

**To:**

**Scottish Hydro Electric Power Distribution Plc (SHEPD)**

**Direction under Part C of Standard Licence Condition (SLC) 13C (Recovery of Reinforcement Costs arising in respect of Relevant Customers)**

1. This direction is issued by the Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) pursuant to paragraph 13C.9 of Standard Licence Condition of the Electricity Distribution Licence (the "Licence").
2. Scottish Hydro Electric Power Distribution Plc (SHEPD) is the holder of a Licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 ("Act").
3. SLC 13C ("the condition") of the Licence prevents the licensee from recovering Reinforcement Costs arising in respect of Relevant Customers<sup>2</sup> through Connection Charges unless Part B of the condition applies.
4. SLC13C.2 also requires the Licensee to give effect to the requirements of the condition through their respective Connection Charging Methodology, and where the Licensee is a Distribution Service Provider through the Common Connection Charging Methodology contained in the Distribution Connection and Use of System Agreement (DCUSA).
5. Part A and Part B of the condition set out the restrictions on the recovery of Reinforcement Costs arising in respect of Relevant Customers, and the Licensee's ability to recover Reinforcement Costs from Relevant Customers.
6. SLC13C.9 of the condition provides that the Authority may issue a direction so that this condition ceases to have effect, once we are satisfied that the Licensee's Connection Charging Methodology has been modified in accordance with SLC13C.8.
7. In March 2015 we approved a modification to the Common Connection Charging Methodology contained in Schedule 22 of the Distribution Connection Use of System Agreement ("DCUSA"). The modification incorporates the requirements of Part A and Part B of the condition into the DCUSA version 7.2 (effective from 01 April 2015).
8. In accordance with paragraph 13C.9 of the condition, the Authority hereby directs that the condition ceases to exist in the licence of the Licensee to whom this direction is addressed.
9. This direction shall have immediate effect.

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<sup>1</sup>

The terms "we", "us", "Ofgem" and "the Authority" are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

<sup>2</sup> Section 13C.3 and 13C.4 set out when an owner or occupier of premise is considered a Relevant Customer.

10. This document constitutes notice of reasons for the Authority's decision pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989.

Dated: 20 May 2016

A handwritten signature in black ink, appearing to read 'J Veaney', is positioned above the printed name.

James Veaney

**Head of Connections and Constraint Management**

Signed on behalf of the Authority and authorised for that purpose by the Authority