

**THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION**  
**DECISION UNDER ARTICLE 14(8) OF THE ELECTRICITY (NORTHERN IRELAND)**  
**ORDER 1992**

**MODIFICATIONS OF THE LICENCE HELD BY POWER NI ENERGY LTD TO SUPPLY**  
**ELECTRICITY**

In accordance with Article 14(2) of the Electricity (Northern Ireland) Order 1992 (“**the Order**”) the Northern Ireland Authority for Utility Regulation (“**the Authority**”) published on 22 November 2023 a notice (“**the Consultation Notice**”) of its intention to modify a condition of the electricity supply licence (“**the Licence**”) held by Power NI Energy Limited (“**the Licensee**”).

The modifications proposed were published alongside the Consultation Notice.

In accordance with Article 14(5) of the Order, the Authority has now considered the representations duly made to it following the publication of the Consultation Notice and has decided to proceed with the making of modifications of the conditions of the Licence, in exercise of its powers under Article 14(1) of the Order.

In accordance with Article 14(8) of the Order, the Authority hereby gives notice as follows:

- 1 The Authority has decided to proceed with the making of the modifications proposed of the conditions of the Licence, in exercise of its powers under Article 14(1) of the Order.
- 2 The modifications are to the supply charges restriction as set out in Annex 2 (to Condition 55) of the Licence. The modifications are shown in the revised version of Annex 2 as set out in Schedule 1 to this notice.
- 3 The effect of the modifications is to:
  - (a) introduce a new sub-paragraph (m) to the  $E_t$  term, set out in paragraph 2 of the Annex, which provides for the Licensee to be able to recover the reasonable costs incurred by it in administering the provision and delivery of EBSS payments, and other associated requirements, as set out in the direction made on 22 December 2022 by the Secretary of State pursuant to section 22 of the Energy Prices Act 2022 (“**the Direction**”), subject to the Authority's determination as to the costs it considers to be reasonable and subject to the relevant costs not being recovered or recoverable by the Licensee under another part of the Licence, under any other licence, or under any other legal instrument (including the Direction); and
  - (b) make minor and consequential changes to the introductory text of the  $E_t$  term in paragraph 2 of the Annex to reference the new sub-paragraph (m) and to existing sub-paragraphs (j) to (l) to correct previous drafting.

- 4 The reasons why the Authority has decided to modify the Licence are as follows:
- (a) During the winter of 2022/23, the UK Government developed certain schemes (known as the Energy Bill Support Scheme (“**EBSS**”) schemes) to provide direct financial support to domestic consumers in light of increased energy costs. In Northern Ireland, this included schemes (known as the Energy Bill Support Scheme (“**EBSS**”) and Alternative Fuel Payment (“**AFP**”)), under which electricity suppliers were required under and in accordance with the Direction to make payments totalling £600 to each of their eligible domestic electricity consumers by direct transfers to bank accounts or by way of vouchers.
  - (b) The UK Government funded the amount of the EBSS payments made by electricity suppliers but did not fund the costs incurred by electricity suppliers in administering the EBSS schemes.
  - (c) The Licensee recovers its costs through the charges it levies on consumers and is the only Northern Ireland electricity supplier whose domestic charges are subject to a price control set by the Authority. Accordingly, its electricity supply charges for domestic consumers cannot exceed those calculated under the provisions and formulae of the price control, as set out in Annex 2 to Condition 55 of the Licence. The provisions of Annex 2 do not currently enable the Licensee to recover its costs of administering the EBSS schemes set out in the Direction and described above.
  - (d) The Authority considers it appropriate for the Licensee to be able to recover its reasonable costs incurred in administering the EBSS schemes as required by and set out in the Direction.
  - (e) The Authority is satisfied that the modifications involve changes which are best calculated to meet its statutory objectives and duties at Article 12 of the Energy (Northern Ireland) 2003, as it was in the interests of consumers in Northern Ireland to receive their EBSS payments and thereby in the interests of consumers for the Licensee to recover its reasonable costs, of ensuring that those payments were effectively administered and made, through its regulated tariffs.
5. On 22 November 2023, the Authority published a notice<sup>1</sup> stating that it intended to modify the Licence to allow for the introduction of a new  $E_t$  term as a result of the delivery of the Energy Bill Support Scheme (“**EBSS**”) and Alternative Fuel Payment. The purpose of this notice was to bring the proposed modifications to the attention of persons likely to be affected by them and invite representations or objections in connection thereto. The UR received two responses to the

