

To: All holders of a domestic gas
and/or electricity supply licence

Email: retailpriceregulation@ofgem.gov.uk

Date: 05 August 2020

Domestic Gas and Electricity (Tariff Cap) Act 2018

Modification of the standard conditions of all gas & electricity supply licences

1. The Gas and Electricity Markets Authority ('the Authority')¹ has decided to modify the standard conditions of all gas and electricity supply licences granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 and section 7A(1) of the Gas Act 1986, pursuant to section 1 of the Domestic Gas and Electricity (Tariff Cap) Act 2018 ('the Act'). These modifications are set out in Appendix 1 and Appendix 2.
2. Under section 4(2) of the Act, the Authority gave notice on 18 May 2020 (the 'Notice') that we propose to modify standard condition 28AD in order to protect Prepayment Meter ('PPM') customers on default tariffs after the expiry of the PPM Charge Restriction ('PPM Cap').
3. We received responses to the consultation from 14 stakeholders, which we carefully considered. We have published all non-confidential responses on our website. Our responses to these comments are set out in the accompanying document.
4. It is necessary to make one minor alteration to the modifications set out in the Notice (Appendix 1 and 2). We have changed the definition of "Prepayment" from "a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter or a Smart Meter running in Prepayment Mode." to "a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter or a Smart Metering System running in Prepayment Mode." We have highlighted the alterations in yellow.

¹ The terms "the Authority", "Ofgem", "we" and "us" are used interchangeably in this document.

5. We have made this change to provide clarity by using an existing defined term for smart meters.
6. A more detailed description of the reasons for and effects of these licence modifications can be found in the following documents:
 - a. The accompanying documents to this modification, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/decision-protecting-energy-consumers-prepayment-meters>
 - b. Statutory consultation documents – Protecting customers with prepayment meters, May 2020, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-protecting-energy-consumers-prepayment-meters>
7. Currently, the default tariff cap does not apply to PPM customers. Section 3 of the Act excludes PPM customers because they already benefit from the PPM cap. When the PPM cap expires, this exemption will cease to apply, unless we replace the PPM cap with a separate cap for PPM customers. Otherwise, the default tariff cap will apply to all customers on default tariffs, including PPM customers.
8. We have therefore decided to protect PPM customers on default tariffs through the default tariff cap and are not introducing a separate PPM cap in parallel.
9. In summary, the main effect of these modifications is to introduce a PPM specific level as part of the default tariff cap. The new level applies to default tariff customers who have traditional PPM meters or smart meters in PPM mode. The modification also allows us to set a PPM specific non-pass-through smart meter net cost change as part of the operating cost allowance.
10. Under the powers set out in section 1 of the Act, we hereby modify the standard licence conditions for all gas and electricity supply licences in the manner specified in attached Appendix 1 and 2. This decision will take effect from 30 September 2020.
11. However, in line with section 3 of the Act (exemptions from the default tariff cap), PPM customers will not be in scope of the default tariff cap until the PPM cap expires.
12. These modifications have effect in relation to supply licences, whenever granted, and on domestic supply contracts, whenever entered into.

13. This document is notice of the reasons for the decision to modify the gas supply licences and electricity supply licences as required by section 5 of the Act.

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Anna Rossington

Duly authorised on behalf of the Gas and Electricity Markets Authority

05 August 2020

Appendix 1 – Modification of the standard conditions of all electricity supply licences.

We have included the sections of the SLCs we have decided to remove or amend below. Deletions are shown in strike through and new text is double underlined.

Condition 28AD. Regulation of charges for Domestic Customers supplied under certain Domestic Supply Contracts

Calculation of the Benchmark Maximum Charges for 28AD Charge

Restriction Periods

28AD.7 For each 28AD Charge Restriction Period, the Authority will calculate the Benchmark Maximum Charge for each:

- (a) Benchmark Annual Consumption Level;
- (b) Charge Restriction Region;
- (c) Benchmark Metering Arrangement; and
- (d) Payment Method

in accordance with the following formula:

$$\begin{aligned} ChargeMax_{i,j,k,l,p} &= (WC_{i,j,k,l} + NC_{i,j,k,l} + PC_{i,j,k,l} + OC_{j,k,l,p} + PA_{i,j,k,l,p} \\ &+ E_{i,j,k,l,p} + H_{i,j,k,l,p}) \end{aligned}$$

where (the following units all being in pounds sterling):

