13.4	13.4	13.4	13.7

## APPENDIX 4

**Values for the SMCE term (£m, 2012/13 prices) by licensee  
(see Part E of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.8	0.9	0.9	0.9	0.9	0.9	0.0	0.0
NPgN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
NPgY	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.0
LPN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
SPN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
EPN	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0
SPD	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
SPMW	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0
SSES	0.6	0.6	0.6	0.6	0.7	0.7	0.0	0.0



## APPENDIX 5

### Values for the SMIE term (£m, 2012/13 prices) by licensee (see Part F of this condition)

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	1.6	1.6	1.5	1.1	0.6	0.5	0.0	0.0
NPgN	0.5	0.5	0.5	0.5	0.5	0.6	0.0	0.0
NPgY	0.7	0.7	0.7	0.7	0.8	0.8	0.0	0.0
LPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
SPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
EPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
SPD	1.5	1.0	0.8	0.5	0.3	0.0	0.0	0.0
SPMW	1.1	0.7	0.6	0.3	0.2	0.0	0.0	0.0
SSES	4.5	0.0	0.0	0.0	1.0	0.0	0.0	0.0

## APPENDIX 6

**Values for the RFE term (£m, 2012/13 prices) by licensee  
(see Part G of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPgN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPgY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LPN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SPN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SPD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SPMW	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SSES	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

## APPENDIX 7

### Proportion of recoverable bad debt in respect of use of system charges overdue for payment at the date of the Defaulting Electricity Supplier's insolvency

No. of business days past due	Percentage of face value recoverable
0 – 30	100
31 – 35	90
36 – 40	80
41 – 45	70
46 – 50	60
51 – 55	50
56 – 60	35
61 – 65	20
>65	5

## CRC 2B. Calculation of Allowed Pass-Through Items (SSEH only)

### Introduction

- 2B.1 This condition sets out the calculation of the amount of the term PT (the allowed pass-through term) that applies in CRC 2A (restriction of Allowed Distribution Network Revenue).
- 2B.2 The allowed pass-through term in CRC 2A amends the licensee's Allowed Distribution Network Revenue so as to allow certain costs as specified below to be passed through to users of the licensee's Distribution System through Use of System Charges.

### Part A: Calculation of Allowed Pass-Through Items (PT)

- 2B.3 For the purposes of Part B of CRC 2A, which establishes the calculation of Allowed Distribution Network Revenue, the total amount of the PT term is calculated in accordance with the following formula (in this condition, the Principal Formula):

$$PT_t = LF_t + RB_t + TB_t - HB_t + SMC_t + SMIT_t + RF_t + SEC_t + UNC_t + SLR_t + EBD_t$$

- 2B.4 In the Principal Formula:

$LF_t$  means the licence fee adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part B of this condition.

$RB_t$  means the Business Rates adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part C of this condition.

$TB_t$	means the Transmission Connection Point Charges adjustment in Regulatory Year $t$ , as derived in accordance with the formula set out in Part D of this condition.
$HB_t$	means the amount received by the licensee in Regulatory Year $t$ as the result of any direction given by the Secretary of State in accordance with section 184 of the Energy Act 2004 in relation to assistance for high-cost distributors (see also CRC 2N in connection with this).
$SMC_t$	means the Smart Meter Communication Licensee Costs adjustment in Regulatory Year $t$ , as derived in accordance with the formula set out in Part E of this condition.
$SMIT_t$	means the Smart Meter Information Technology Costs adjustment in Regulatory Year $t$ , as derived in accordance with the formula set out in Part F of this condition.
$RF_t$	means the Ring Fence Costs adjustment in Regulatory Year $t$ , as derived in accordance with Part G of this condition.
$SEC_t$	means the Shetland Variable Energy Costs, in Regulatory Year $t$ , as derived in accordance with Part H of this condition.
$UNC_t$	means an amount in Regulatory Year $t$ representing a relevant adjustment to the calculation of Allowed Demand Revenue arising from the application of CRC 2Q (Arrangements for the recovery of costs for an integrated plan to manage supply and demand on Shetland). Uncertain costs may also be recovered

under CRC 3F (Arrangements for the recovery of uncertain costs).

**SLR<sub>t</sub>** means the Supplier of Last Resort Costs adjustment in Regulatory Year t in accordance with Part H of this condition.

**EBD<sub>t</sub>** means the Eligible Bad Debt Costs adjustment in Regulatory Year t in accordance with Part I of this condition.

## **Part B: Calculation of the licence fee adjustment (LF)**

2B.5 For the purposes of the Principal Formula, and subject to paragraph 2B.7, LF<sub>t</sub> is derived in accordance with the following formula:

$$LF_t = \left( \frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.6 In the above formula for LF<sub>t</sub>:

LFA <sub>t-2</sub>	means the amount of licence fee payments, in Regulatory Year t-2, made by the licensee in accordance with its obligations under standard condition 5 (Licensee's payments to the Authority).
LFE <sub>t-2</sub>	means the amount of the licence fee allowance, in Regulatory Year t-2, and is represented by the amount set out in Appendix 1 of this condition that applies to the licensee.
RPIA <sub>t-2</sub>	has the value given to it by Part C of CRC 2A.
PVF <sub>t</sub>	has the value given to it by Part C of CRC 2A.
RPIF <sub>t</sub>	has the value given to it by Part C of CRC 2A.

