

**To: All holders of an electricity distribution licence**

**Electricity Act 1989  
Section 11A(1)(b)**

**MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY  
DISTRIBUTION LICENCES GRANTED UNDER SECTION 6(1)(c) OF THE  
ELECTRICITY ACT 1989.**

Whereas –

1. Each of the companies to whom this document is addressed (a "Licence Holder") has been granted a licence ("a Licence") under section 6(1)(c) of the Electricity Act 1989 ("the Act") to distribute electricity subject to the conditions contained in its Licence.
2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 19 December 2013 ("the Notice") that it proposed to make modifications to Standard Conditions 1, 5, 11, 22 and 44 of the Licence and by requiring any representations to the modification to be made on or before 24 January 2014.
3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
4. Prior to the close of the consultation period, the Authority received four responses. The non-confidential responses have been placed on the Ofgem website.
5. The Authority has carefully considered in relation to the proposed modification all representations received. Its response to those representations is attached at Schedule 2 to this modification notice.
6. The Authority will make the following additional modifications to those set out in the Notice:

In relation to paragraph 3 of the Schedule to Appendix 7 of the Notice:

- a) The reference to 'expenses' will be amended to 'Costs' in paragraphs 5.1(b), 5.1(c), 5.1(e), 5.1(f), 5.1(h), 5.1(i) and 5.1(j);
- b) The reference to 'Estimated Costs' will be amended to 'costs' in paragraphs 5.1(a), 5.1(d), 5.1(g), 5.1(k) and 5.1(l);
- c) The references to 'Relevant' Proportion will be amended to 'Appropriate' Proportion in paragraphs 5.1(a), 5.1(d), 5.1(g), 5.1(k), 5.1(l), 5.1(m);
- d) The reference to 'appropriate proportion' will be amended to 'Appropriate Proportion' in paragraphs 5.1(b), 5.1(c), 5.1(e), 5.1(f), 5.1(h), 5.1(i) and 5.1(j);
- e) The definition of 'Estimated Costs' will be amended to 'Costs' in paragraph 5.5; and
- f) The definition of 'Costs' set out in paragraph 5.5 will be amended to include additional wording and the words 'the National Consumer Council' will be removed; and
- g) The definition of 'Relevant Proportion' will be amended to 'Appropriate Proportion' in paragraph 5.5.

These additional modifications are set out in red in track changes in Schedule 3 (below).

7. In accordance with section 49A of the Act the Authority gives the following reason for making the licence modifications: to reflect the changes brought about by the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014.

8. The effect of the modifications will be to:

- a) amend the definition for 'National Consumer Council';
- b) replace any reference to 'the National Consumer Council' with 'Citizens Advice' and/or 'Citizens Advice Scotland';
- c) insert the definition of 'Citizens Advice' and 'Citizens Advice Scotland'; and
- d) recover costs in relation to the transfer of functions from the National Consumer Council to Citizens Advice or Citizens Advice Scotland, as the case may be.

9. Where an application for permission to appeal the Authority's decision is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires that appellant to send notice setting out the matters required in Rule 5.2. The attached Schedule 1 provides a list of the relevant licence holders in relation to this modification direction. The meaning of 'relevant licence holder' is set out in section 11A of the Act.

**Now therefore**

In accordance with the powers contained in section 11A(1)(b) of the Act, the Authority hereby modifies the standard licence conditions for all electricity distribution licences in the manner specified in attached Schedule 3. This decision will take effect on and from 22 April 2014.

This document constitutes notice of the reasons for the decision to modify the electricity distribution licences as required by section 49A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority  
here affixed is authenticated by the signature of**



.....