$ChargeMax_{i,j,k,l,p}$ means the Benchmark Maximum Charge in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , and Payment Method p ;

$WC_{i,j,k,l}$	means the Wholesale Cost Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , calculated in accordance with paragraph 28AD.8;
$NC_{i,j,k,l}$	means the Network Cost Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , determined in accordance with paragraph 28AD.9;
$PC_{i,j,k,l}$	means the Policy Cost Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , calculated in accordance with paragraph 28AD.10;
$OC_{j,k,l,p}$	means the Operating Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , <u>for Payment Method p</u> calculated in accordance with paragraph 28AD.11;
$PA_{i,j,k,l,p}$	means the Payment Method Adjustment in Charge Restriction Region i , in Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , for Payment Method p calculated in accordance with paragraph 28AD.12;
$E_{i,j,k,l,p}$	means the Earnings Before Interest and Tax Allowance in Charge Restriction Region i , in Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering

Arrangement l , for Payment Method p , calculated in accordance with paragraph 28AD.13;

$H_{i,j,k,l,p}$ means the Headroom Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , for Payment Method p calculated in accordance with paragraph 28AD.14.

Operating cost allowance

28AD.11 For the purposes of paragraph 28AD.7, the Operating Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l and for Payment Method p shall be calculated as follows:

$$OC_{j,k,l,p} = (OC_{0,k,l} \times \frac{CPIH_j}{CPIH_0}) + SMNCC_{j,k,p}$$

Where:

$OC_{0,k,l}$ means the Baseline Value for the Operating Cost Allowance at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17;

$CPIH_j$ means the value of the consumer prices index including owner occupiers' housing costs, series ID: L522 (the "CPIH Index"), published by the Office for National Statistics. The value used shall be chosen as follows:

- For the First Charge Restriction Period the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Jun\ j-1}$$

- For a Subsequent Charge Restriction Period beginning on 1 April of each year and ending on 30 September of the same calendar year, the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Dec\ j-1}$$

- For a Subsequent Charge Restriction Period beginning on 1 October of each year and ending on 31 March of the subsequent calendar year, the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Jun\ j-1}$$

- For the Final Charge Restriction Period the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Jun\ j-1}$$

$CPIH_0$ is the Initial Value of the CPIH Index, as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17.

$SMNCC_{j,k,p}$ is the value of the Smart Metering Net Cost Change in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p comprising:

- the Smart Metering Pass-Through Net Cost Change, which the Authority will, subject to paragraph 28AD.15 and 28AD.16 below, determine and publish semi-annually in accordance with paragraph 28AD.19 and in

the format set out in Annex 5; and

- the Smart Metering Non-Pass-Through Net Cost Change, which the Authority will publish in the format set out in Annex 5 and:
 - following consultation, re-publish in the format set out in Annex 5 following a review of the Smart Metering Non-Pass-Through Net Cost Change which the Authority will undertake during the course of 2019, such re-publication to take effect for the 28AD Charge Restriction Period starting on 1 October 2019; and;
 - otherwise, and subject to paragraphs 28AD.15 and 28AD.16 below, re-publish in the format set out in Annex 5 where it appears to the Authority that it is necessary to do so, such re-publication not to take effect before the first day of the 28AD Charge Restriction Period immediately following the date on which it is published.

Payment Method Adjustment

28AD.12 For the purposes of paragraph 28AD.7, the Payment Method Adjustment in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l and for Payment Method p shall be calculated as follows:

$$PA_{i,j,k,l,p} = (PAAC_{0,p} \times \frac{CPIH_j}{CPIH_0}) + [PAP_{l,p} \times (WC_{i,j,k,l} + NC_{i,j,k,l} + PC_{i,j,k,l} + OC_{j,k,l,p})]$$

where:

$PAAC_{0,p}$ means the Baseline Value for the Payment Method Adjustment Additional Cost for Payment Method p , as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17. ~~or, from time to time and following consultation, and in relation to the Baseline Value for Fully Interoperable Smart Prepayment only, re-published by the Authority by way of a statement in Writing where it appears to the Authority that it is necessary to amend the Baseline Value for Fully Interoperable Smart Prepayment.~~

$PAP_{l,p}$ means the Baseline Value for the Payment Method Adjustment Percentage, for Benchmark Metering Arrangement l , for Payment Method p , as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17. ~~or, from time to time and following consultation, and in relation to the Baseline Value for Fully Interoperable Smart Prepayment only, re-published by the Authority by way of a statement in Writing where it appears to the Authority that it is necessary to amend the Baseline Value for Fully Interoperable Smart Prepayment.~~

$CPIH_j$ has the meaning given to in paragraph 28AD.11.