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<sup>1</sup> [Notice under Article 14\(2\) of the Electricity \(NI\) Order 1992 for the Power NI Electricity Supply Licence | Utility Regulator \(uregni.gov.uk\)](#)

consultation notice, one from Power NI and one from the Consumer Council for Northern Ireland (“**CCNI**”). Power NI’s response welcomed the proposed modification. CCNI’s response recognised the UK Government did not fund the costs incurred by electricity suppliers to administer the Energy Bill Support Scheme and that Northern Ireland electricity suppliers will recover those costs through customer tariffs. Therefore, CCNI recognised that it is important that the Power NI regulated tariff also appropriately reflects the costs to administer the provision and delivery of the EBSS payments.

6. Consequently, there are no differences between the modifications which were subject to consultation by means of the Consultation Notice and the modifications which the Authority has (by virtue of this Article 14(8) notice) now determined to make to the conditions of the Licence.
7. The modifications are shown in mark-up, as detailed in the attached schedule 1, will now take effect from 1 April 2024.
8. The Authority has, pursuant to Article 14(8) of the Order, published this notice on its website and sent a copy of this notice to the Licensee. In addition, the Authority has provided a copy of this notice to the Department for the Economy (“**DfE**”) and the Consumer Council for Northern Ireland (“**CCNI**”).
9. A copy of the modification can be obtained in hard copy from:

Fiona Rooney  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast BT1 6ED

e-mail: [fiona.rooney@uregni.gov.uk](mailto:fiona.rooney@uregni.gov.uk)

and copying to

e-mail: [Electricity\\_Networks\\_Responses@uregni.gov.uk](mailto:Electricity_Networks_Responses@uregni.gov.uk)

Dated this 1 February 2024

Signed



Name John French

**Chief Executive**

**For and on behalf of the Northern Ireland Authority for Utility Regulation**

Cc: Leo Strawbridge - DfE  
William Steele - Power NI Energy Limited  
Raymond Gormley - CCNI

## SCHEDULE 1 – THE MODIFICATIONS

### Annex 2 – Supply Charge Restriction Conditions

#### 1. Definitions

##### 1.1 In this Annex:

<b>“average charge per unit supplied”</b>	means, in respect of each relevant year, the regulated supply revenue in that relevant year divided by the quantity supplied in that relevant year;
<b>“average specified rate”</b>	means the arithmetic mean of the daily base rates of Northern Bank Limited t/a Danske Bank (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made;
<b>“distribution services”</b>	means all services provided as part of the Distribution Business as defined in the Transmission Owner Licence, other than excluded services (as “excluded services” is defined in Annex 2 of the Transmission Owner Licence);
<b>“Enduring Solutions Project”</b>	means the project undertaken to migrate retail customers in Northern Ireland from legacy systems;
<b>“European Target Model Project”</b>	means the project being undertaken jointly by the Authority and the Republic of Ireland’s Commission for Energy Regulation to reform the Single Electricity Market to meet the provisions of the European Target Model (being the target model for the coordination and harmonisation of Europe’s electricity markets as further described in (i) the Framework Guideline on Capacity Allocation and Congestion Management for Electricity published by the Agency for the Cooperation of Energy Regulators in July 2011, and (ii) the Framework

	Guidelines on Electricity Balancing published by the Agency for the Cooperation of Energy Regulators in September 2012).
<b>“excluded services”</b>	means those services which in accordance with the principles set out in paragraph 6 fall to be treated as excluded services;
<b>“first relevant year”</b>	means the financial year commencing on 1 April 2014.
<b>“maximum average charge per unit supplied”</b>	means the charge calculated in accordance with paragraph 2;
<b>“metered”</b>	means, in relation to any quantity supplied, as measured by metering required pursuant to and defined in the Grid Code or (where no such meter is installed) as otherwise reasonably calculated;
<b>“quantity supplied”</b>	means, in respect of each relevant year, the aggregate quantity of units supplied to supply customers by the Licensee in that relevant year metered at grid supply points;
<b>“regulated premises”</b>	means any premises supplied by the Licensee, other than the following: (a) Non-Domestic Premises and (b) other premises as may be agreed by the Authority and the Licensee from time to time;
<b>“regulated supply revenue”</b>	means the revenue (measured on an accruals basis) derived from supply charges, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived;