2B.7 In the Regulatory Years 2015/16 and 2016/17, LF<sub>t</sub> will have the value of zero.

## **Part C: Calculation of the Business Rates adjustment (RB)**

2B.8 For the purposes of the Principal Formula, and subject to paragraphs 2B.10 and 2B.11, RB<sub>t</sub> is derived in accordance with the following formula:

$$RB_t = \left( \frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.9 In the above formula for RB<sub>t</sub>:

$RBA_{t-2}$	means the amount, in Regulatory Year $t-2$ , paid by the licensee in respect of Business Rates.
$RBE_{t-2}$	means the amount of the allowance in respect of Business Rates, in Regulatory Year $t-2$ , and is represented by the amount set out in Appendix 2 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

- 2B.10 In Regulatory Years 2015/16 and 2016/17,  $RB_t$  will have the value of zero.
- 2B.11 In paragraphs 2B.12 and 2B.13, the relevant valuation agency in England and Wales is the Valuation Office Agency and in Scotland is the Scottish Assessors Association.
- 2B.12 Paragraphs 2B.13 to 2B.16 apply if the relevant valuation agency revalues any of the licensee's assets for the purposes of setting Business Rates.
- 2B.13 If, after reviewing the licensee's engagement with the relevant valuation agency with respect to a particular revaluation, the Authority considers that the licensee has not used its reasonable endeavours to minimise the amount of the Business Rates to which it is liable, the Authority may, subject to paragraphs 2B.14 and 2B.15, by Notice to the licensee specify that any positive value for  $RB_t$  for one or more Regulatory Years derived under the formula set out in paragraph 2B.8 is to be changed to a different value.
- 2B.14 A Notice under paragraph 2B.13 is of no effect unless the Authority has first consulted with the licensee.
- 2B.15 A Notice under paragraph 2B.13:
- (a) may not specify a different value for  $RB_t$  for the Regulatory Year following the Regulatory Year in which the revaluation took place or for any earlier Regulatory Year; and
  - (b) may not specify a different value for  $RB_t$  that is less than zero.
- 2B.16 At any time after giving a Notice under paragraph 2B.13, the Authority may by a further Notice to the licensee nullify the original Notice and its effects.

#### **Part D: Calculation of the Transmission Connection Point Charges adjustment (TB)**

2B.17 For the purposes of the Principal Formula, and subject to paragraph 2B.19,  $TB_t$  is derived in accordance with the following formula:

$$TB_t = \left( \frac{PTPA_{t-2}}{RPIA_{t-2}} - PTPE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.18 In the above formula for  $TB_t$ :

$PTPA_{t-2}$  means the amount of Pass-through Transmission Connection Point Charges incurred by the licensee in Regulatory Year t-2.

$PTPE_{t-2}$  means the amount of the Pass-through Transmission Connection Point Charges allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 3 of this condition that applies to the licensee.

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

2B.19 In the Regulatory Years 2015/16 and 2016/17,  $TB_t$  will have the value of zero.

### **Part E: Calculation of the Smart Meter Communication Licensee Costs adjustment (SMC)**

2B.20 For the purposes of the Principal Formula, and subject to paragraph 2B.22,  $SMC_t$  is derived in accordance with the following formula:

$$SMC_t = \left( \frac{SMCA_{t-2}}{RPIA_{t-2}} - SMCE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.21 In the above formula for  $SMC_t$ :

$SMCA_{t-2}$  means the amount of Smart Meter Communication Licensee Costs incurred by the licensee in Regulatory Year t-2.

$SMCE_{t-2}$  means the amount of the Smart Meter Communication Licensee Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 4 of this condition that applies to the licensee.

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

2B.22 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMC_t$  will have the value of zero.



## **Part F: Calculation of the Smart Meter Information Technology Costs adjustment (SMIT)**

2B.23 For the purposes of the Principal Formula, and subject to paragraph 2B.25,  $SMIT_t$  is derived in accordance with the following formula:

$$SMIT_t = \left( \frac{SMIA_{t-2}}{RPIA_{t-2}} - SMIE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + SMITR_t$$

2B.24 In the above formula for  $SMIT_t$ :

$SMIA_{t-2}$  means the amount of Smart Meter Information Technology Costs incurred by the licensee in Regulatory Year t-2.

$SMIE_{t-2}$  means the amount of the Smart Meter Information Technology Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 5 of this condition that applies to the licensee.

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

$SMITR_t$  means the adjustment to Smart Meter Information Technology Costs for the licensee in Regulatory Year t as a result of the SMIT review.

2B.25 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMIT_t$  will have the value of zero.

2B.26 In 2020/21, the Authority will commence a review (the “SMIT review”) of the information technology costs that the licensee has incurred or plans to incur, during the Price Control Period, to enable it to use smart metering data for the operation and maintenance of its Distribution System.

2B.27 The SMIT review will determine whether the costs incurred or planned are falling or capable of falling within the definition of Smart Meter Information Technology Costs.

2B.28 Before making the determination referred to in paragraph 2B.27, the Authority will consult with the licensee and any other party that the Authority considers appropriate.