$CPIH_0$ has the meaning given to in paragraph 28AD.11.

Earnings Before Interest and Tax Allowance

28AD.13 For the purposes of paragraph 28AD.7, the Earnings Before Interest and Tax Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Benchmark Metering Arrangement l , for Payment Method p , shall be

calculated as follows:

$$E_{i,j,k,l,p} = EBIT \times (WC_{i,j,k,l} + NC_{i,j,k,l} + PC_{i,j,k,l} + OC_{j,k,l,p} + PA_{i,j,k,l,p})$$

where:

EBIT means the Baseline Value for the Earnings Before Interest and Tax Margin Percentage, as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17.

Headroom

28AD.14 For the purposes of paragraph 28AD.7, the Headroom Allowance in Charge Restriction Region i, in 28AD Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p, shall be calculated as follows:

$$H_{i,j,k,l,p} = HAP \times (WC_{i,j,k,l} + PC_{i,j,k,l} + OC_{j,k,l,p} + PA_{i,j,k,l,p} + E_{i,j,k,l,p})$$

where:

HAP means the Baseline Value for the Headroom Allowance Percentage, as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.17.

PA_{i,j,k,l,p} means the Payment Method Adjustment in Charge Restriction Region i, in 28AD Charge Restriction Period j, at Benchmark Annual Consumption Level k, for Benchmark Metering Arrangement l, for Payment Method p calculated in accordance with paragraph 28AD.12.

Definitions for condition

28AD.40 In this condition:

‘Benchmark Maximum Charge’ means one of ~~168~~ the benchmark maximum charge values (in pounds sterling and exclusive of value-added tax), which are unique to a specific Benchmark Annual Consumption Level, Charge Restriction Region, Benchmark Metering Arrangement and Payment Method, and are updated on a semi-annual basis by the Authority pursuant to paragraphs 28AD.18 to 28AD.19;

~~**‘Fully-Interoperable Smart Prepayment’** means a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter which falls within the definition of Excluded Smart Meter (as defined in condition 28A)~~

‘Operating Cost Allowance’ means the amount calculated to reflect an efficient level of the costs associated with suppliers’ own internal operating costs (including a normal level of profit) in 28AD Charge Restriction Period *j*, at Benchmark Annual Consumption Level *k*, for Benchmark Metering Arrangement *l*, for Payment Method *p* which the Authority is to calculate for the periods and within the timeframes specified in this condition 28AD in accordance with paragraph 28AD.11;

‘Other Payment Method’ means any Payment Method that is not Standard Credit or Prepayment ~~Fully-Interoperable Smart Prepayment~~;

‘Payment Method’ means:

- (a) in relation to any Relevant 28AD Customer that is not a Relevant 28AD Warm Home Discount Customer, the method by which that Relevant 28AD Customer pays for Charges for Supply Activities, being either Standard Credit, ~~Fully-Interoperable Smart Prepayment~~ Prepayment or Other Payment Method; or
- (b) in relation to a Relevant 28AD Warm Home Discount Customer, Other Payment Method;

‘Prepayment’ means a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter or a **Smart Metering System** running in Prepayment Mode.

‘Relevant 28AD Warm Home Discount Customer’ means a Relevant 28AD Customer with a payment method of Standard Credit or Other Payment Method, excluding Prepayment, which falls into at least one of the categories listed at Annex 7 to this condition 28AD;

Annex 1 – Format for publishing Baseline Values and Initial Value of the CPIH Index

Baseline Values

Operating Cost Allowance

	Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)		Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
	Nil kWh	<i>m</i> (3,100 kWh)	Nil kWh	<i>m</i> (4,200kWh)
$OC_{0,k,l}$				

Headroom Allowance Percentage

HAP	
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Earnings Before Interest and Tax Margin Percentage

EBIT	
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Payment Method Adjustment Percentage (PAP)

Payment Method p	Single-Rate Metering Arrangement	Multi-Register Metering Arrangement
Standard Credit		
Fully Interoperable Smart Prepayment		
<u>Prepayment</u>		
Other Payment Method		

Payment Method Adjustment Additional Cost

Payment Method p	PAAC_{0,p}
Standard Credit	
Fully Interoperable Smart Prepayment	
<u>Prepayment</u>	
Other Payment Method	