<b>“relevant year”</b>	means a financial year commencing on or after 1 April 2014.
<b>“relevant year t”</b>	means that relevant year for the purposes of which any calculation falls to be made; “relevant year t – 1” means the relevant year preceding relevant year t or, in respect of the period prior to 1 April 2014 the period of 12 calendar months commencing on 1 April 2013, and similar expressions shall be construed accordingly;
<b>“renewable energy”</b>	means electricity generated from non-fossil fuel generating stations;
<b>“renewables obligation”</b>	means an obligation imposed on electricity suppliers in connection with the supply of electricity from renewable sources by any order made under Article 52 of the Energy Order;
<b>“renewables purchase obligation”</b>	means a level of renewable energy purchasing that the Supply Business must achieve in order to comply with its statutory obligation;
<b>“supply”</b>	excludes supply outside the Licensee's authorised supply area, standby, top-up and any other supplies or sales of electricity to persons other than supply customers; “supplied” and similar expressions shall be construed accordingly;
<b>“supply charge restriction conditions”</b>	means the provisions of this Annex as from time to time modified or replaced in accordance therewith or pursuant to any relevant legislation;
<b>“supply charges”</b>	means all charges (including any element of such charges as reflects amounts paid, or to be paid, by the Licensee for distribution services and transmission services, and any element of such charges as comprises standing charges) made in respect of electricity supplied to supply customers other than charges for the provision of excluded services;
<b>“supply customer”</b>	means a person who receives a supply of electricity from the Licensee at regulated

	premises;
<b>“supply contract”</b>	includes deemed supply contracts created pursuant to a former tariff customer scheme;
<b>“transmission services”</b>	means all services provided as part of the Transmission System Operator Business, as defined in the Transmission System Operator Licence; and
<b>“unit”</b>	means a kilowatt hour.

2. **Restriction of supply charges: basic formula**

The Licensee shall in setting its supply charges use its best endeavours to ensure that in any relevant year the average charge per unit supplied shall not exceed the maximum average charge per unit supplied. The maximum average charge per unit supplied shall be calculated in accordance with the following formula:

$$MSt = Gt + Ut + St + KSt + Jt + Et - Dt$$

where:

**MSt** means the maximum average charge per unit supplied in respect of relevant year t.

**Gt** means the unit costs incurred in the purchase of electricity in pence per unit supplied in relevant year t, derived by:

- (a) aggregating the amounts payable by the Supply Business to any person (including without limitation energy (SMP) charges, capacity charges, imperfections charges, currency exposure costs, market operator charges, contracts for differences and associated costs, de minimis generation export arrangement costs, NFFO generation purchases, and amounts payable to the “Eco Energy Tariff Trust Fund”) for the purchase of electricity (measured on an accruals basis) in respect of relevant year t (excluding any purchases made for purposes other than supply



to supply customers, and excluding Excess NIE Energy Supply Costs as defined under Annex 1),

subtracting

revenue in respect of relevant year t (measured on an accruals basis) derived by the Supply Business from the Single Electricity Market Trading and Settlement Code and from the settlement payments or receipts relating to supply customers under any contracts for differences entered into by the Supply Business, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived; and

- (b) dividing the resulting amount by the quantity supplied in relevant year t.

$U_t$  means the allowed transmission and distribution cost in pence per unit supplied in relevant year t, derived by:

- (i) aggregating the charges made against the Supply Business (measured on an accruals basis) in respect of relevant year t:  
(A) by the Distribution Business as defined in the Transmission Owner Licence, including in respect of distribution services, and (as approved by the Authority) other services and; (B) by the Transmission System Operator, including in respect of transmission services;
- (ii) attributing a proportion of such aggregate charges to supply customers in a manner approved by the Authority; and

- (iii) dividing the resulting amount by the quantity supplied in relevant year t.

