

This schedule contains proposed modifications to the Standard Conditions of the Electricity Distribution Licence held by Distribution Network Operators.

## **Condition 29. Restriction of activity and financial ring-fencing of the Distribution Business**

### **General prohibitions**

- 29.1 The licensee must not conduct any business or carry on any activity other than an activity of the Distribution Business except in accordance with the provisions of this condition.
- 29.2 The licensee must not, without the Authority's consent, hold or acquire shares or other investments of any kind except:
- (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a Permitted Purpose; or
  - (b) shares or other investments in a body corporate which is a Subsidiary of the licensee and has been incorporated by it solely for the purpose of raising finance for the Distribution Business; or
  - (c) (subject to paragraph 29.3) investments acquired in the usual and ordinary course of the licensee's treasury management operations.
- 29.3 The licensee can only rely on the exception permitted by paragraph 29.2(c) if it has in force a system of internal controls in relation to its treasury management operations that complies with such best corporate governance practice as is required (or, in the absence of that, is recommended) from time to time by the UK listing authority (or a successor body) for listed companies in the United Kingdom.

### **Activities not prevented by the general prohibitions**

- 29.4 Subject to the provisions of paragraphs 29.2 and 29.3, nothing in this condition prevents the licensee from:
- (a) holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence; or

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- (b) performing the supervisory or management functions of a holding company in respect of any Subsidiary; or
  - (c) carrying on any business or conducting any activity to which the Authority has given its consent.
- 29.5 Subject to the provisions of paragraphs 29.2 and 29.3, nothing in this condition prevents any Affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity.

### **Permission to conduct De Minimis Business**

- 29.6 Nothing in this condition prevents the licensee or an Affiliate or a Related Undertaking of the licensee in which the licensee holds shares or other investments (a “relevant associate”) from conducting De Minimis Business within the meaning of paragraph 29.7 so long as each of the two limitations specified in paragraphs 29.9 and 29.10 respectively is complied with.
- 29.7 For the purposes of paragraph 29.6, De Minimis Business means any business or activity conducted or carried on by the licensee or a relevant associate or relevant associates other than:
- (a) the Distribution Business; and
  - (b) any other business or activity to which the Authority has given its consent in accordance with paragraph 29.4(c).

### **Limitations of De Minimis Business not to be exceeded**

- 29.8 The licensee or a relevant associate may carry on De Minimis Business so long as neither of the following limitations is exceeded.
- 29.9 The first limitation is that the total turnover of all of the De Minimis Business carried on by the licensee plus the Equity Share of the total turnover of all of the De Minimis Business carried on by all its relevant associates must not in any Regulatory Year exceed 2.5 per cent of the total turnover of the licensee’s Distribution Business as shown by the most recent audited historical cost accounting statements~~Regulatory Accounts~~ of the licensee.
- 29.10 The second limitation is that the total amount (calculated in accordance with paragraph 29.11) of all investments made by the licensee in De Minimis Business, as carried on by the licensee and all its relevant associates, must not at any time after the date on which this condition takes effect in this licence exceed 2.5 per cent of the sum of the licensee’s share capital in issue, its share premium, and its consolidated reserves (including retained earnings) as shown by its most recent

| audited historical cost accounting statements~~Regulatory Accounts~~ available at that date.

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