**Paul Heseltine  
Associate Director Finance and Risk Management**

**Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**24 February 2014**

## Appendix 7

## Appendix 7

### **Schedule 1**

Energetics Electricity Limited

ESP Electricity Limited

Independent Power Networks Limited

The Electricity Network Company Limited

UK Power Networks (IDNO) Limited

Utility Assets Limited

Eastern Power Networks plc

Electricity North West Limited

London Power Networks Plc

Northern Powergrid (Northeast) Limited

Northern Powergrid (Yorkshire) Plc

Scottish Hydro Electric Power Distribution Plc

South Eastern Power Networks Plc

Southern Electric Power Distribution Plc

SP Distribution Limited

SP Manweb Plc

Western Power Distribution (East Midlands) Plc

Western Power Distribution (South Wales) Plc

Western Power Distribution (South West) Plc

Western Power Distribution (West Midlands) Plc

## Schedule 2

**Response to representations and reasons for any differences between the modifications and those set out in the Notice dated 19 December 2013**

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/ No)
<b>Electricity Distribution Licence - Standard Licence Condition 5</b>				
Northern Powergrid	Appendix 7 and paragraph 3 of the Schedule to Appendix 7	<p>it is not clear to us why the 'new' elements of the licence fee that are being brought into the list in paragraph 5.1 of SLC5.1 of the electricity distribution licence are referenced in terms of being "the appropriate proportion of....." when all the constituent elements in the current version of the licence are referenced in terms of being "an amount that is the Relevant Proportion of .....". The result of this will be that the modified licence condition would list some constituents that were "the Relevant Proportion of" (with the definition of "Relevant Proportion" remaining as it currently is) and other constituents that were "the appropriate proportion of" (with no assisting definition). We cannot but infer that some difference of meaning must be intended, and would welcome clarification as to what that difference is.</p>	<p>We agree that different words have been used interchangeably and consider that this should be addressed.</p> <p>We have amended condition 5.1 to ensure consistency. References to 'Relevant Proportion' have been amended to 'Appropriate Proportion'.</p> <p>In relation to the use of the words 'appropriate proportion' this is consistent with the wording used in the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014</p>	Yes
Northern Powergrid	Appendix 7 and paragraph 3 of the Schedule to Appendix 7	<ul style="list-style-type: none"> <li>In the 1<sup>st</sup> line of new subparagraph 5.1(e), the 2<sup>nd</sup> line of new subparagraph 5.1(f), the 2<sup>nd</sup> line of new subparagraph 5.1(h), the 2<sup>nd</sup> line of new subparagraph 5.1(i) and the 2<sup>nd</sup> line of new subparagraph 5.1(j) the word</li> </ul>	This use of 'which' reflects the wording of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in	No

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
		<p>'which' should be changed to 'that', as the pronoun introduces a defining, rather than a non-defining, clause. This would achieve consistency with the correct usage in the 1<sup>st</sup> line of existing subparagraph 5.1(a) and in the 1<sup>st</sup> line of existing subparagraph 5.1(l), which is subparagraph 5.1(g) in the current licence.</p> <ul style="list-style-type: none"> <li>• Errors in the existing (ie unmodified) wording of SLC5 that could usefully be dealt with at this opportunity are: <ul style="list-style-type: none"> <li>○ In the 1<sup>st</sup> and 3<sup>rd</sup> lines of existing subparagraph 5.1(d), the word 'which' should be changed to 'that'.</li> <li>○ In the 1<sup>st</sup> and 2<sup>nd</sup> lines of existing subparagraph 5.1(g), which is subparagraph 5.1(e) in the current licence, the word 'which' should be changed to 'that'.</li> <li>○ In the 1<sup>st</sup> line of existing subparagraph 5.1(k), which is subparagraph 5.1(f) in the current licence, the word 'which' should be changed to 'that'.</li> <li>○ In the 1<sup>st</sup> line of existing subparagraph 5.1(m), which is subparagraph 5.1(h) in the current licence, the word 'which' should be changed to 'that'.</li> <li>○ In the 2<sup>nd</sup> line of subparagraph 5.1(k), which is subparagraph 5.1(f) in the current licence, the word 'the' should be deleted immediately before 'Citizens Advice'.</li> <li>○ In the 2<sup>nd</sup> line of</li> </ul> </li> </ul>	<p>relation to Estate Agents etc) Order 2014 and the Utilities Act 2000</p> <p>This use of 'which' reflects the wording of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014 and the Utilities Act 2000.</p> <p>Agreed</p>	<p>No</p> <p>Yes</p>