$S_t$  means the allowed charge in pence per unit supplied to supply customers at regulated premises in relevant year t, which is derived from the following formula:

$$S_t = ((P_f + (P_c * C_t) - A_t) * P_t) / Q_{st}$$

where:

$P_t$  means an amount derived from the following formula:

$$P_t = (1 + (CPIH_t - X) / 100) * P_{t-1}$$

but, in relation to the first relevant year,  $P_{t-1}$  shall be equal to 1;

and, in each relevant year commencing on or after 1 April 2023, X shall equal 0;

$CPIH_t$  means the percentage change (whether a positive or negative value) in the Consumer Prices Index including owner occupiers' housing costs between that published or determined with respect to October in relevant year t and that published or determined with respect to the immediately preceding October;

$C_t$  means the number of supply customers on 30<sup>th</sup> September in relevant year t, determined in such manner as the Authority shall specify from time to time by notice to the Licensee;

Q<sub>st</sub> means the quantity supplied in relevant year<sub>t</sub>;

P<sub>f</sub> means £26,060,166;

P<sub>c</sub> means £22.13;

A<sub>t</sub> means:

(a) £5.696 million or, such other amount as reasonably determined by the Authority using the same methodology used to arrive at the amount of £5.696 million or such other methodology as approved by the Authority; plus

(b) £6.59 \*(R<sub>t</sub> – PN<sub>t</sub>)

where:

R<sub>t</sub> means the number of persons that are on 30<sup>th</sup> September in relevant year t registered as a customer on the Licensee's customer billing system, determined in such manner as the Authority shall specify from time to time by notice to the Licensee; and

PN<sub>t</sub> means the number of persons that are on 30<sup>th</sup> September in relevant year t persons in relation to whom the Licensee is the Registered Supplier (as defined in Condition 27 of the Licence), determined in such manner as the Authority shall specify from time to time by notice to the Licensee.

K<sub>St</sub> means a correction factor in pence per unit supplied (whether a positive or negative value) to be applied to the average charge per unit supplied in relevant year t derived using the following formula:

$$K_{St} = ((Q_{St-1} * M_{St-1} - R_{St-1})/Q_{St}) (1 + I_t/100)$$

where:

$Q_{St-1}$  means the quantity supplied in relevant year t-1;

$M_{St-1}$  means the maximum average charge per unit supplied in relevant year t-1;

$R_{St-1}$  means the regulated supply revenue in relevant year t-

1;  $Q_{St}$  means the quantity supplied in relevant year t; and

$I_t$  means the average specified rate in respect of relevant year t.

$J_t$  means the buyout price (for one kilowatt hour) for the renewables obligation as published for relevant year t multiplied by the percentage (in the form 0.xx where 0.01 represents 1%) established as the renewables purchase obligation for relevant year t.

$D_t$  means in respect of the Licensee's costs in meeting its renewables obligation and/ or other cost specified by the Authority from time to time, in any relevant year in which the Authority and the Licensee have agreed a mechanism to reflect a sharing of any savings in such costs between the Licensee and its customers, the portion of the savings so agreed for the purposes of  $D_t$  divided by the quantity supplied in relevant year t, or, if there is no such agreed mechanism,  $D_t$  shall be zero.

$E_t$  means the allowed charge in pence per unit supplied in relevant year t derived by aggregating the costs referred to in paragraphs (a) – (m) below and dividing the resulting amount by the quantity supplied in relevant year t:

(a) any reasonable costs incurred by the Supply Business in complying

with the requirements imposed on the Licensee under legislation and other legal requirements through which Directive 2009/72/EC is implemented, whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or any other licence; plus

(b) any reasonable costs incurred by the Supply Business in complying with the requirements imposed on the Licensee under the arrangements for the Single Electricity Market (being the project described in the Memorandum of Understanding dated 23 August 2004 and made between the Authority and the Commission for Energy Regulation in Dublin), whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or under any other licence; plus

