

# Notice of modification of the Charge Restriction Conditions

To:

**Electricity North West Ltd (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)**  
**SP Distribution plc (SPD)**  
**SP Manweb plc (SPMW)**  
**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)**

## **Electricity Act 1989 Section 11A(1)(a)**

**Modification of the Charge Restriction Conditions of the electricity distribution licence held by the above licensees.**

1. Under section 11A(2) of the Electricity Act 1989 (the Act), the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 17 December 2020 ('the Notice')<sup>2</sup> that we proposed to insert a new Charge Restriction Condition (CRC3M Coordinated adjustment mechanism re-opener) into the electricity distribution licences granted or treated as granted under section 6(1)(c) of the the Act to the above licensees.
2. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the changes should not be made.
3. We received six responses to the Notice and carefully considered comments made with respect to the proposed modifications. Our response to these comments is set out in the issue log published alongside this document. We have also published all six (non-confidential) responses on our website.
4. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in track change in the modification text which we have published alongside this document. The reasons for the differences set out in the Notice and the modifications being made are to correct typographical errors and to address minor issues and corrections raised since the issuing of the Notice, particularly to improve consistency between this condition and the rest of the Charge Restriction Conditions. We have also inserted a condition number and for most licensees we are also inserting a "Not Used" Charge Restriction Condition before this one, to ensure consistency of numbering between licensees.
5. We are making these licence changes in order to ensure that each of the licensees to whom this document is addressed is able to utilise the Coordinated Adjustment

---

<sup>1</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

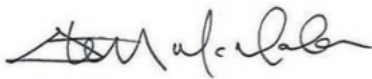
<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-changes-special-conditions-also-known-charge-restriction-conditions-crc-electricity-distribution-licence-0>

Mechanism re-opener on equal terms and from the same point in time as licensees in the electricity transmission, gas transmission, and gas distribution sectors. The equivalent licence condition takes effect from 1 April 2021 in these other sectors, but has the same dates for the first application window: 23-29 May 2021.

6. Further details on the reasons and effect of the modifications can be found in our consultations on our intent to propose statutory licence modifications in the Sector Specific Methodology Consultation<sup>3</sup> and the Sector Specific Methodology Decision<sup>4</sup>.
7. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The relevant licence holders in relation to this modification are those to whom this Notice is addressed. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the Charge Restriction Conditions for all relevant electricity distribution licences in the manner specified in attached Schedule 1. This decision will take effect from 8 May 2021.

This document is our notice of reasons for the purposes of section 49A of the Act.



.....  
**Steve McMahon**

**Deputy Director, Electricity Distribution & Cross Sector Policy**  
**Duly Authorised on behalf of the Gas and Electricity Markets Authority**  
**12 March 2021**

---

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-ed2-sector-specific-methodology-consultation>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-ed2-sector-specific-methodology-decision>

## Schedule 1

<b>Licensee</b>	<b>Charge Restriction Conditions being inserted</b>
Electricity North West Ltd (ENWL)	CRC 3M only
Northern Powergrid (Northeast) plc (NPgN)	CRC 3L and 3M
Northern Powergrid (Yorkshire) plc (NPgY)	CRC 3L and 3M
London Power Networks plc (LPN)	CRC 3L and 3M
South Eastern Power Networks plc (SPN)	CRC 3L and 3M
Eastern Power Networks plc (EPN)	CRC 3L and 3M
SP Distribution plc (SPD)	CRC 3L and 3M
SP Manweb plc (SPMW)	CRC 3L and 3M
Scottish Hydro Electric Power Distribution plc (SSEH)	CRC 3L and 3M
Southern Electric Power Distribution plc (SSES)	CRC 3L and 3M
Western Power Distribution (West Midlands) plc (WMID)	CRC 3L and 3M
Western Power Distribution (East Midlands) plc (EMID)	CRC 3L and 3M
Western Power Distribution (South Wales) plc (SWALES)	CRC 3L and 3M
Western Power Distribution (South West) plc (SWEEST)	CRC 3L and 3M

## CRC 3L. Not Used

## CRC 3M. Coordinated Adjustment Mechanism

### Introduction

3M.1 This condition establishes a mechanism that:

- a) is triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee; and
- b) adjusts the PCFM Variable Values for the licensee and the Partner Licensee and the Regulatory Years to which they relate, for the purposes of the Annual Iteration Process as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).

### Part A: What is the scope of this re-opener?

3M.2 The licensee may apply to the Authority for a direction adjusting the value of the PCFM Variable Values and the outputs, delivery dates and allowances relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

## **Part B: When to make an application**

3M.3 The licensee may only apply to the Authority for an adjustment under paragraph 3M.2 between 23 May and 29 May in each of the years 2021, 2022, or during such other periods as the Authority may direct.

## **Part C: How to make an application**

3M.4 An application under paragraph 3M.2 must be made in writing to the Authority and:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value and why the reallocation does deliver greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances of the licensee and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the PCFM Variable Values for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which those adjustments relate;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's PCFM Variable Values or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3M.5 An application under paragraph 3M.2 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

## **Part D: What process will the Authority follow in making a direction?**

3M.6 Before making a direction under paragraph 3M.2 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3M.7 The direction will set out:

- (a) any adjustments to any PCFM Variable Value of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs, delivery dates or allowances of the licensee and that of the Partner Licensee, relating to the CAM Activity.

## **Part E: Interpretation**

3M.8 For the purposes of this condition:

CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Charge Restriction Condition 3M (Coordinated adjustment mechanism Re-opener).
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.