2B.29 A determination under this Part may:

- (a) set the value of  $SMITR_t$  for any Regulatory Year, subject to paragraph 2B.30; and
- (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the  $SMIT_t$  term.

2B.30 In the Regulatory Years before 2021/22,  $SMITR_t$  will have the value of zero.

### **Part G: Calculation of the Ring Fence Costs adjustment (RF)**

2B.31 For the purposes of the Principal Formula, and subject to paragraph 2B.33,  $RF_t$  is derived in accordance with the following formula:

$$RF_t = \left( \frac{RFA_{t-2}}{RPIA_{t-2}} - RFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.32 In the above formula for  $RF_t$ :

$RFA_{t-2}$	means the amount of Ring Fence Costs incurred by the licensee in Regulatory Year t-2.
$RFE_{t-2}$	means the amount of the Ring Fence Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 6 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

2B.33 In the Regulatory Years 2015/16 and 2016/17,  $RF_t$  will have the value of zero.

### **Part H: Calculation of the Shetland Variable Energy Costs adjustment (SEC)**

2B.34 For the purposes of the Principal Formula, and subject to paragraph 2B.36,  $SEC_t$  is derived in accordance with the following formula:

$$SEC_t = \left( \frac{SECA_{t-2}}{RPIA_{t-2}} - SECE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.35 In the above formula for  $SEC_t$ :

$SECA_{t-2}$	means the amount of Shetland Variable Energy Costs incurred by the licensee in Regulatory Year t-2, in accordance with CRC 2P (Shetland Variable Energy Costs Pass-Through Items).
$SECE_{t-2}$	means the amount of Shetland Variable Energy Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 7 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

2B.36 In the Regulatory Years 2015/16 and 2016/17,  $SEC_t$  will have the value of zero.

### Part I: Calculation of the Supplier of Last Resort adjustment (SLR)

2B.37 For the purposes of the Principal Formula, and subject to paragraph 2B.39,  $SLR_t$  is derived in accordance with the following formula:

$$SLR_t = \frac{SLRA_{t-2}}{RPIA_{t-2}} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + ESA_t$$

2B.38 In the above formula for  $SLR_t$ :

$SLRA_{t-2}$

Means:

- (e) the amount of payments, in Regulatory Year t-2, made by the licensee to a Claimant in response to a Valid Claim, in accordance with its obligations under standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019).
- (f) plus the correction of any shortfall or excess revenue recovery plus 12 months' interest relating to a Valid Claim recovered by the licensee under standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019);
- (g) less any costs received from a Claimant, in Regulatory Year t-2, credited by the administrator of a Former Electricity Supplier whose customers the Claimant has been appointed as Supplier of Last Resort for, and where the Claimant subsequently made a Valid Claim under

standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019), standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019), and standard condition 38 (Treatment of payment claims for last-resort supply); and

(h) plus any other reasonably incurred costs by the licensee as a result of conducting the processes set out in standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019).

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

$ESA_t$  means the Excess Specified Amount in accordance with paragraph 38B.7 of standard condition 38B, Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019.

2B.39 In the Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20,  $SLR_t$  will have the value of zero.

## Part J: Calculation of the Eligible Bad Debt adjustment (EBD)

2B.40 For the purposes of the Principal Formula, subject to paragraph 2B.41,  $EBD_t$  is derived in accordance with the following formula:

$$EBD_t = \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + IBDA_t$$

2B.41 For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22, EBD<sub>t</sub> is derived, respectively, in the following ways:

(a) For Regulatory Year 2021/22, EBD<sub>t</sub> is derived in accordance with the following formula:

$$EBD_t = \left( HBD + \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \right) \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + LBDA_t$$

(b) For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21, EBD<sub>t</sub> will have the value of zero.

2B.42 In the above formulae for EBD<sub>t</sub>:

**HBD** Means the aggregate value directed by the Authority which the licensee has been directed to recover in respect of historic bad debts incurred between 1 April 2015 and 31 March 2018, which will be in 2012/13 prices and will include any relevant interest.

**EBDA<sub>t-3</sub>** Means the aggregate value directed by the Authority in accordance with paragraph 2B.43 below and that value shall be equal to the value of the bad debt the licensee has incurred with respect to Use of System Charges owed to the licensee by one or more Defaulting Electricity Suppliers.

**RBD<sub>t-3</sub>** Means:

(c) the aggregate amount of debt recovered by the licensee, in Regulatory Year t-3, where the licensee has been credited by the administrator of a Defaulting Electricity Supplier, and where the licensee subsequently recovered the costs via the EBDA term; and

(d) the aggregate amount of payment received by the licensee from a Non-Distribution Services Provider, and where the licensee subsequently recovered the costs via the EBDA term.

$RPIA_{t-3}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.
$IBDA_t$	Means the aggregate amount of Valid Bad Debt Claims requiring payment in the Regulatory Year $t$ , in accordance the licensee's obligations under standard condition 38B. (Treatment of Valid Bad Debt Claims).