(c) any payments made to NIE Ltd in relation to costs of systems implemented for compliance with (i) the requirements imposed under legislation and other legal requirements through which Directive 2009/72/EC is implemented; and (ii) the requirements imposed under the arrangements for the Single Electricity Market (being the project described in the Memorandum of Understanding dated 23 August 2004

and made between the Authority and the Commission for Energy Regulation in Dublin); in both cases including annual depreciation and financing costs and whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or under any other licence; plus

(d) pension deficit costs of:

- (i) £400,000 per year, or
- (ii) such other amount, as reasonably determined by the

Authority and notified to the Licensee, which amount reflects and is calculated in accordance with:

- (A) a report submitted by the Licensee to the Authority setting out the results of the most recent triennial actuarial review undertaken by the Licensee, or
- (B) the regulatory principles, determined by the Authority and notified to the Licensee, as applicable (from the date specified in the Authority's determination) to the allowance of pension deficit costs; plus

(e) the amounts apportioned or allocated to the Supply Business in respect of the fees paid by the Licensee under Condition 11; plus

(f) a reasonable rate of return as reasonably determined by the Authority on the capital represented by the costs incurred by the Supply Business associated with Phase III of the Enduring Solutions Project and an allowance for depreciation of the capital represented by such costs; plus

(g) any reasonable costs incurred by the Supply Business associated with the European Target Model Project, whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or under any other licence; plus

(h) any reasonable costs incurred by the Supply Business associated with the upgrade of its customer care and billing systems (including software and hardware) implemented as part of the Enduring Solutions Project, whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or under any other licence; plus

(i) any reasonable costs incurred by the Supply Business in complying with any requirement that:

(i) is imposed on the Licensee under a legal instrument through which Directive 2012/27/EU is implemented; and

(ii) is substantially equivalent, or otherwise corresponds, to any requirement imposed under the Electricity and Gas (Energy Companies Obligation) Order 2012 on any person holding an electricity supply licence granted (or treated as granted) under section 6(1)(d) of the Electricity Act 1989,

whether before or after the coming into effect of this Annex, as reasonably determined by the Authority, and to the extent not recovered under another part of the Licence or under any other licence; plus

(j) any reasonable costs incurred (or to be incurred) by the Licensee to comply with any new or modified Conditions of the licence which are made in consequence of the Authority's project described in the document entitled 'Consumer Protection Programme - Final Decisions';

plus

(k) any reasonable costs associated with IT systems (including support), employment related and Payment Providers + Mailing costs as reasonably determined by the Authority, and to the extent not recovered under another part of the licence or under any other licence; plus

(l) such other amount which reflects and is calculated in accordance with a sharing mechanism, specified from time to time by the Authority, to reflect a reasonable sharing of any savings made in respect of "Payment Providers + Mailing" (should this scenario arise) for which a cost allowance within St has been provided; plus

(m) any reasonable costs incurred (or to be incurred) by the Licensee in administering the provision and delivery of EBSS payments and other

associated requirements, as set out in the direction made on 22 December 2022 by the Secretary of State pursuant to section 22 of the Energy Prices Act 2022 (the **EBSS AFP NI Direction**), as reasonably determined by the Authority and to the extent such costs are not recovered or recoverable under another part of this licence, under any other licence or under any other legal instrument (including, for the avoidance of doubt, the **EBSS AFP NI Direction**-)

**3. Restriction of supply charges: adjustments**

3.1 If, in respect of any relevant year the average charge per unit supplied exceeds the maximum average charge per unit supplied by more than the permitted one-year percentage, the Licensee shall furnish an explanation to the Authority and in the next following relevant year the Licensee shall not effect any increase in supply charges unless it has demonstrated to the reasonable satisfaction of the Authority that the average charge per unit supplied would not be likely to exceed the maximum average charge per unit supplied in that next following relevant year.

3.2 If, in respect of any 3 successive relevant years excluding the first relevant year, the sum of the amounts by which the average charge per unit supplied has exceeded the maximum average charge per unit supplied is more than the permitted 3-year percentage, then in the next following relevant year the Licensee shall, if required by the Authority, adjust its charges such that the average charge per unit supplied would not be likely, in the judgment of the Authority, to exceed the maximum average charge per unit supplied in that next following relevant year.