Initial Value of the CPIH Index

CPIH ₀	
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Annex 6 – Format for the publication of Benchmark Maximum Charges

Standard Credit

Region, <i>i</i>	Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)		Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
	Nil kWh	<i>m</i> (3,100kWh)	Nil kWh	<i>m</i> (4,200kWh)
North West				
Northern				
Yorkshire				
Northern Scotland				
Southern				
Southern Scotland				
N Wales and Mersey				
London				
South East				
Eastern				
East Midlands				
Midlands				
Southern Western				
South Wales				

Other Payment Method

Region, <i>i</i>	Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)		Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
	Nil kWh	<i>m</i> (3,100kWh)	Nil kWh	<i>m</i> (4,200kWh)
North West				
Northern				
Yorkshire				
Northern Scotland				
Southern				
Southern Scotland				
N Wales and Mersey				
London				
South East				
Eastern				
East Midlands				
Midlands				
Southern Western				
South Wales				

Prepayment

<u>Region, i</u>	<u>Single-Rate Metering Arrangement (benchmark consumption per annum, k)</u>		<u>Multi-Register Metering Arrangement (benchmark consumption per annum, k)</u>	
	<u>Nil kWh</u>	<u>m (3,100kWh)</u>	<u>Nil kWh</u>	<u>m (4,200kWh)</u>
<u>North West</u>				
<u>Northern</u>				
<u>Yorkshire</u>				
<u>Northern Scotland</u>				
<u>Southern</u>				
<u>Southern Scotland</u>				
<u>N Wales and Mersey</u>				
<u>London</u>				
<u>South East</u>				
<u>Eastern</u>				
<u>East Midlands</u>				
<u>Midlands</u>				
<u>Southern Western</u>				
<u>South Wales</u>				

Fully-Interoperable Smart Prepayment

Region, <i>i</i>	Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)		Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)	
	Nil kWh	<i>m</i> (3,100kWh)	Nil kWh	<i>m</i> (4,200kWh)
North West				
Northern				
Yorkshire				
Northern Scotland				
Southern				
Southern Scotland				
N Wales and Mersey				
London				
South East				
Eastern				
East Midlands				
Midlands				
Southern Western				
South Wales				

Appendix 2 – Modification of the standard conditions of all gas supply licences.

We have included the sections of the SLCs we have decided to remove or amend below. Deletions are shown in strike through and new text is double underlined.

Condition 28AD. Regulation of charges for Domestic Customers supplied under certain Domestic Supply Contracts

Calculation of the Benchmark Maximum Charges for 28AD Charge Restriction Periods

28AD.6 For each 28AD Charge Restriction Period, the Authority will calculate the Benchmark Maximum Charge for each:

- (a) Benchmark Annual Consumption Level;
- (b) Charge Restriction Region; and
- (c) Payment Method

in accordance with the following formula:

$$\begin{aligned} ChargeMax_{i,j,k,p} &= (WC_{j,k} + NC_{i,j,k} + PC_{j,k} + OC_{j,k,p} + PA_{i,j,k,p} \\ &+ E_{i,j,k,p} + H_{i,j,k,p}) \end{aligned}$$

where (the following units all being in pounds sterling):

$ChargeMax_{i,j,k,p}$ means the Benchmark Maximum Charge in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , and Payment Method p ;

WC_j means the Wholesale Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption

Level k , calculated in accordance with paragraph 28AD.7;

$NC_{i,j,k}$ means the Network Cost Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , determined in accordance with paragraph 28AD.8;

PC_j means the Policy Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , calculated in accordance with paragraph 28AD.9;

$OC_{j,k,p}$ means the Operating Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p calculated in accordance with paragraph 28AD.10;

$PA_{i,j,k,p}$ means the Payment Method Adjustment in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p calculated in accordance with paragraph 28AD.11;

$E_{i,j,k,p}$ means the Earnings Before Interest and Tax Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p , calculated in accordance with paragraph 28AD.12;

$H_{i,j,k,p}$ means the Headroom Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p calculated in accordance with paragraph 28AD.13.

