

ET SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b> Amendment
<b>LICENCE CONDITION NUMBER:</b> <i>(if relevant):</i>	<b>SpC 3.19</b>
<b>TITLE:</b>	<b>Demand Related Infrastructure volume driver</b>
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> <i>(if any):</i>	
<b>RELEVANT ISSUES LOG:</b>	
<b>POLICY ISSUES</b>	
<ul style="list-style-type: none"> <li>SpC 3.18</li> </ul>	<ul style="list-style-type: none"> <li>The effect of this condition is to adjust allowance down if for e.g. a baseline project is not delivered. For baseline projects that are also subject to a PCD, the PCD would do the same. Currently, it's unclear how these mechanisms are going to interact.</li> </ul>
<ul style="list-style-type: none"> <li>Disapplication of Licence Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Separated one SpC into two, 3.9 and 3.19. this is for additional schemes and have UCAs for MVA etc.</li> </ul>
<ul style="list-style-type: none"> <li>Introduction</li> </ul>	<ul style="list-style-type: none"> <li>There should be a definition of what the term DRIt actually is, similar to what's in the current licence para 6L.2. In the proposed drafting, it's unclear whether this is baseline expenditure for Demand Connection in any Regulatory Year t or for e.g. just the year on year change.</li> </ul>
<ul style="list-style-type: none"> <li>Para 3.18.2</li> </ul>	<ul style="list-style-type: none"> <li>Reword as follows 'The effect of this condition is to adjust revenue to fund the licensee for changes in Demand Connection relative to baseline allowances.</li> <li>Remove reference to 'Delivered Demand Connection Capacity' and delete the defined term which is no longer used anywhere else.</li> </ul>
<ul style="list-style-type: none"> <li>Demand Connection Capacity definition</li> </ul>	<ul style="list-style-type: none"> <li>To be expanded to include non-standard connections that do not deliver export capacity, e.g. DNOs requesting a bay at an existing substation. These are to be funded through the revenue driver. Without this amendment these connections will have zero funding.</li> <li>Also the definition refers to the offtake capacity, but this is ambiguous. The volume driver used the sum of the 'name plate' ratings of the SGTs installed.</li> </ul>

<ul style="list-style-type: none"> <li>Para 3.19.4 AGOt</li> </ul>	<ul style="list-style-type: none"> <li>This refers to 'actual' demand capacity which is not defined.</li> <li>Reward as the term means the actual Demand Connection Capacity 'Delivered' as at 31 March in Regulatory Year t;</li> <li>Add definition for 'Delivered' to qualify the actual volumes of demand connected – see definition of 'Delivered' in the current licence.</li> </ul>
<ul style="list-style-type: none"> <li>Para 3.19.3 OEt</li> </ul>	<ul style="list-style-type: none"> <li>This is an input into DRI - it refers to a calculation but not all the inputs have been defined (e.g. what capex is used in the calculation) and therefore the calculation cannot be made. In addition, there is duplication, as the same term and calculation is used in several licence conditions. [Note it is not calculated in the PCFM]</li> </ul>
<ul style="list-style-type: none"> <li>Para 3.19.3 VDRIt</li> </ul>	<ul style="list-style-type: none"> <li>In the current drafting the derivation of the VDRIt is in paragraph 3.19.4, not para 3.23.4</li> </ul>
<b>DRAFTING ISSUES</b>	
<b>FINANCE ISSUES</b>	
<ul style="list-style-type: none"> <li>SpC 3.18</li> </ul>	<ul style="list-style-type: none"> <li>Not clear how DRIt terms flows through the PCFM</li> <li>Need to establish if condition is in line with revised AIP and implement revenue forecast policy</li> </ul>
<b>SUPPORTING INFORMATION</b>	
<b>OFGEM ENGAGEMENT:</b>	