

Statement of Use of System Charging Methodology for The Electricity Network Company Limited

Effective from: October 2008

About this Statement

The Electricity Network Company Limited (ENC) is a wholly owned subsidiary 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.

This statement is produced in accordance with Standard Condition 13 of ENC's Licence and describes the methodology that ENC uses to set charges for customers connected to its electricity distribution system. Unless stated otherwise, words and expressions in this statement shall have the meaning given to them in the Act and the Licence.

This statement has been approved by the Gas and Electricity Markets Authority ("the Authority").

If you have any questions about the application of this statement please contact:

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Licence Condition Objectives

Standard Condition 13 of the Licence requires that ENC:

“...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 ENC must submit a proposal to the Authority setting out the details of the proposed modification and how implementing the modification enables the methodology to better achieve the relevant objectives.

Price Control

ENC is subject to a relative price control mechanism as described in amended standard condition BA2 of the Licence. This requires that ENC produce charges for use of system *“so that, except with the prior written consent of the Authority, the standing charge, unit rate and any other component of charges shall not exceed the distribution use of system charges to equivalent domestic customers.”*

Charging Methodology

For domestic customers ENC's charging methodology is to set the structure and prices in 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 ENC operates.

For Non-Domestic, Half Hourly and generation customers who export electricity onto ENC's distribution system, the charging methodology is to replicate the equivalent use of system tariffs of the DNO for each distribution services area in which ENC operates.

Loss Adjustment Factors

Where ENC's network connects to the transmission system via the networks of other licensed distributors operating within the same GSP group, the loss adjustment factors for connections other than EHV will be replicated to those of the host DNO.

EHV loss adjustment factors are calculated on a site specific basis. In calculating the ENC component of the EHV site specific loss adjustment factors ENC will adopt the methodology principles used by the host DNO for each distribution services area in which ENC operates.