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
		<p>subparagraph 5.1(i)(i), which is subparagraph 5.1(g)(i) in the current licence, the word 'to' should be inserted between 'Schedule 7' and 'the Act'.</p> <ul style="list-style-type: none"> <li>○ In the 2nd line of subparagraph 5.1(m)(i), which is subparagraph 5.1(h)(i) in the current licence, 'sub-paragraphs' should be 'subparagraphs'.</li> </ul>	<p>Agreed</p> <p>The reference to 'sub-paragraphs' is consistent with the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014 and the Utilities Act 2000.</p>	<p>Yes</p> <p>No</p>
<b>licence fee cost recovery principles document</b>				
Scottish Power	Appendix 9	We notice that there are still a few references made within the Licence Fee Principles Document to energywatch, which was abolished in 2008 and replaced with the National Consumer Council. We wonder if, for completeness, it would be appropriate to change any such references to energywatch within the principles document.	Under the Consumers, Estate Agents and Redress Act 2007, the Utilities Act 2000 was amended to include a reference to the recovery of the expenses of the Secretary of State which relate to the abolition of the Gas and Electricity Consumer Council (energywatch). This amendment is still extant and is therefore retained in the licence fee principles, and sub-paragraph 5.1(g) of the Standard Licence Conditions.	No
Scottish Power	Appendix 9	We note that the principles refer to the 'appropriate proportion' of expenses in certain cases, whereas the licence conditions specifically refer to the Relevant	We agree that different words have been used interchangeably and consider that this	Yes

Appendix 7

Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/ No)
		Proportion. It is not clear what, if any, difference exists between these terms. It would be helpful if Ofgem could clarify its intentions here.	should be addressed.  We have amended the licence fee cost recovery principles document to ensure consistency. References to 'Relevant Proportion' have been amended to 'Appropriate Proportion'.	
UK Power Networks	Appendix 9	In appendix 9 (Licence Fee Cost Recovery Principles), footer number 1 on page 7 (penultimate bullet) is in the wrong place. The footer expands on "appropriate proportion" but currently cross references to a paragraph on "appropriate proportion". We believe it should be linked to the first full bullet on page 9 (starting "the appropriate proportion of the expenses of Citizens Advice....")	Footer number 1 is referencing to a paragraph on "appropriate proportion". We do agree that the footnote number should be linked to the first bullet.	Yes
National Grid	Appendix 9, paragraph 1.2	Amendments suggested in red to reflect the relevant cross-references:  Under the Standard Licence Condition (SLC) entitled 'Payments by Licensee to the Authority' (SLC 3 in gas transportation licences and SLC A4 in electricity transmission licences) and SLC 5 'Licensee's payments to the Authority' in the electricity distribution licences), the amount to be paid annually by the licensee is a 'relevant proportion' of the amounts specified in paragraphs 2(a)–2(aj) of the gas transportation SLCs, paragraphs 3(a) – 3(l) of the electricity transmission SLCs,	We agree with the amendments relating to cross-references, suggested in red.	Yes



Comment From	Reference in the statutory consultation Notice	Comment	Ofgem Response and (where appropriate) the reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
		paragraphs 5.1(a) -5.1( <del>g</del> ) of the electricity distribution SLC; and an adjustment by reference to the actual costs of the previous year in paragraph 2( <del>h</del> <u>m</u> ) of the gas transportation, <b>paragraph 3(m) of the</b> electricity transmission SLCs, and paragraph 5.1( <del>h</del> <u>m</u> ) of the electricity distribution SLC.		
National Grid	Appendix 9	The financial year referred to in the second to last line should refer to 2014-15 rather than 2013-14.	Agreed	Yes

### Additional modifications

Reference in the statutory consultation Notice	Ofgem's additional comment	The reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
<b>Electricity Distribution Licence - Standard Licence Condition 5</b>			
Appendix 7 and paragraph 3 of the Schedule to Appendix 7	We note that there is inconsistency between the use of the words 'expenses' and 'estimated costs' in conditions 5.1(a) – 5.1(l).	<p>We consider that the different words have been used interchangeably and consider that this should be addressed.</p> <p>In respect of the inconsistency over the use of 'expenses' and 'estimated costs', we consider that 'costs' should be used. We have amended condition 5 accordingly.</p> <p>The definitions of 'costs' has been amended to reflect the amendments.</p>	Yes
Appendix 7 and	The definition of 'Costs' does not include reference to Ofgem's licence	We consider that it is necessary to amend the	Yes

