

To Distribution Network
Operators (DNOs), Gas
Distribution Networks (GDNs),
Transmission Owners (TOs), the
Electricity System Operator
(ESO), Energy supply companies,
gas shippers and other interested
stakeholders

Direct Dial: 020 7901 7000
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Date: 12 March 2021

Dear Stakeholders,

Decision on proposed changes to the Special Conditions (also known as the Charge Restriction Conditions 'CRC') of the electricity distribution licence.

In December 2020, we conducted a statutory consultation¹ on proposed changes to the special conditions of the electricity distribution licence held by electricity distribution networks.

The proposed changes are required in order to implement our decision² to include the whole system re-opener, the Coordinated Adjustment Mechanism (CAM), into the RIIO-1 price control licences for electricity distribution networks.

This proposed change would align the current electricity distribution licence conditions with the corresponding CAM licence condition being introduced into the RIIO-2 licence conditions for electricity transmission, gas transmission, and gas distribution, so that all relevant networks would be able to coordinate on using this cross-sector re-opener from 2021.

Following consideration of responses to the consultation, we have decided to proceed with making these licence modifications. The notice of licence modification is published alongside this letter. Our decision to make these licence changes takes effect from 8 May 2021.

¹ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-changes-special-conditions-also-known-charge-restriction-conditions-crc-electricity-distribution-licence-0>

² <https://www.ofgem.gov.uk/publications-and-updates/riio-ed2-sector-specific-methodology-decision>

Consultation responses

We received six responses to the consultation. All are non-confidential and have been published alongside this decision on the Ofgem website. A summary of the points raised, together with our views on whether they impact the licence drafting, is set out in the issue log published along with this letter.

These issues include the following two points on procedure that were raised by a number of respondents. The first relates to concerns that Ofgem will implement its decision on applications made by licensees under the Co-ordinated Adjustment Mechanism by direction, rather than using the statutory modification procedure.

We consider the self modification procedure to be proportionate and appropriate: an application under this licence condition is voluntary and requires agreement to have been reached between participating networks. If the application is approved, Ofgem will be facilitating an action requested by the applying networks to transfer an activity that has already been approved as part of at least one of their price controls, and as such, we consider it appropriate that any challenge would be via judicial review rather than a CMA appeal.

The second point concerns the standing of associated guidance documents, to assist networks in preparing applications under this licence condition.

There is no intention to require DNOs to comply with the Re-opener Application Requirements and Guidance Document issued to the transmission and gas distribution sectors. However, insofar as DNOs would find it useful to have further elaboration on the operation of the Co-ordinated Adjustment Mechanism we invite them to refer to the relevant Annex of that document for guidance only.

<https://www.ofgem.gov.uk/publications-and-updates/re-opener-guidance-and-application-requirements-document-0>

Changes to licence text as a result of consultation

We have made a small number of changes to the licence drafting after review of responses to this consultation, and to correct typographical errors. These changes are summarised below:

Paragraph reference	Change to drafting from that proposed in the consultation
Introduction	Has been redrafted to reflect existing ED1 licence structure with reference to 'PCFM Variable Values' rather than 'CAMt'.
General	References to 'CAMt' have been replaced with references to 'PCFM Variable Values'.
General	Paragraph numbers have been updated to reflect the new CRC 3M.
General	We have also inserted a "Not Used" Charge Restriction Condition (CRC 3L) before this CRC 3M for most licensees, to ensure consistency of numbering between licensees.
General	References to 'special conditions' have been corrected to 'Charge Restriction Conditions'.
XX.5	Amended to reflect appropriate years for ED1 price control.
XX.7	Date updated to reflect date this CRC will come into force.
XX.9	Amended for clarity and to reflect language in XX.6(e)
Definitions	Definition of 'Network Licensee' added to support definition of 'Partner Licensee'.

A track change version of the licence draft, which shows the differences between the statutory consultation text and the modification text, is published along with this letter.

Licence modification decisions

The modification decision notice has been published along with this letter, and the modification licence text has been published in Schedule 1 of the notice.

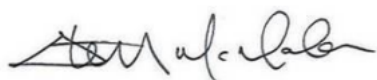
Next steps

These licence changes will take effect from 8 May 2021.

We do not intend to introduce a mandatory element to re-opener guidance into ED1. We invite DNOs wishing for further guidance to refer to the CAM Appendix (Appendix 3) of the 'Re-opener Guidance and Application Requirements' document for Electricity Transmission, Gas Transmission, and Gas Distribution, for RIIO-2. The document can be found here: <https://www.ofgem.gov.uk/publications-and-updates/re-opener-guidance-and-application-requirements-document-0>

If you have questions in relation to this letter please contact Joanna Gaches by email
Joanna.Gaches@ofgem.gov.uk

Yours faithfully,



Steve McMahon

Deputy Director, Electricity Distribution & Cross Sector Policy

Appendix 1 – Notice of modifications to Charge Restriction Conditions

Appendix 2 – Issues log – summary of responses and our views

Schedule 1 – Modifications to Charge Restriction Conditions