2B.43 Where the licensee has incurred bad debts with respect to Use of System Charges owed to the licensee by one of more Defaulting Electricity Suppliers within a given Regulatory Year, within 60 days of the end of that Regulatory Year the licensee shall submit to the Authority a statement in a form that has been prescribed by the Authority setting out the amount of the bad debt arising as a result of the Defaulting Electricity Supplier(s)' insolvency during that Regulatory Year, together with any prior year adjustments following receipt of the Final Reconciliation Settlement Run for the final day of supply by the Former Electricity Supplier.

2B.44 The Authority shall by Notice to the licensee direct the value of the EBDA term to be used in the calculation of the Eligible Bad Debt Cost adjustment set out in 2B.40 provided that the amount specified in the statement submitted in 2B.43 is adjusted only for any amount of the bad debt that has arisen because of the licensee's failure to follow good industry practice detailed in Schedule 1 ('Cover') of the Distribution Connection and Use of System Agreement ("the DCUSA") and proportion of the value of bad debt relative to the age of that bad debt at the time the Defaulting Electricity Supplier's insolvency, calculated as shown in Appendix 8 of this condition.

2B.45 If, within three months of receiving the statement from the licensee referred to in paragraph 2B.43, the Authority has not made a direction under that paragraph, the EBDA adjustment proposed by the licensee will be deemed to have been made.

2B.46 The licensee may submit a statement under paragraph 2B.43 with respect to each Defaulting Electricity Supplier and, where more than one such statement is submitted in the Regulatory Year, the EBDA term shall reflect the cumulative effect of each statement and the requirements of paragraph 2B.47 will apply with respect to each such statement.

2B.47 A direction issued by the Authority under paragraph 2B.44 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the Notice the reasons for the Authority's proposed adjustments;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) given due consideration to any representations received in response to the Notice.

2B.48 If the Authority has not received any completed claim forms by 30 June for the previous Regulatory Year, then the EBDA<sup>t</sup> for the licensee for that Regulatory Year will have the value zero.

## **Part K: Interpretation**

2B.49 For the purposes of this condition:

**Business Rates**

means:

(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 (or any legislation amending or replacing those enactments); or  
(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government (Scotland) Act 1975 or the Local Government (Scotland) Act 1994 (or any legislation amending or replacing those enactments).

**Elective  
Communication  
Services**

has the meaning given to that term in the Smart Energy Code.

**Defaulting  
Electricity Supplier**

means an Electricity Supplier whose insolvency has resulted in the licensee incurring bad debt. For the purposes of these criteria the timing and definition of insolvency is as per the Insolvency Act 1986.

**Final Reconciliation  
Settlement Run**

has the meaning given to that term in Section U2.3 of the Balancing and Settlement Code (BSC).

**Former Electricity  
Supply**

means an Electricity Supplier whose supply licence has been revoked.

**Pass-through  
Transmission  
Connection Point  
Charges**

means those elements of Transmission Connection Point Charges that do not qualify as New Transmission Capacity Charges.

**Ring Fence Costs**

means the amount of the incremental costs necessarily incurred by the licensee in Regulatory Year t-2 as a direct result of complying with the additional regulatory requirements referred to in the Authority's letter dated 1 February 2013 entitled "Modifications to the ring fence conditions in network operator licences" and published on the Authority's Website, provided that those costs:  
(a) have been ascertained in accordance with the RIGs referred to in standard condition 46 (Regulatory Instructions and Guidance); and  
(b) have not been otherwise remunerated under any other provision of this licence.

**Smart Energy Code**

means the document of that name referred to in standard condition 21A (The Smart Energy Code), that is maintained for the purposes of that condition and is subject to modification pursuant to Condition 23 (Change control for Smart Energy Code), of the Smart Meter Communication Licence.

**Smart Meter  
Communication  
Licence**

means the licences granted under section 6(1A) of the Act and section 7AB(2) of the Gas Act 1986.



**Smart Meter  
Communication  
Licensee Costs**

means charges payable by the licensee (by virtue of the requirement for it to be a party to the Smart Energy Code) to the holder of the Smart Meter Communication Licence in accordance with section J of the Smart Energy Code, excluding any charges in respect of Elective Communication Services.

**Smart Meter  
Information  
Technology Costs**

means any information technology costs that the licensee reasonably incurs that are necessary to enable the licensee to use data from Smart Meters (within the meaning given to that term in Condition 1 of the Smart Meter Communication Licence) effectively for the efficient and economic operation, maintenance and development of its Distribution System, as further clarified in the RIGs.

**Shetland Variable  
Energy Costs**

means the pass through items applicable to SSEH as defined in CRC2P (Shetland Variable Energy Costs Pass-Through Items).

## APPENDIX 1

**Values for the LFE term (£m, 2012/13 prices) by licensee  
(see Part B of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

**Values for the RBE term (£m, 2012/13 prices) by licensee  
(see Part C of this condition)**

[illegible]

### APPENDIX 3

**Values for the PTPE term (£m, 2012/13 prices) by licensee  
(see Part D of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	14.4	14.4	15.1	16.1	17.0	17.7	18.5	18.3

## APPENDIX 4

**Values for the SMCE term (£m, 2012/13 prices) by licensee  
(see Part E of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0

## APPENDIX 5

**Values for the SMIE term (£m, 2012/13 prices) by licensee**  
**(see Part F of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	1.1	0.0	0.0	0.0	0.3	0.0	0.0	0.0