Reference in the statutory consultation Notice	Ofgem's additional comment	The reasons for differences between the modifications and those set out in the statutory consultation	Change made to licence (Yes/No)
paragraph 3 of the Schedule to Appendix 7	fee cost recovery principles document.	<p>definition of 'Costs' in condition 5.5 to include the following:</p> <p>(a) <u>the costs of the Authority calculated in accordance with the principles determined by the Authority for the purpose of this condition generally (after consultation with the licensee and others likely to be affected by the application of such principles) and notified to the licensee;</u></p> <p>We consider that this provides greater clarity and is consistent with the definition of 'costs' in the equivalent condition in the gas transporter licence conditions and the electricity transmission licence conditions.</p>	
Appendix 7 and paragraph 3 of the Schedule to Appendix 7	In relation to the definition of 'Costs' set out in paragraph 5.5 we consider that the words 'the National Consumer Council' should be removed.	The costs associated with the National Consumer Council once it is abolished will fall to the Secretary of State. These will be recovered in accordance with the provisions set out in condition 5.1 reflecting the amendments of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014	Yes

### Schedule 3

#### **Standard Condition 1, 5, 11, 22 and 44 of each Electricity Distribution licence is modified in the manner set out in paragraph 1 to 7 of this Schedule 3.**

1. In Standard Condition 1 (Definitions for the standard conditions) paragraph 1.3 (Definitions in alphabetical order) in the definition of "National Consumer Council" at the end add 'in the version before it was substituted by paragraph 12 of Part 1 (Amendments to Acts) of Schedule 1 of the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014.'
2. In Standard Condition 1 (Definitions for the standard conditions) paragraph 1.3 (Definitions in alphabetical order) after the definition of "Charging Methodology" and before the definition of "Conditions" insert:

Citizens Advice                                      means the National Association of Citizens Advice Bureaux;

Citizens Advice Scotland                      means the Scottish Association of Citizens Advice Bureaux;

3. In respect of Standard Condition 5: Licensee's payment to the Authority, the proposed insertions are shown underlined and the proposed deletions are crossed through as follows:

#### **Condition 5. Licensee's payments to the Authority**

##### **Determination of amounts**

- 5.1 In respect of each Regulatory Year at the beginning of which the licensee holds this licence, the licensee must pay to the Authority the total of:
  - (a) an amount that is the Relevant Appropriate Proportion of the Estimated Costs of the Authority during the year in question;
  - (b) ~~an amount that is the Relevant Proportion of the Estimated Costs of the National Consumer Council during the year in question (including expenses which relate to its establishment but not expenses within paragraph (d)) that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;~~
  - (c) ~~an amount which is the Relevant Proportion of the Estimated Costs of the Secretary of State which relate to the establishment of the National Consumer Council during the year in question that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;~~
  - (b) the Appropriate Proportion of the expenses Costs of Citizens Advice (including expenses relating to taking on functions transferred from the

National Consumer Council but not including expenses within paragraph (e));

- (c) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of Citizens Advice Scotland (including expenses relating to taking on functions transferred from the National Consumer Council but not including expenses within paragraph (f));
- (d) an amount which is the ~~Relevant~~ ~~Appropriate~~ Proportion of any ~~Estimated~~ Costs of ~~the National Consumer Council~~, the Secretary of State or the Gas and Electricity Consumer Council during the year in question which relate to a transfer scheme made in respect of the Gas and Electricity Consumer Council under section 35(2)(a) or (7) of the Consumers, Estate Agents and Redress Act 2007;
- (e) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of Citizens Advice which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
- (f) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of Citizens Advice Scotland which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
- ~~(e)~~(g) an amount which is the ~~Relevant~~ ~~Appropriate~~ Proportion of the ~~Estimated~~ Costs of the Secretary of State which relate to the abolition of the Gas and Electricity Consumer Council during the year in question;
- (h) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of the Secretary of State which relate to the abolition of the National Consumer Council and the transfer of functions to Citizens Advice and Citizens Advice Scotland;
- (i) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of the Secretary of State which relate to the transfer of functions and the conferring of functions on Citizens Advice and Citizens Advice Scotland by the Public Bodies (Abolition of the National Consumer Council and Transfer of the Office of Fair Trading's Functions in relation to Estate Agents etc) Order 2014 (S.I. 2014/...);
- (j) the ~~A~~appropriate ~~P~~proportion of the ~~expenses~~ ~~Costs~~ of the Secretary of State which relate to a transfer scheme made in respect of the National Consumer Council under section 23 of the Public Bodies Act 2011;
- ~~(f)~~(k) an amount which is the ~~Relevant~~ ~~Appropriate~~ Proportion of the ~~Estimated~~ Costs of ~~the~~ Citizens Advice or Citizens Advice Scotland on, or in connection with, the support of any qualifying consumer advice scheme that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers;