Operating Cost Allowance

28AD.10 For the purposes of paragraph 28A.6, the Operating Cost Allowance in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k and for Payment Method p shall be calculated as follows:

$$OC_{j,k,p} = (OC_{0,k} \times \frac{CPIH_j}{CPIH_0}) + SMNCC_{j,k,p}$$

where:

OC_0 means the Baseline Value for the Operating Cost Allowance at Benchmark Annual Consumption Level k as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16;

$CPIH_j$ means the value of the consumer prices index including owner occupiers' housing costs, series ID: L522 (the "CPIH Index"), published by the Office for National Statistics. The value used shall be chosen as follows:

- For the First Charge Restriction Period the value of $CPIH_j$ shall be calculated as:

$$CPI = CPIH_{Jun\ j-1}$$

- For a Subsequent Charge Restriction Period beginning on 1 April of each year and ending on 30 September of the subsequent calendar year the value of $CPIH_j$ shall be calculated as:

$$CPI = CPIH_{Dec\ j-1}$$

For a Subsequent Charge Restriction Period beginning on 1 October of each year and ending on 31 March of the subsequent calendar year, the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Jun\ j-1}$$

- For the Final Charge Restriction Period the value of $CPIH_j$ shall be calculated as:

$$CPIH_j = CPIH_{Jun\ j-1}$$

$CPIH_0$ is the Initial Value of the CPIH Index, as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16.

$SMNCC_{j,k,p}$ is the value of the Smart Metering Net Cost Change in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p comprising:

- the Smart Metering Pass-Through Net Cost Change, which the Authority will, subject to paragraphs 28AD.14 and 28AD.15 below, determine and publish semi-annually in accordance with paragraph 28AD.18 and in the format set out in Annex 5; and
- the Smart Metering Non-Pass-Through Net Cost Change, which the Authority will publish in the format set out in Annex 5 and:
 - following consultation, re-publish in the format set out in Annex 5 following a review of the Smart Metering Non-Pass-Through Net Cost Change which the Authority will undertake during the course of 2019, such re-publication to take effect for the 28AD Charge Restriction Period starting on 1 October 2019; and

- otherwise, and subject to paragraphs 28AD.14 and 28AD.15 below, re-publish in the format set out in Annex 5 where it appears to the Authority that it is necessary to do so, such re-publication not to take effect before the first day of the 28AD Charge Restriction Period immediately following the date on which it is published.

Payment Method Adjustment

28AD.11 For the purposes of paragraph 28A.6, the Payment Method Adjustment in Charge Restriction Region i , 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k and for Payment Method p shall be calculated as follows:

$$PA_{i,p} = (PAAC_{0,p} \times \frac{CPIH_j}{CPIH_0}) + [PAP_p \times (WC_j + NC_{i,k} + PC_{j,k} + OC_{j,k,p})]$$

$PAAC_{0,p}$ means the Baseline Value for the Payment Method Adjustment Additional Cost for Payment Method p , as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16. ~~or, from time to time and following consultation and in relation to the Baseline Value for Fully Interoperable Smart Prepayment only, re-published by the Authority by way of a statement in Writing where it appears to the Authority that it is necessary to amend the Baseline Value for Fully Interoperable Smart Prepayment.~~

PAP_p means the Baseline Value for the Payment Method Adjustment Percentage p , as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16. ~~or, from time to time and following consultation, and in relation to the Baseline Value for Fully Interoperable Smart Prepayment only, re-published by the Authority by way of a statement in Writing where it appears to the Authority that it is~~

~~necessary to amend the Baseline Value for Fully Interoperable Smart Prepayment.~~

$CPIH_j$ has the meaning given to in paragraph 28AD.10.

$CPIH_0$ has the meaning given to in paragraph 28AD.10.

Earnings Before Interest and Tax Allowance

28AD.12 For the purposes of paragraph 28A.6, the Earnings Before Interest and Tax Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p , shall be calculated as follows:

$$E_{i,j,k,p} = EBIT \times (WC_{j,k} + NC_{i,j,k} + PC_{j,k} + OC_{j,k,\underline{p}} + PA_{i,j,k,p})$$

where:

$EBIT$ means the Baseline Value for the Earnings Before Interest and Tax Margin Percentage, as published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16.

Headroom

28AD.13 For the purposes of paragraph 28A.6, the Headroom Allowance in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p , shall be calculated as follows:

$$H_{i,j,k,p} = HAP \times (WC_{j,k} + PC_{j,k} + OC_{j,k,\underline{p}} + PA_{i,j,k,p} + E_{i,j,k,p})$$

where:

HAP means the Baseline Value for the Headroom Allowance Percentage as

published by the Authority by way of a statement in Writing pursuant to paragraph 28AD.16.