## APPENDIX 6

**Values for the RFE term (£m, 2012/13 prices) by licensee  
(see Part G of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

## APPENDIX 7

**Values for the SECE term (£m, 2012/13 prices) by licensee  
(see Part H of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
SSEH	4.63	4.66	6.05	6.43	0.00	0.00	0.00	0.00



## APPENDIX 8

### Proportion of recoverable bad debt in respect of use of system charges overdue for payment at the date of the Defaulting Electricity Supplier's insolvency

No. of business days past due	Percentage of face value recoverable
0 – 30	100
31 – 35	90
36 – 40	80
41 – 45	70
46 – 50	60
51 – 55	50
56 – 60	35
61 – 65	20
>65	5

## CRC 2B. Calculation of Allowed Pass-Through Items [WPD

### licensees only]

#### Introduction

- 2B.1 This condition sets out the calculation of the amount of the term PT (the allowed pass-through term) that applies in CRC 2A (restriction of Allowed Distribution Network Revenue).
- 2B.2 The allowed pass-through term in CRC 2A amends the licensee's Allowed Distribution Network Revenue so as to allow certain costs as specified below to be passed through to users of the licensee's Distribution System through Use of System Charges.

#### Part A: Calculation of Allowed Pass-Through Items (PT)

- 2B.3 For the purposes of Part B of CRC 2A, which establishes the calculation of Allowed Distribution Network Revenue, the total amount of the PT term is calculated in accordance with the following formula (in this condition, the Principal Formula):

$$PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t + SLR_t + EBD_t$$

- 2B.4 In the Principal Formula:

$LF_t$  means the licence fee adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part B of this condition.

$RB_t$  means the Business Rates adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part C of this condition.

TB<sub>t</sub> means the Transmission Connection Point Charges adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part D of this condition.

SMC<sub>t</sub> means the Smart Meter Communication Licensee Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part E of this condition.

SMIT<sub>t</sub> means the Smart Meter Information Technology Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part F of this condition.

RF<sub>t</sub> means the Ring Fence Costs adjustment in Regulatory Year t, as derived in accordance with Part G of this condition.

SLR<sub>t</sub> means the Supplier of Last Resort Costs adjustment in Regulatory Year t in accordance with Part H of this condition.

EBD<sub>t</sub> means the Eligible Bad Debt Costs adjustment in Regulatory Year t in accordance with Part I of this condition.

## **Part B: Calculation of the licence fee adjustment (LF)**

2B.5 For the purposes of the Principal Formula, and subject to paragraph 2B.7, LF<sub>t</sub> is derived in accordance with the following formula:

$$LF_t = \left( \frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.6 In the above formula for LF<sub>t</sub>:

LFA<sub>t-2</sub> means the amount of licence fee payments, in Regulatory Year t-2, made by the licensee in accordance with its obligations under standard condition 5 (Licensee's payments to the Authority).

LFE<sub>t-2</sub> means the amount of the licence fee allowance, in Regulatory Year t-2, and is represented by the amount set out in Appendix 1 of this condition that applies to the licensee.

RPIA<sub>t-2</sub> has the value given to it by Part C of CRC 2A.

PVF<sub>t</sub> has the value given to it by Part C of CRC 2A.

RPIF<sub>t</sub> has the value given to it by Part C of CRC 2A.

2B.7 In the Regulatory Years 2015/16 and 2016/17, LF<sub>t</sub> will have the value of zero.

### **Part C: Calculation of the Business Rates adjustment (RB)**

2B.8 For the purposes of the Principal Formula, and subject to paragraphs 2B.10 and 2B.11, RB<sub>t</sub> is derived in accordance with the following formula:

$$RB_t = \left( \frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.9 In the above formula for RB<sub>t</sub>:

RBA<sub>t-2</sub> means the amount, in Regulatory Year t-2, paid by the licensee in respect of Business Rates.

RBE<sub>t-2</sub> means the amount of the allowance in respect of Business Rates, in Regulatory Year t-2, and is represented by the amount set out in Appendix 2 of this condition that applies to the licensee.

RPIA<sub>t-2</sub> has the value given to it by Part C of CRC 2A.

PVF<sub>t</sub> has the value given to it by Part C of CRC 2A.

RPIF<sub>t</sub> has the value given to it by Part C of CRC 2A.

2B.10 In Regulatory Years 2015/16 and 2016/17, RB<sub>t</sub> will have the value of zero.

2B.11 In paragraphs 2B.12 and 2B.13, the relevant valuation agency in England and Wales is the Valuation Office Agency and in Scotland is the Scottish Assessors Association.

2B.12 Paragraphs 2B.13 to 2B.16 apply if the relevant valuation agency revalues any of the licensee's assets for the purposes of setting Business Rates.

2B.13 If, after reviewing the licensee's engagement with the relevant valuation agency with respect to a particular revaluation, the Authority considers that the licensee has not used its reasonable endeavours to minimise the amount of the Business Rates to which it is liable, the Authority may, subject to paragraphs 2B.14 and 2B.15, by Notice to the licensee specify that any positive value for RB<sub>t</sub> for one or more

Regulatory Years derived under the formula set out in paragraph 2B.8 is to be changed to a different value.