3.3 In this paragraph:

**“permitted one-year percentage”** means in respect of any relevant year 4per cent of the maximum average charge per unit supplied for that relevant year; and



**“permitted 3-year percentage”** means in respect of any three successive relevant years 5 per cent of the maximum average charge per unit supplied for the second of those relevant years

**4 Information to be provided to the Authority in connection with the supply charge restriction conditions**

- 4.1 Where any change is intended to be made in supply charges regulated under paragraph 2, the Licensee shall not later than the time referred to in paragraph 4.2 provide the Authority with:
- (a) a written forecast of the maximum average charge per unit supplied, together with its components, in respect of the relevant year  $t$  in which such change is to take effect and in respect of the next following relevant year  $t + 1$ ;
  - (b) a written estimate of the maximum average charge per unit supplied, together with its components, in respect of the relevant year  $t-1$  immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 4.6 in respect of relevant year  $t-1$  has been furnished by the Licensee to the Authority before the time referred to in paragraph 4.2.
- 4.2 The relevant time referred to in paragraph 4.1 shall be not later than 14 days prior to the date of publication of such charges.
- 4.3 If within 3 months of the commencement of any relevant year  $t$  the Licensee has not provided the aforementioned forecasts pursuant to paragraph 4.1 for the purpose of such changes in charges as are referred to in paragraph 4.1, the

Licensee shall forthwith provide the Authority with a written forecast of the maximum average charge per unit supplied (together with its components) in respect of relevant year  $t$ .

4.4 The Authority may issue directions providing that any forecast or estimate provided in accordance with paragraph 4.1 or 4.3 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis and the Licensee shall comply with any such directions.

4.5 Not later than 6 weeks after the commencement of each relevant year  $t$ , the Licensee shall send to the Authority a statement as to:

(a) whether or not the provisions of paragraph 3 are likely to be applicable in consequence of the average charge per unit supplied in the preceding relevant year  $t-1$  or the 3 preceding relevant years  $t-1$ ,  $t-2$  and  $t-3$ ; and

(b) its best estimate as to the relevant correction factor  $K_S t$  calculated in accordance with the formula set out in paragraph 2 to be applied in calculating the maximum average charge per unit supplied in respect of relevant year  $t$ .

4.6 Not later than 3 months after the end of each relevant year the Licensee shall send to the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 4.8.

4.7 The statement referred to in the preceding paragraph shall be:

(a) accompanied by a report from the Auditors that in their opinion:

(i) such statement fairly presents each of the specified items referred to in paragraph 4.8 in accordance with the requirements of the supply charge restriction conditions; and

(ii) the amounts shown in respect of each of those specified items are

in accordance with the Licensee's accounting records which have been maintained in respect of each of the relevant Separate Businesses in accordance with Condition 47; and

- (b) certified by a director of the Licensee on behalf of the Licensee that to the best of his knowledge, information and belief having made all reasonable enquiries:
  - (i) there is no amount included in such statement and the relevant calculations under paragraph 2 which is other than
    - (aa) bona fide consideration for electricity supplied to supply customers in the course of the Supply Business; or
    - (bb) an amount permitted under the supply charge restriction conditions to be so included;
  - (ii) no service has been treated as an excluded service which was not properly so treated and no amount included in the revenues in respect thereof represents other than bona fide consideration for the provision of the excluded service to which it relates; and
  - (iii) all amounts which should properly be taken into account for the purposes of the supply charge restriction conditions have been taken into account.

4.8 The specified items to be contained in the statement referred to in paragraph 4.6 shall be the following:

- (a) the quantity supplied;
- (b) the average charge per unit supplied;
- (c) the Supply Business' unit costs incurred in the purchase of electricity, being  $G_t$  calculated as provided under paragraph 2;

- (d) the allowed charge for supply per unit, being  $S_t$  calculated as provided under paragraph 2;
- (e) the allowed transmission and distribution cost per unit, being  $U_t$  calculated as provided under paragraph 2;
- (f) the revenue derived from excluded services (showing separately the revenue from each category of excluded service) as provided for in paragraph 5.2; and
- (g) such other items as shall be specified in directions issued by the Authority from time to time for the purposes of this Annex.

