



Making a positive difference
for energy consumers

Darren Reeve
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Date: 23 May 2019

Dear Darren,

Authority decision on Vattenfall Networks Limited's proposed Use of System Charging Methodology and Use of System Charging Statements

This letter sets out our¹ decision to approve the Use of System ("UoS") Charging Methodology and UoS Charging Statements for Vattenfall Networks Limited.

Background

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

Under amended standard licence condition ("ASLC") BA2 you must set domestic customers' UoS charges so that the standing charge, unit rate and other components of the charge do not exceed the UoS charges to equivalent domestic customers connected to a host Distribution Network Operator's ("DNO's") network. This constitutes a relative price control for Independent DNOs.

SLC 14 of the Licence requires that the UoS Charging Statement set out the basis on which charges will be made for the use of their distribution system. That statement must, at all times, be available in a form that we have approved.

On 16 May 2019 and 21 May 2019 you submitted the following to us for approval:

- UoS Charging Methodology Statement effective 1 July 2019;
- UoS Charging Statement for the 2019/20 Regulatory Year; and
- UoS Charging Statement for the 2020/21 Regulatory Year.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² These Relevant Objectives are set out in SLC 13.3 of the Distribution Licence:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

Our decision

We have assessed both your proposed UoS Charging Statements and UoS Charging Methodology Statement against the Relevant Objectives and against the charging principles outlined in ASLC BA2, as well as the other requirements of the license. On review, we have decided to approve your UoS Charging Methodology Statement, and the form of your UoS Charging Statements for the 2019/20 and 2020/21 Regulatory Years.

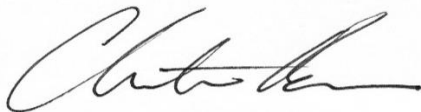
We acknowledge that you currently do not intend to have any customers that generate, however should this change, we would expect you to submit a modification to us for approval before you contract with generation customers.

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

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

If you have any questions surrounding the issues raised in this letter, please contact David McCrone at David.McCrone@ofgem.gov.uk or on 0141 354 5441.

Yours sincerely



Chris Brown
Head of EST Strategy & Emerging Issues,
Systems & Networks

Signed on behalf of the Authority and authorised for that purpose

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