- 2B.14 A Notice under paragraph 2B.13 is of no effect unless the Authority has first consulted with the licensee.
- 2B.15 A Notice under paragraph 2B.13:
- (a) may not specify a different value for  $RB_t$  for the Regulatory Year following the Regulatory Year in which the revaluation took place or for any earlier Regulatory Year; and
  - (b) may not specify a different value for  $RB_t$  that is less than zero.
- 2B.16 At any time after giving a Notice under paragraph 2B.13, the Authority may by a further Notice to the licensee nullify the original Notice and its effects.

#### **Part D: Calculation of the Transmission Connection Point Charges adjustment (TB)**

- 2B.17 For the purposes of the Principal Formula, and subject to paragraph 2B.19,  $TB_t$  is derived in accordance with the following formula:

$$TB_t = \left( \frac{PTPA_{t-2}}{RPIA_{t-2}} - PTPE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.18 In the above formula for  $TB_t$ :

$PTPA_{t-2}$	means the amount of Pass-through Transmission Connection Point Charges incurred by the licensee in Regulatory Year t-2.
$PTPE_{t-2}$	means the amount of the Pass-through Transmission Connection Point Charges allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 3 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

- 2B.19 In the Regulatory Years 2015/16 and 2016/17,  $TB_t$  will have the value of zero.

#### **Part E: Calculation of the Smart Meter Communication Licensee Costs adjustment (SMC)**

- 2B.20 For the purposes of the Principal Formula, and subject to paragraph 2B.22,  $SMC_t$  is derived in accordance with the following formula:

$$SMC_t = \left( \frac{SMCA_{t-2}}{RPIA_{t-2}} - SMCE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.21 In the above formula for  $SMC_t$ :

$SMCA_{t-2}$	means the amount of Smart Meter Communication Licensee Costs incurred by the licensee in Regulatory Year t-2.
$SMCE_{t-2}$	means the amount of the Smart Meter Communication Licensee Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 4 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

2B.22 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMC_t$  will have the value of zero.

## **Part F: Calculation of the Smart Meter Information Technology Costs adjustment (SMIT)**

2B.23 For the purposes of the Principal Formula, and subject to paragraph 2B.25,  $SMIT_t$  is derived in accordance with the following formula:

$$SMIT_t = \left( \frac{SMIA_{t-2}}{RPIA_{t-2}} - SMIE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + SMITR_t$$

2B.24 In the above formula for  $SMIT_t$ :

$SMIA_{t-2}$	means the amount of Smart Meter Information Technology Costs incurred by the licensee in Regulatory Year t-2.
$SMIE_{t-2}$	means the amount of the Smart Meter Information Technology Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 5 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.
$SMITR_t$	means the adjustment to Smart Meter Information Technology Costs for the licensee in Regulatory Year t as a result of the SMIT review.

2B.25 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25,  $SMIT_t$  will have the value of zero.

- 2B.26 In 2020/21, the Authority will commence a review (the “SMIT review”) of the information technology costs that the licensee has incurred or plans to incur, during the Price Control Period, to enable it to use smart metering data for the operation and maintenance of its Distribution System.
- 2B.27 The SMIT review will determine whether the costs incurred or planned are falling or capable of falling within the definition of Smart Meter Information Technology Costs.
- 2B.28 Before making the determination referred to in paragraph 2B.27, the Authority will consult with the licensee and any other party that the Authority considers appropriate.
- 2B.29 A determination under this Part may:
- (a) set the value of  $SMITR_t$  for any Regulatory Year, subject to paragraph 2B.30; and
  - (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the  $SMIT_t$  term.
- 2B.30 In the Regulatory Years before 2021/22,  $SMITR_t$  will have the value of zero.

### **Part G: Calculation of the Ring Fence Costs adjustment (RF)**

- 2B.31 For the purposes of the Principal Formula, and subject to paragraph 2B.33,  $RF_t$  is derived in accordance with the following formula:

$$RF_t = \left( \frac{RFA_{t-2}}{RPIA_{t-2}} - RFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.32 In the above formula for  $RF_t$ :

$RFA_{t-2}$	means the amount of Ring Fence Costs incurred by the licensee in Regulatory Year t-2.
$RFE_{t-2}$	means the amount of the Ring Fence Costs allowance in Regulatory Year t-2, and is represented by the amount set out in Appendix 6 of this condition that applies to the licensee.
$RPIA_{t-2}$	has the value given to it by Part C of CRC 2A.
$PVF_t$	has the value given to it by Part C of CRC 2A.
$RPIF_t$	has the value given to it by Part C of CRC 2A.

- 2B.33 In the Regulatory Years 2015/16 and 2016/17,  $RF_t$  will have the value of zero.