## **5 Excluded services for the purposes of the Supply Business**

- 5.1 Subject to paragraph 5.3, a service provided as part of the Supply Business may be treated as an excluded service insofar as it consists of the provision of services for the specific benefit of customers requesting the same and not made available as a normal part of the Supply Business.
- 5.2 The Licensee shall following the end of each relevant year furnish the Authority, as being one of the specified items to be included in the statement referred to in paragraph 4.6, details specifying separately the nature of all services provided as part of the Supply Business and treated as excluded services by the Licensee during the course of such year and stating the revenues derived in respect of each such service so treated.
- 5.3 Where the Authority is satisfied that in the light of the principles set out in paragraph 5.1 any service treated by the Licensee as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect, and the service or services specified in the directions shall cease to be treated as excluded services from the date of issue of the directions or such other date (being not earlier than the commencement of the relevant year to which the statement last furnished to

the Authority pursuant to paragraph 4.6 prior to issue of such directions related, unless such statement or the accompanying report or certificate referred to in paragraph 4.7 or any earlier such statement, report or certificate was incorrect or misleading in any material respect) as may be specified in the directions.

## **6 Duration of supply charge restriction conditions**

6.1 This Annex shall apply so long as this Licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the Licensee delivers to the Authority a request (a “Disapplication Request”) made in accordance with paragraph

6.3 and:

- (a) the Authority agrees in writing to the Disapplication Request; or
- (b) the application of this Annex (or any part of it) is terminated by a notice (a “Disapplication Notice”) given by the Licensee in accordance paragraph 6.4 and not withdrawn.

6.2 Save where the Authority otherwise agrees, no disapplication following delivery of a Disapplication Request pursuant to this paragraph 6 shall have effect earlier than the date (the “Disapplication Date”) which is the later of:

- (a) the date occurring 18 months after delivery of the Disapplication Request; and
- (b) 31 March 2025.

6.3 A Disapplication Request pursuant to this paragraph 6.3 shall:

- (a) be in writing addressed to the Authority;
- (b) specify this Annex or any part of it to which the request relates (excluding in either case this paragraph 6); and
- (c) state the date from which the Licensee wishes the Authority to agree that this Annex or the specified part of it shall cease to have effect.

6.4 A Disapplication Notice pursuant to this paragraph 6.4:

- (a) may be given in the circumstances described in either paragraph 6.5 or paragraph 6.6;
- (b) may be withdrawn by the Licensee at any time prior to the Disapplication Date; and
- (c) where it is given, shall:
  - (i) be in writing addressed to the Authority;
  - (ii) specify this Annex, or any part of it (which shall comprise only such part as was specified in the Disapplication Request) to which the notice relates; and
  - (iii) state the date from which the notice takes effect, which shall not be earlier than the Disapplication Date.

6.5 The circumstances described in this paragraph are that, by the beginning of the period of six months which will end with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under Article 14(8) of the Order to modify:

- (a) this Annex, or any part of it to which that Disapplication Request relates; or
- (b) this paragraph 6, so as to remove the right of the Licensee to give to the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

6.6 The circumstances described in this paragraph are that:

- (a) by no later than the beginning of the period of six months which will end with the Disapplication Date, the Authority has in response to the Disapplication Request published a decision of a type referred to in paragraph 6.5;
- (b) the Licensee has exercised its right to appeal to the CMA against that

decision in accordance with Article 14B of the Order;

- (c) the CMA has, in respect of the provisions to which the Disapplication Request relates:
  - (i) quashed the decision of the Authority under Article 14E(2)(a) of the Order; and
  - (ii) neither remitted the matter back to the Authority under Article 14E(2)(b) of the Order nor substituted its own decision for that of the Authority under Article 14E(2)(c) of the Order; and
- (d) no more than 30 days has elapsed since the date on which the CMA quashed the decision of the Authority.

6.7 A Disapplication Request or Disapplication Notice served under this paragraph 6 may be served in respect of a specified geographic area.