~~(g)~~(l) an amount that is the Relevant Appropriate Proportion of the Estimated Costs of the Secretary of State during the year in question in respect of –

(i) payments made by the Secretary of State by virtue of paragraph 4(2) or (2A) of Schedule 7 to the Act (payments relating to meter examiners);

(ii) any other costs incurred by the Secretary of State in performing functions conferred by Schedule 7 to the Act or by electricity meter regulations (as defined in section 95(5) of the Energy Act 2008);

and

~~(h)~~(m) an amount which is the Relevant Appropriate Proportion of the difference (being a positive or negative amount), if any, between:

(i) any costs estimated by the Authority in the previous Regulatory Year under sub-paragraphs (a) to ~~(g)~~(l); and

(ii) the actual costs of the Authority, the National Consumer Council, Citizens Advice or Citizens Advice Scotland, as the case may be and the Secretary of State (~~including Citizens Advice or Citizens Advice Scotland~~) for the previous Regulatory Year.

### Payment of amounts

5.2 The total amount determined in accordance with paragraph 5.1 must be paid by the licensee to the Authority in two instalments:

(a) the first of which must be paid by 30 June in each year, if the Authority gives the licensee Notice of the amount of that instalment by 31 May in the year; and

(b) the second of which must be paid by 31 January in each year, if the Authority gives the licensee Notice of the amount of that instalment by 1 January in the year.

5.3 If the Authority does not give the licensee Notice of the amount of the instalment by 31 May or (as the case may be) 1 January in the year, the licensee must pay the amount in question within 30 days after the date on which the Authority does give such Notice to the licensee.

5.4 If the licensee does not pay the amount determined in accordance with paragraph 5.1 within 30 days after the relevant payment date referred to in paragraph 5.2 or 5.3, it must with effect from that date pay simple interest on the amount:

(a) at the rate which is from time to time equivalent to the base rate of NatWest Bank plc; or

- (b) if there is no rate equivalent to the base rate of NatWest Bank plc, the base rate of an equivalent institution designated by the Authority for this purpose.

### Interpretation

5.5 For the purposes of this condition:

**Estimated Costs** means costs estimated by the Authority as likely to be or likely to have been:

(a) the costs of the Authority calculated in accordance with the principles determined by the Authority for the purpose of this condition generally (after consultation with the licensee and others likely to be affected by the application of such principles) and notified to the licensee;

(b) ~~(a)~~ the costs of ~~the National Consumer Council and~~ Citizens Advice or Citizens Advice Scotland, as the case may be; and

(c) ~~(b)~~ the costs of the Secretary of State; ~~(including Citizens Advice or Citizens Advice Scotland);~~

**Relevant Appropriate Proportion** means the proportion of the costs that are attributable to the licensee in accordance with principles that the Authority has determined for the purposes of this condition generally (after consulting the licensee and others likely to be affected by the application of such principles) and has notified to the licensee.

4. In Standard Condition 11 (Reporting on performance) paragraph 11.1 (Licensee's obligations) substitute 'the Consumer Council' with 'Citizens Advice and Citizens Advice Scotland'.
5. In Standard Condition 11 (Reporting on performance) paragraph 11.3 (Reporting format and timeframes) substitute 'the Consumer Council' with 'Citizens Advice and Citizens Advice Scotland'.
6. In Standard Condition 22 (Distribution Connection and Use of System Agreement) paragraph 22.5(a) (Part B: Principles for making a modification to the DCUSA) substitute 'the Consumer Council' with 'Citizens Advice and Citizens Advice Scotland'.
7. In Standard Condition 44 (Regulatory Accounts) paragraph 44.15(a) (Publication and provision of Regulatory Accounts) substitute 'the National Consumer Council' with 'Citizens Advice and Citizens Advice Scotland'.