## Part H: Calculation of the Supplier of Last Resort adjustment (SLR)

2B.34 For the purposes of the Principal Formula, and subject to paragraph 2B.36, SLR<sub>t</sub> is derived in accordance with the following formula:

$$SLR_t = \frac{SLRA_{t-2}}{RPIA_{t-2}} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + ESA_t$$

2B.35 In the above formula for SLR<sub>t</sub>:

SLRA<sub>t-2</sub>

Means:

- (i) the amount of payments, in Regulatory Year t-2, made by the licensee to a Claimant in response to a Valid Claim, in accordance with its obligations under standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019),
- (j) plus the correction of any shortfall or excess revenue recovery plus 12 months' interest relating to a Valid Claim recovered by the licensee under standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March 2019);
- (k) less any costs received from a Claimant, in Regulatory Year t-2, credited by the administrator of a Former Electricity Supplier whose customers the Claimant has been appointed as Supplier of Last Resort for, and where the Claimant subsequently made a Valid Claim under standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019), standard condition 38A (Treatment of unresolved payment claims for last-resort supply where Valid Claim is received before 31 March



2019), and standard condition 38 (Treatment of payment claims for last-resort supply); and

- (l) plus any other reasonably incurred costs by the licensee as a result of conducting the processes set out in standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019).

$RPIA_{t-2}$  has the value given to it by Part C of CRC 2A.

$PVF_t$  has the value given to it by Part C of CRC 2A.

$RPIF_t$  has the value given to it by Part C of CRC 2A.

$ESA_t$  means the Excess Specified Amount in accordance with paragraph 38B.7 of standard condition 38B, Treatment of payment claims for last-resort supply where Valid Claim is received on or after 31 March 2019.

2B.36 In the Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20,  $SLR_t$  will have the value of zero.

### **Part I: Calculation of the Eligible Bad Debt adjustment (EBD)**

2B.37 For the purposes of the Principal Formula, subject to paragraph 2B.38,  $EBD_t$  is derived in accordance with the following formula:

$$EBD_t = \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + IBDA_t$$

2B.38 For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22,  $EBD_t$  is derived, respectively, in the following ways:

- (a) For Regulatory Year 2021/22,  $EBD_t$  is derived in accordance with the following formula:

$$EBD_t = \left( HBD + \frac{(EBDA_{t-3} - RBD_{t-3})}{RPIA_{t-3}} \right) \times PVF_{t-3} \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + LBDA_t$$

(b) For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21,  $EBD_t$  will have the value of zero.

2B.39 In the above formulae for  $EBD_t$ :

**HBD** Means the aggregate value directed by the Authority which the licensee has been directed to recover in respect of historic bad debts incurred between 1 April 2015 and 31 March 2018, which will be in 2012/13 prices and will include any relevant interest.

**$EBDA_{t-3}$**  Means the aggregate value directed by the Authority in accordance with paragraph 2B.40 below and that value shall be equal to the value of the bad debt the licensee has incurred with respect to Use of System Charges owed to the licensee by one or more Defaulting Electricity Suppliers.

**$RBD_{t-3}$**  Means:

- (e) the aggregate amount of debt recovered by the licensee, in Regulatory Year  $t-3$ , where the licensee has been credited by the administrator of a Defaulting Electricity Supplier, and where the licensee subsequently recovered the costs via the EBDA term; and
- (f) the aggregate amount of payment received by the licensee from a Non-Distribution Services Provider, and where the licensee subsequently recovered the costs via the EBDA term.

**$RPIA_{t-3}$**  has the value given to it by Part C of CRC 2A.

**$PVF_t$**  has the value given to it by Part C of CRC 2A.

**$RPIF_t$**  has the value given to it by Part C of CRC 2A.

**IBDA<sub>t</sub>** Means the aggregate amount of Valid Bad Debt Claims requiring payment in the Regulatory Year *t*, in accordance the licensee's obligations under standard condition 38B. (Treatment of Valid Bad Debt Claims).

**2B.40** Where the licensee has incurred bad debts with respect to Use of System Charges owed to the licensee by one of more Defaulting Electricity Suppliers within a given Regulatory Year, within 60 days of the end of that Regulatory Year the licensee shall submit to the Authority a statement in a form that has been prescribed by the Authority setting out the amount of the bad debt arising as a result of the Defaulting Electricity Supplier(s)' insolvency during that Regulatory Year, together with any prior year adjustments following receipt of the Final Reconciliation Settlement Run for the final day of supply by the Former Electricity Supplier.

**2B.41** The Authority shall by Notice to the licensee direct the value of the EBDA term to be used in the calculation of the Eligible Bad Debt Cost adjustment set out in 2B.37 provided that the amount specified in the statement submitted in 2B.40 is adjusted only for any amount of the bad debt that has arisen because of the licensee's failure to follow good industry practice detailed in Schedule 1 ('Cover') of the Distribution Connection and Use of System Agreement ("the DCUSA") and proportion of the value of bad debt relative to the age of that bad debt at the time the Defaulting Electricity Supplier's insolvency, calculated as shown in Appendix 7 of this condition.

**2B.42** If, within three months of receiving the statement from the licensee referred to in paragraph 2B.40, the Authority has not made a direction under that paragraph, the EBDA adjustment proposed by the licensee will be deemed to have been made.

2B.43 The licensee may submit a statement under paragraph 2B.40 with respect to each Defaulting Electricity Supplier and, where more than one such statement is submitted in the Regulatory Year, the EBDA term shall reflect the cumulative effect of each statement and the requirements of paragraph 2B.44 will apply with respect to each such statement.

2B.44 A direction issued by the Authority under paragraph 2B.41 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the Notice the reasons for the Authority's proposed adjustments;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) given due consideration to any representations received in response to the Notice.