$PA_{i,j,k,p}$ means the Payment Method Adjustment in Charge Restriction Region i , in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p calculated in accordance with paragraph 28AD.11

Definitions for condition

28AD.33 In this condition:

‘Benchmark Maximum Charge’ means one of ~~84~~ the benchmark maximum charge values (in pounds sterling and exclusive of value added tax), which are unique to a specific Benchmark Annual Consumption Level, Charge Restriction Region and Payment Method, and are updated on a semi-annual basis by the Authority pursuant to paragraphs 28AD.17 to 28AD.18;

~~**‘Fully-Interoperable Smart Prepayment’** means a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter which falls within the definition of Excluded Smart Meter (as defined in condition 28A);~~

‘Operating Cost Allowance’ means the amount calculated to reflect an efficient level of the costs associated with suppliers’ own internal operating costs (including a normal level of profit) in 28AD Charge Restriction Period j , at Benchmark Annual Consumption Level k , for Payment Method p which the Authority is to calculate for the periods and within the timeframes specified in this condition 28AD in accordance with paragraph 28AD.10;

‘Other Payment Method’ means any Payment Method that is not Standard Credit or Prepayment ~~Fully-Interoperable Smart Prepayment~~;

‘Payment Method’ means:

- (a) in relation to any Relevant 28AD Customer that is not a Relevant 28AD Warm Home Discount Customer, the method by which that Relevant 28AD Customer pays for Charges for Supply Activities, being either Standard Credit, ~~Fully Interoperable Smart Prepayment~~ Prepayment or Other Payment Method; or
- (b) in relation to a Relevant 28AD Warm Home Discount Customer, Other Payment Method;

‘Prepayment’ means a Payment Method whereby a Domestic Customer pays the licensee for Charges for Supply Activities through a Prepayment Meter or a Smart Metering System running in Prepayment Mode.

‘Relevant 28AD Warm Home Discount Customer’ means a Relevant 28AD Customer with a payment method of Standard Credit or Other Payment Method, excluding Prepayment, which falls into at least one of the categories listed at Annex 7 to this condition 28AD;

Annex 1 – Format for publishing Baseline Values and Initial Value of the CPIH Index

Baseline Values

Operating Cost Allowance

	Nil kWh	<i>m (12,000 kWh)</i>
OC _{0,k}		

Headroom Allowance Percentage

HAP	
-----	--

Earnings Before Interest and Tax Margin Percentage

EBIT	
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Payment Method Adjustment Percentage & Payment Method Adjustment Additional Cost

Payment Method <i>p</i>	PAP _{<i>p</i>}	PAAC _{0,<i>p</i>}
Standard Credit		
Fully Interoperable Smart Prepayment		
<u>Prepayment</u>		
Other Payment Method		

Initial Value of the CPIH Index

CPIH ₀	
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Annex 6 – Format for the publication of Benchmark Maximum Charges

Standard Credit

Region, <i>i</i>	Nil kWh	<i>m</i> (12,000 kWh)
North West		
Northern		
Yorkshire		
Northern Scotland		
Southern		
Southern Scotland		
N Wales and Mersey		
London		
South East		
Eastern		
East Midlands		
Midlands		
Southern Western		
South Wales		

Other Payment Method

Region, <i>i</i>	Nil kWh	<i>m</i> (12,000 kWh)
North West		
Northern		
Yorkshire		
Northern Scotland		
Southern		
Southern Scotland		
N Wales and Mersey		
London		
South East		
Eastern		
East Midlands		
Midlands		
Southern Western		
South Wales		

Fully-Interoperable Smart Prepayment

Region, <i>i</i>	Nil kWh	<i>m</i> (12,000 kWh)
North West		
Northern		
Yorkshire		
Northern Scotland		
Southern		
Southern Scotland		
N Wales and Mersey		
London		
South East		
Eastern		
East Midlands		
Midlands		
Southern Western		
South Wales		

Prepayment

<u>Region, i</u>	<u>Nil kWh</u>	<u>m (12,000 kWh)</u>
<u>North West</u>		
<u>Northern</u>		
<u>Yorkshire</u>		
<u>Northern Scotland</u>		
<u>Southern</u>		
<u>Southern Scotland</u>		
<u>N Wales and Mersey</u>		
<u>London</u>		
<u>South East</u>		
<u>Eastern</u>		
<u>East Midlands</u>		
<u>Midlands</u>		
<u>Southern Western</u>		
<u>South Wales</u>		