

**Schedule 3 – Proposed Article 17
modifications to the main body of the
Distribution Licence**

Condition 19. Distribution System Security and Planning Standards and Operation of the Distribution System

System Security and Planning

- 1 The Licensee shall plan, develop and maintain and operate (including, without limitation and where necessary, coordinating the flow of electricity over) the Distribution System in accordance with:
 - (a) the Distribution System Security and Planning Standards; and/or
 - (b) such other standard of planning and operation as is adopted, from time to time, by the Licensee (with the approval of the Authority and following consultation with those electricity undertakings liable to be materially affected thereby),in each case as appropriate to the purpose under consideration.

- 2 Where, in planning the development of the Distribution System, the Licensee considers it might be necessary to upgrade or replace the present and/or future capacity of the Distribution System, it shall before deciding to proceed with any such upgrade or replacement consider whether, in the circumstances of the case, energy efficiency, demand-side management or distributed generation measures may (whether in whole or in part) be more appropriate than the proposed upgrade or replacement of the present or future capacity.

Maintenance of the Distribution System

- 3 The Licensee shall, not later than such date as the Authority may specify and in consultation with the Authority, prepare and from time to time modify a written policy setting out the manner in which the Licensee proposes to comply, in connection with the maintenance of an efficient, economical and co-ordinated Distribution System, with all applicable European Union and United Kingdom environmental laws. Such written policy may be prepared as a constituent part of the statement which the Licensee is required to prepare by paragraph 2(1) of schedule 9 of the Order.

System Balancing Rules

- 4 The Licensee shall, where it is responsible for the balancing of the Distribution System, ensure that it carries out any such activity on the basis of, and in accordance with, rules it adopts for such purpose which rules:
 - (a) are objective and transparent;
 - (b) do not unduly discriminate between any persons; and
 - (c) are approved by the Authority,

(the **System Balancing Rules**).

5 Where paragraph 4 applies, the Licensee shall:

- (a) ensure that the System Balancing Rules are published on and readily accessible from the Licensee's web-site; and
- (b) send a copy of the System Balancing Rules to any person requesting as soon as reasonably practicable following the request.

System Support Services

6 Where the Licensee purchases or otherwise acquires System Support Services from any person (as necessary or appropriate to enable it to discharge its obligations under the Order, the Energy Order, the SEM Order and the Licence), it shall do so:

- (a) from the most economical sources available to it, having regard to:
 - (i) the quantity and nature of the System Support Services that are required by it to enable the discharge of its obligations under the Order, the Energy Order, the SEM Order and the Licence;
 - (ii) the diversity, number and reliability of such System Support Services that are at that time available for purchase or acquisition;
 - (iii) its obligations under the Distribution Interface Arrangements;
 - (iv) the quantity and nature of services that are purchased or acquired by the Transmissions System Operator in accordance with Condition 29 of the Transmission System Operator Licence; and
- (b) in a manner which does not:
 - (i) show any undue preference to, or unduly discriminate between, any person or class or classes of persons;
 - (ii) prevent, restrict or distort competition in the availability of, or in any of the markets for, System Support Services to the detriment of electricity consumers.

7 The licensee shall:

- (a) following consultation with persons from whom it may purchase or acquire System Support Services and with the Transmission System Operator, prepare and submit to the Authority for its approval, a document that sets out the principles and criterion the licensee will follow in establishing procurement processes and procedures that

meet the requirements of paragraph 6 (the **Procurement Principles**);

(b) establish and at all times have in force, implement and comply with such procurement processes and procedures as will facilitate the licensee's compliance with the requirements of paragraph 6 (the **Procurement Procedures**); and

(c) publish on its website, and send free of charge to any person requesting, an up to date copy of the Procurement Principles and the Procurement Procedures.

Revision of Arrangements

8 The Licensee shall, in conjunction with all other Electricity Distributors and in consultation with electricity undertakings to the extent such persons are liable to be materially affected thereby, periodically (and at any time when requested to do so by the Authority) review the Distribution System Security and Planning Standards and their implementation.

9 Following any such review, the Licensee shall send to the Authority:

(a) a report on the outcome of that review;

(b) any revision which the Licensee proposes to make to the Distribution System Security and Planning Standards from time to time (having regard to the outcome of that review); and

(c) any written representations or objections from electricity undertakings (including any proposals for revisions to the documents that were not accepted in the course of the review) arising during the consultation process and subsequently maintained.

10 Revisions to the Distribution System Security and Planning Standards proposed by the Licensee and sent to the Authority pursuant to paragraph 9 shall require the Authority's approval before they may be made.

11 Having regard to any written representations or objections referred to in sub-paragraph 9(c), and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the Licensee to revise the Distribution System Security and Planning Standards in such manner as may be specified in the directions, and the Licensee shall comply with any such directions forthwith.

Performance Standards

12 The Licensee shall, whenever requested to do so by the Authority, draw up and submit to the Authority for its approval a statement setting out criteria by which performance of the Licensee in maintaining Distribution System security, availability and quality of service may be measured.

- 13 The Licensee shall within 2 months after the end of each financial year submit to the Authority a report providing details of the performance of the Licensee during the previous financial year against the criteria referred to in paragraph 12. The report shall provide forecasts in terms of the performance against the criteria referred to in paragraph 12, for the period to 30 September 2017, in light of the Licensee's recent and planned network investment, along with an explanation of any shortfalls in performance against its forecasts. The Licensee shall also publish on an annual basis a copy of the report on its website.

Derogation

- 14 The Authority may from time to time (following consultation with the Licensee, (to the extent liable to be materially affected thereby) any electricity undertaking and such (if any) other licence holders as the Authority shall consider appropriate) issue directions relieving the Licensee of its obligations under paragraph 1 in respect of such parts of the Distribution System and to such extent as may be specified in the directions.

Publication

- 15 The Licensee shall give or send a copy of the Distribution System Security and Planning Standards, and of any revision thereto, to the Authority. The Licensee shall also publish a copy of the document on its website.
- 16 The Licensee shall, subject to paragraph 17, give or send a copy of any of the Distribution System Security and Planning Standards to any person requesting it.
- 17 The Licensee may make a charge for any copy given or sent pursuant to paragraph 16 of an amount reflecting the Licensee's reasonable costs of the document which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Authority.

Definitions

- 18 In this Condition:

<p>System Support Services</p>	<p>○ means:</p> <p>(a) spinning reserve, fast start, reactive power, frequency control and such other services as any authorised electricity operator may be required to have available as system support services in association with any generation set pursuant to the Distribution Code or the Grid Code, including outage planning incentive</p>
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	<p>arrangements;</p> <p>(b) any services relating to a reduction of demand or to other demand side measures that can be taken by a final consumer (or any persons acting on behalf, and with the authority, of a final consumer); and</p> <p>(c) any services that an electricity undertaking may have agreed to have available as system support services in its capacity as an electricity undertaking pursuant to an agreement made with the Licensee,</p> <p>and which may be required by, or are available or offered (whether by way of sale or otherwise) to, the Licensee for the purpose of securing stability of operation on the Distribution System and/or the systems linked to the Distribution System.</p>
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