



Making a positive difference
for energy consumers

Company Secretary
UK Power Networks
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Direct Dial: 020 7901 7165
Email: hannah.nixon@ofgem.gov.uk

Date: 16 January 2014

Dear Sir/Madam,

Request by UK Power Networks in relation to Consent under Standard Licence Condition (SLC) 14.2(a) of the Electricity Distribution Licence not to comply with the approved Charging Methodology in preparing the Use of System Charging Statements for 2014-15 and 2015-16

Your letter to me of 6 December 2013 confirmed your request for consent in relation to three of your DNOs (UKPN London Power Networks plc, South Eastern Power Networks plc and UK Power Networks (IDNO) Ltd). This was for consent under SLC 14.2 for your Use of System Charging Statements for 2014-15 and 2015-16. This involves the above statements being prepared in a way other than in accordance with your approved charging methodologies. This is so that you can add an annex to your Charging Statement that facilitates your bringing forward to 2014-15 a reduction in charges to domestic customers as highlighted by government's announcement of 2 December 2013. That announcement made clear that the DNO proposal was voluntary and might differ between DNOs. It is your decision to apply for this consent for three of your four licence holding companies.

Your proposal is to provide a uniform discount of £9.00 per domestic customer to the Fixed Charge for domestic customers as defined in the charging methodologies in the charging year 2014/15. Your request involves adjustment of the same charge for the same customers in 2015-16 to recover the lost 2014-15 revenue through 2015-16 base revenue.

We have considered your request and are satisfied that on this one off basis we will grant the consents. We cannot make a future commitment in relation to SLC 19 but in making the decision to grant the consents, we recognise that the same classes of customers are affected by both the bringing forwards of the reduction and the later adjustment(s). Therefore, in accordance with SLC 14.2(a) we consent to the proposal to not comply with the approved charging methodology for 2014-15 and 2015-16 as set out in your request on the same terms. We request that you publish your proposal along with this consent on your website.

We have also considered the request within the letter to the Authority to apply its discretion in respect to interest charges applicable to any under-recovery. We agree in this instance it would be inappropriate for you to face higher interest charges if warranted through the rest of the regulatory framework.

We recognise that the Government confirmed in its statement of 2 December 2013 that it had talked to major suppliers who had undertaken to pass the impacts onto end customers. We are mindful that the benefit to customers is wholly dependent upon the discount being passed through to the customers by their respective suppliers. This is why we are keen that you are fully transparent about the change. We request that you make all details of your

proposal readily available to suppliers, customers and other relevant parties alongside this consent.

Please note that this change sets no precedent for future regulatory decisions and is made specifically in the context of the recent Government announcement and the positive way DNOs and others have responded to this arrangement. We are facilitating the proposal through minimal changes required to enable it to be effective.

If you wish to discuss this consent please contact Iain Morgan (iain.morgan@ofgem.gov.uk) in the first instance.

Yours,

Hannah Nixon
Senior Partner - SG&G: Distribution, Ofgem

cc Iain Morgan, Ofgem