

DIRECTION ISSUED TO:

Electricity North West Limited (ENWL)
Northern Powergrid (Northeast) plc (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)
Western Power Distribution (West Midlands) plc (WMID)
Western Power Distribution (East Midlands) plc (EMID)
Western Power Distribution (South Wales) plc (SWALES)
Western Power Distribution (South West) plc (SWEST)

NOTICE OF DIRECTION REGARDING AMENDMENT OF USE OF SYSTEM CHARGES UNDER PARAGRAPH 12 OF STANDARD CONDITION 14 OF THE ELECTRICITY DISTRIBUTION LICENCE AND UNDER CLAUSE 19.1B OF THE DISTRIBUTION AND CONNECTION USE OF SYSTEM AGREEMENT (DCUSA).

WHEREAS:

1. Each of the companies to whom this Direction is addressed (each a “Licensee”) holds a Electricity Distribution Licence granted, or treated as granted by the Gas and Electricity Markets Authority (the “Authority”) under section 7 of the Electricity Act 1989 (“the Act”).
2. The Authority stated in an open letter dated 2 June 2020 that where bad debt was incurred due to supplier participation in the Network Charge Deferral (NCD) scheme, Licensees would be able to recover this bad debt in the 2021/2022 Regulatory Year.¹ The Authority has since decided to modify Charge Restriction Condition 2B (“CRC”) of the electricity distribution licence to give effect to this commitment.² The Authority decided to modify CRC 2B in the manner laid out in the decision letter dated 20 November 2020 to ensure that the Licensees are not adversely impacted by potential bad debt arising from the NCD scheme.
3. The modifications to the CRC 2B of the electricity distribution licence that came into effect on 15 January 2021 provide for the Licensees to recover Provisional COVID-19 Bad Debt (PCBD) in the Regulatory Year 2021/2022. If a Licensee recovers COVID-19 Bad Debt via the liquidation process in respect of a failed supplier, it must return the appropriate amounts in accordance with CRC 2B.
4. Standard Licence Condition (SLC) 14.11 of the Electricity Distribution Licence (‘Amendment of Licensee’s Use of System Charges’) provides that the Licensee must not less than three months’ before the date on which it proposes to amend its Use of System Charges, (a) give the Authority

¹https://www.ofgem.gov.uk/system/files/docs/2020/06/open_letter_on_relaxing_network_charge_payment_terms_1.pdf

² <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-special-conditions-also-known-charge-restriction-conditions-crc-electricity-distribution-licence-recover-bad-debt-resultant-network-charge-deferral-ncd-scheme>

a Notice setting out those proposals, together with an explanation of them and (b) send a copy of such Notice to any person who has entered into an agreement for Use of System in accordance with the provisions of the licence.³

5. SLC 14.12 of the Electricity Distribution Licence allows the Authority to direct that Licensees are not required to fulfill the obligations provided in SLC 14.12(a) and (b) to give three months' Notice to the Authority of proposed amendments to the Use of System Charges.
6. Furthermore, under clause 19.1A ('Use of System Charges') of the DCUSA, a Licensee is required to give 15 months' notice of a change to its Use of System Charges.⁴ This is a contractual requirement that applies in addition to the Electricity Distribution Licence obligation noted above. Clause 19.1B of the DCUSA provides that such a requirement shall not apply to Licensees where the Authority directs that those period of notice need not apply.
7. Given the modifications to CRC 2B of the electricity distribution licence discussed above came into effect on 15 January 2021, the Authority considers that such directions are required in order to allow Licensees to recover COVID-19 Bad Debt in Regulatory Year 2021/22.
8. Therefore, in order to enable Licensees to recover COVID-19 Bad Debt in Regulatory Year 2021/2022 we have decided to issue directions under SLC 14.12 of the Electricity Distribution Licence, and under clause 19.1B of the DCUSA. The Authority hereby directs that Licensees need not provide three months' (or 15 months as required by the DCUSA) notice of an amendment to Use of System Charges. In order for such amendments to take effect on 1st April 2021, Licensees must submit a Notice to the Authority setting out the amendments to its Use of System Charges by 19th February 2021.
9. Given the exceptional circumstances caused by COVID-19, and the necessity of the NCD scheme in said circumstances, the Authority considers that it is appropriate to issue the directions as laid out above. The Authority issues these directions under the provision that the Licensees may amend their Use of System Charges in order to recover amounts no more than the Provisional COVID-19 Bad Debt (PCBD) figures laid out in the table below:

DNO	Provisional COVID-19 Bad Debt (PCBD)
Western Power Distribution (South West) plc (SWEST)	£ 118,653.64
Western Power Distribution (South Wales) plc (SWALES)	£ 50,661.09
Western Power Distribution (East Midlands) plc (EMID)	£ 166,628.77
Western Power Distribution (West Midlands) plc (WMID)	£ 143,842.91
Northern Powergrid (Yorkshire) plc (NPgY)	£ 88,631.89

³

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

⁴ https://www.dcusa.co.uk/wp-content/uploads/2020/12/DCUSA-v12.8_Public.pdf

Northern Powergrid (Northeast) plc (NPgN)	£ 77,023.45
Electricity North West Limited (ENWL)	£ 115,411.40
Scottish Hydro Electric Power Distribution plc (SSEH)	£ 43,060.73
Southern Electric Power Distribution plc (SSES)	£ 161,114.96
Eastern Power Networks plc (EPN)	£ 236,247.53
London Power Networks plc (LPN)	£ 92,472.11
South Eastern Power Networks plc (SPN)	£ 172,878.03
Total	£1,466,626.51

10. This direction constitutes notice for the reasons for this decision as required by section 49A of the Act.

NOW THEREFORE

The Authority hereby issues a direction to the Licensees under SLC 14.12 of the Electricity Distribution Licence, as well as clause 19.1B of the DCUSA for Regulatory Year 2021/22. For Regulatory Year 2021/22, the Licensees are therefore relieved of their obligation set out in SLC 14.11 of the Electricity Distribution Licence to give not less than three months' notice before the date on which it proposes to amend its Use of System Charges. Additionally, Licensees are also relieved of their obligation set out in clause 19.1A of the DCUSA to give 15 months' notice of a change to its Use of System Charges.

This direction is effective from 12 February 2021.

Signed

Steve McMahon



Deputy Director, Networks

Authorised for and on behalf of the Gas and Electricity Markets Authority.

Dated: 12 February 2021