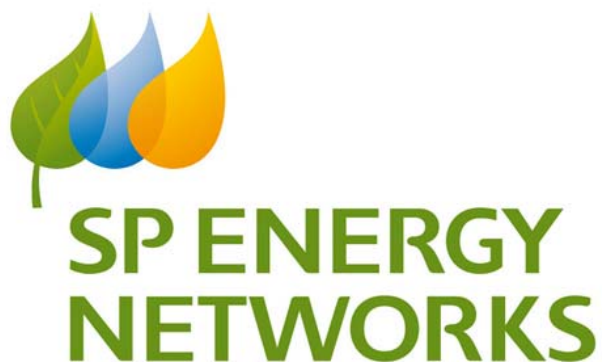




**SUPPORTING OVERVIEW DOCUMENT TO
SP DISTRIBUTION SUITE OF CHARGING
STATEMENTS**

This statement is effective from 1st April 2009

SP Energy Networks
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1. Introduction

1.1 SP Distribution issues a suite of documents that describe how we charge for connection to and use of our distribution system, as well as transaction-based and metering charges.

1.2 This Overview statement has been created to support the following suite of documents:

- The Use of System Methodology Statement for use of our electricity distribution system (Standard Licence Condition, SLC, 4);
- The Use of System Charging Statement for use of our electricity distribution system (SLC4A);
- The Connection Charging Methodology and Charges Statement for connection to our electricity distribution system (SLC4B);
- The Metering Charging Statement for metering services (SLC36C).
- The Metering Point Administration Services Statement (SLC14A); and
- The Miscellaneous Services charges statement.

2. Who we are

2.1 ScottishPower EnergyNetworks (SPEN) is the public facing identity of Scottish Power's UK wires businesses, which comprises: SP Distribution Ltd (SPD), SP Manweb Plc (SPM) and SP Transmission Ltd (SPT). SPD is a licensed electricity distribution business, which owns and operates the distribution network (voltage from 33 kV downwards) in south and central Scotland.

2.2 SPD's distribution licence is issued under the Electricity Act (1989)¹. The above mentioned statements are produced by SPD, although certain responsibilities may be undertaken by associated companies or agents.

3. Licence Obligations

3.1 The **Standard Licence Condition 4 statement** describes the use of system charging methodology, under which Suppliers, Generators and IDNOs will be charged for use of our distribution system. We are obliged, under Condition 4 of our Electricity Distribution Licence, to comply with various requirements. Under Paragraph 1(a) we are required to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for use of our electricity distribution network. We are also obliged to review this statement annually in accordance with paragraph 2(a) and in order to comply with paragraph 2(b) make such modifications to the statement that better achieve the 'relevant objectives' as defined in paragraph 3.

The relevant objectives as defined in paragraph 3 of our Licence Condition 4, are:

¹ As amended by the Utilities Act 2000, the Sustainable Energy Act 2003 and Energy Act 2004

- 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-paragraph (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.

3.2 The **Standard Licence Condition 4A statement** details our use of system tariffs. We are obliged, under Condition 4A of our Electricity Distribution Licence, to comply with various requirements. Under Paragraph 1(a), we are required to prepare a statement, the form of which is approved by the Authority, setting out the basis on which charges will be made for use of our electricity distribution network. We are also obliged to review our Use of System Charges statement annually, in accordance with paragraph 7(b). The statement also describes the terms and conditions under which Suppliers, Generators and IDNOs may use our electricity distribution network, for the purposes of transporting electricity.

3.3 The **Standard Licence Condition 4B statement** describes our Connection Charging Methodology and consistent charges that will apply where we provide services to support the competitive connections market. We are obliged, under Condition 4B of our Electricity Distribution Licence, to comply with various requirements. We are required to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for connection to our electricity distribution network. We are also required to review our connection charging methodology annually in accordance with paragraph 2(a) and in order to comply with paragraph 2(b) make such modifications to the Connection Charging Methodology Statement that better achieve the 'relevant objectives' as defined in paragraph 3.

The relevant objectives as defined in paragraph 3 of our Licence Condition 4B, are:

- e) That compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- f) That compliance with the connection 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;
- g) That compliance with the connection 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

- h) That, so far as is consistent with sub-paragraph (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business.
- 3.4 The **Standard Licence Condition 36C statement** describes our charges for the provision of Legacy Meters in accordance with Condition 36C of our Electricity Distribution Licence. Under paragraph 5(a) of that Condition, there is a requirement that the terms and charges contained in this statement will be reviewed at least once in each year.
- 3.5 The **Standard Licence Condition 14A statement** describes the basis upon charges will be made for the provision of metering point administration services (MPAS). Under paragraph 5(a) of that Condition, there is a requirement that the terms and charges contained in this statement will be reviewed at least once in each year.
- 3.5 Words and expressions used in the statements have the definitions given to them in the Act or Licence and shall be construed accordingly. Charges and costs shown are current at the time of publication and will not be changed, except as provided for in the relevant agreement.
- 3.6 Use of our electricity distribution network is subject to the terms and conditions of the Distribution Code as approved from time to time by the Gas and Electricity Markets Authority. In exceptional cases, parties may be entitled to use of the system under special arrangements to be agreed with us.
- 3.7 Our statements have been prepared in a form approved by the Gas and Electricity Markets Authority (hereinafter referred to as the "Authority"). They are available free of charge, in pdf format, and in version controlled form from our website at <http://www.scottishpower.com/ConnectionsUseMetering.htm>.

