



STATEMENT OF USE OF SYSTEM CHARGING METHODOLOGY
FOR INDEPENDENT POWER NETWORKS LIMITED

This statement is effective from 1st April 2008

Independent Power Networks Limited,
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Registered No.: 4935008

STATEMENT OF THE BASIS OF CHARGES FOR USE OF INDEPENDENT POWER NETWORKS LTD'S DISTRIBUTION SYSTEM

Introduction

Independent Power Networks Ltd (IPNL) is a wholly owned subsidiary of the of The Gas Transportation Company Limited (GTC). ENC is authorised by an electricity distribution licence ("the Licence") granted pursuant to Section 6(1)(c) of the Electricity Act 1989 "the Act" to distribute electricity across Great Britain. The company was granted a Licence to distribute electricity in Great Britain on 3rd September 2004.

The Statement has been prepared by IPNL in accordance with the requirements of Standard Condition 13 of its electricity distribution licence, granted under the Electricity Act 1989, as amended by the Utilities Act 2000, the Sustainable Energy Act 2003 and the Energy Act 2004 ("the Act"). Words and expressions used in this statement shall have the meaning given to them in the Act and in the electricity licence and shall be construed accordingly.

It describes the methodology that IPNL uses to set charges for customers connected to its electricity distribution system.

IPNL's charging statements on:

- Use of system (UoS) Charges (SLC14); and
- Connections Charging Methodology and Statement (SLC14); and
- Meter Point Administration Charges (SLC18) Miscellaneous Service Charges

are published separately.

If you need to contact us regarding any aspect of this document please write to, email, or telephone our Regulation Department at:

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Licence Condition Objectives

Standard Condition 13 of the Licence requires that IPNL:

"...prepare a statement of a use of system charging methodology, approved by the Authority, that achieves the relevant objectives",

"comply with the use of system charging methodology",

"review the use of system charging methodology at least once in every year" and,

"make such modifications (if any) of the use of system charging methodology as are necessary for the purpose of better achieving the relevant objectives".

Standard Condition 13 sets out the relevant objectives as being:

- a) that compliance with the use of system charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- b) that compliance with the use of system charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
- c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its distribution business; and
- d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business.

Changes to this statement

Before making any modifications to this statement IPNL must submit a proposal to the Authority setting out the details of the proposed modification and how its implementation will enable the methodology to better achieve the relevant objectives.

Price Control

IPNL is subject to a relative price control mechanism as described in amended standard condition BA1 of the Licence. This requires that IPNL sets charges for use of system "so that, except with the prior written consent of the Authority, the standing charge, unit rate and any other components of charges shall not exceed the distribution use of system charges to equivalent domestic customers".

Charging Methodology

For domestic customers IPNL's charging methodology is to set the structure and prices for its use of system tariffs so that they replicate the equivalent use of system tariffs of the host DNO for each distribution services area in which IPNL operates. Domestic tariffs are generally applicable only to premises used exclusively as single private dwellings supplied from the LV network with a maximum power of less than 20kVa.

For non-domestic demand customers, and for customers with generation who export electricity onto IPNL's distribution system, with the exception of the situations set out below, IPNL will generally set its use of system charges so that the charges replicate the charges of the

equivalent use of system tariffs of the host DNO for each distribution services area in which IPNL operates.

a) Where a DNO's NHH non-domestic tariff has a more complex structure that does not facilitate billing by settlement class (i.e. it includes capacity/demand charge components), IPNL will put in place a simpler tariff structure that has the objective to recover the overall charge as would be recovered by the host DNO tariff.

b) For HH billed customers IPNL generally sets its use of system charges so that the charges replicate the charges of the host DNO for each distribution services area in which IPNL operates. In calculating highest maximum demand and reactive units and the charging of excess capacity and excess reactive power charges IPNL will apply a consistent methodology across all host DNO distribution service areas. The method of calculating highest maximum demand and reactive units and any excess is set out in the 'Statement of Charges for Use of Independent Power Networks Limited's Electricity Distribution Network'.

Charges for services not recovered through the DUoS tariffs

IPNL provides certain services that are ancillary to the provision of use of system and for which the costs are not recovered through use of system tariffs. Charges for such services will be made on a transactional basis. The charges for such services are outside the scope of this statement.

Loss adjustment factors

Any EHV loss adjustment factors will be calculated on a site-specific basis. In calculating the IPNL component the site-specific loss adjustment factors IPNL will adopt the methodology used by the host DNO for each distribution services area in which IPNL operates.

For connections at voltages other than EHV IPNL will adopt the loss adjustment factors of the host DNO for each distribution services area in which IPNL operates.