2B.45 If the Authority has not received any completed claim forms by 30 June for the previous Regulatory Year, then the EBDA<sub>t</sub> for the licensee for that Regulatory Year will have the value zero.

## **Part J: Interpretation**

2B.46 For the purposes of this condition:

**Business Rates**

means:

(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 (or any legislation amending or replacing those enactments); or  
(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government (Scotland) Act 1975 or the Local Government (Scotland) Act 1994 (or any legislation amending or replacing those enactments).

**Elective  
Communication  
Services**

has the meaning given to that term in the Smart Energy Code.

**Defaulting  
Electricity Supplier**

means an Electricity Supplier whose insolvency has resulted in the licensee incurring bad debt. For the purposes of these criteria the timing and definition of insolvency is as per the Insolvency Act 1986.

**Final Reconciliation  
Settlement Run**

has the meaning given to that term in Section U2.3 of the Balancing and Settlement Code (BSC).

**Former Electricity  
Supply**

means an Electricity Supplier whose supply licence has been revoked.

**Pass-through  
Transmission  
Connection Point  
Charges**

means those elements of Transmission Connection Point Charges that do not qualify as New Transmission Capacity Charges.

**Ring Fence Costs**

means the amount of the incremental costs necessarily incurred by the licensee in Regulatory Year t-2 as a direct result of complying with the additional regulatory requirements referred to in the Authority's letter dated 1 February 2013 entitled "Modifications to the ring fence conditions in network operator licences" and published on the Authority's Website, provided that those costs:  
(a) have been ascertained in accordance with the RIGs referred to in standard condition 46 (Regulatory Instructions and Guidance); and  
(b) have not been otherwise remunerated under any other provision of this licence.

**Smart Energy Code**

means the document of that name referred to in standard condition 21A (The Smart Energy Code), that is maintained for the purposes of that condition and is subject to modification pursuant to Condition 23 (Change control for Smart Energy Code), of the Smart Meter Communication Licence.

**Smart Meter  
Communication  
Licence**

means the licences granted under section 6(1A) of the Act and section 7AB(2) of the Gas Act 1986.

**Smart Meter  
Communication  
Licensee Costs**

means charges payable by the licensee (by virtue of the requirement for it to be a party to the Smart Energy Code) to the holder of the Smart Meter Communication Licence in accordance with section J of the Smart Energy Code, excluding any charges in respect of Elective Communication Services.

**Smart Meter  
Information  
Technology Costs**

means any information technology costs that the licensee reasonably incurs that are necessary to enable the licensee to use data from Smart Meters (within the meaning given to that term in Condition 1 of the Smart Meter Communication Licence) effectively for the efficient and economic operation, maintenance and development of its Distribution System, as further clarified in the RIGs.

## APPENDIX 1

**Values for the LFE term (£m, 2012/13 prices) by licensee  
(see Part B of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
EMID	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
SWALES	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
SWEST	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

## APPENDIX 2

**Values for the RBE term (£m, 2012/13 prices) by licensee  
(see Part C of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	25.7	25.7	29.0	34.0	40.4	40.4	40.4	40.4
EMID	34.0	34.0	38.2	44.9	52.9	52.9	52.9	52.9
SWALES	15.1	15.1	19.1	19.1	19.1	19.1	19.1	19.1
SWEST	14.4	14.4	16.2	19.0	20.6	20.6	20.6	20.6
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								



### APPENDIX 3

**Values for the PTPE term (£m, 2012/13 prices) by licensee  
(see Part D of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	12.7	13.0	13.2	13.2	13.5	14.1	14.1	14.1
EMID	10.5	10.5	10.9	10.9	11.6	11.9	12.6	13.8
SWALES	8.5	8.5	8.5	8.6	8.6	8.6	8.6	8.8
SWEST	8.7	8.7	8.7	8.7	9.2	9.2	9.2	9.2
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

## APPENDIX 4

**Values for the SMCE term (£m, 2012/13 prices) by licensee  
(see Part E of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.7	0.8	0.9	0.9	1.0	1.0	0.0	0.0
EMID	0.7	0.9	0.9	0.9	1.0	1.0	0.0	0.0
SWALES	0.3	0.4	0.4	0.4	0.5	0.5	0.0	0.0
SWEST	0.5	0.6	0.7	0.7	0.7	0.7	0.0	0.0
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

## APPENDIX 5

**Values for the SMIE term (£m, 2012/13 prices) by licensee  
(see Part F of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.6	0.5	0.1	0.3	0.0	0.6	NA	NA
EMID	0.6	0.5	0.1	0.3	0.0	0.6	NA	NA
SWALES	0.3	0.3	0.0	0.2	0.0	0.3	NA	NA
SWEST	0.5	0.5	0.1	0.3	0.0	0.5	NA	NA
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

## APPENDIX 6

**Values for the RFE term (£m, 2012/13 prices) by licensee  
(see Part G of this condition)**

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EMID	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWEST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

## APPENDIX 7

### Proportion of recoverable bad debt in respect of use of system charges overdue for payment at the date of the Defaulting Electricity Supplier's insolvency

No. of business days past due	Percentage of face value recoverable
0 – 30	100
31 – 35	90
36 – 40	80
41 – 45	70
46 – 50	60
51 – 55	50
56 – 60	35
61 – 65	20
>65	5