4. Price Control References

- 4.1 Regulation of our distribution business is primarily the responsibility of the Gas and Electricity Markets Authority, which works through the Office of Gas and Electricity Markets (OFGEM). Regulation is applied via a Distribution Licence, which includes a price control mechanism. Price controls are determined for 5 year periods and set limits on the total revenue that we can earn from our core distribution activities. Use of System charges may vary year on year, both to reflect the costs attributable to each customer class, and also to ensure balance with our allowed revenue.

5. The Contractual Framework (DCUSA)

- 5.1 Suppliers, Generators and IDNOs entitled to use our electricity distribution network, are those who are authorised, by Licence or by exemption under the Act, to supply, generate or distribute electricity ("Authorised Electricity Operators"). In order to protect all users of the network, we will require evidence of authorisation, before agreeing terms for use of the network. Note: In the rest of this commentary, requirements applying to authorised persons or Authorised Electricity Operators should be taken to mean Licensed Suppliers, Licensed Generators or Licensed Distribution Network Operators only.

5.2 Users seeking to use our distribution system will be required to be a party to and comply with the DCUSA in accordance with their licence. This requirement shall include:

- paying all charges due in respect of use of the system, as described in the Use of System Charging Statement for use of our electricity distribution system (SLC4A) and the accompanying schedules;
- being a party (where the user is a Licensed Supplier or a Licensed Distributor) to the Master Registration Agreement (MRA) for the provision of Metering Point Administration Services within our authorised area;
- entering into the National Grid Electricity Transmission's (NGET) Connection and Use of System Code and any necessary Bilateral Agreement, governing connections to and use of NGET's transmission system, unless we are informed by NGET that this is not required in any particular case;
- being a party to the Balancing and Settlement Code unless we are informed by Elexon that this is not required in any particular case; and
- complying with the provisions of the Distribution Code (a copy of which is available free of charge from the Distribution Code website, www.dcode.org.uk).

If the applicant and us fail to agree contractual terms, or any variation of contractual terms proposed by us, either party may request settlement by the Office of Gas and Electricity Markets (OFGEM).

6. Boundary for Connection and Use of System Charges

6.1 Charges for distribution assets are split between connection and use of system. The boundary (which is consistent for demand and generation) is explained in our Connection Charging Methodology and Charges Statement for connection to our electricity distribution system (SLC4B).

7. Charging For Use of System

7.1 This section lists the methods by which charges will be made for use of our system. The information is listed within the following three areas:

- Settlements billing - Supercustomer; and
- Site Specific billing.

Billing and payment by settlement class

7.2 The following information covers Use of System Billing, in respect of Settlements - Supercustomer.

7.3 Suppliers register MPANs of the exit points that they supply, within our distribution services area, with our Meter Point Administration Service. These registration details are passed on by the Supplier to the data aggregator, who uses them to provide usage data into the settlements process.

7.4 The settlements process consists of the following steps:

- Data collectors pass consumption information to the data aggregator, based on periodic meter readings and estimates;

- The data aggregator aggregates consumption by Supplier and settlement class, and sends it to the Supplier Volume Allocation Agent (SVAA);
- SVAA profiles Supplier consumption into half-hour values, to calculate energy purchases and to generate a use of system report that details consumption by settlement class;
- We receive a daily use of system report, detailing consumption in our distribution services area. Each Supplier receives a copy of that use of system report (with consumption figures for other Suppliers removed);
- For each settlement day, the above steps are normally carried out once for an initial settlement run, three times for reconciliation settlement runs, up to three months apart, and once for a final reconciliation run, up to six months after the third reconciliation run. This process builds up to an increasingly accurate picture of consumption, (for further information please refer to clauses 20.2 – 20.5 of the DCUSA); and
- Suppliers receive a daily statement from us, detailing use of system charges and consumption (kWh and MPAN count), by settlement class for a given settlement day and a specific settlement run. Suppliers also receive a periodic bill, showing amounts due. The bill covers all settlement days, for which use of system reports have been received during the financial period and taking account of all reconciliation to date.

7.5 For information on the Initial Account, and Reconciliation Accounts, please refer to Clauses 20.1 – 20.6 ‘Billing and Payment by Settlement Class’ of the DCUSA.

Site specific billing and payment

7.6 For information on Use of System Billing, in respect of Site Specific customers, please refer to clauses 21.1 – 21.4 ‘Site Specific Billing and Payment’ of the DCUSA.