



Overview Statement

(Supporting Document to ESP Electricity's Suite of Charging Statements)

Effective from 1 October 2009



This form of this statement is subject to approval by the Office of Gas and Electricity Markets (Ofgem)

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VERSION CONTROL

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Contents	Page
1. Introduction	4
2. Who we are	4
3. Licence Obligations	4
4. Price Control References	6
5. Connection and Use of System Charges	6
6. The Contractual Framework (DCUSA)	6
7. Charging For Use of System	7
Settlements Billing (Supercustomer)	7
Site Specific Billing	8
Transactional Billing	8

1. Introduction

- 1.1 ESP Electricity Limited produces four documents that describe how we charge for connection to and use of our system (including metering point administration services) and the methodologies behind those charges.
- 1.2 This Overview statement has been created by us to support the following suite of documents:
 - The Use of System charging methodology statement for use of our electricity distribution system (SLC13);
 - The Use of System charges statement for use of our electricity distribution system and the charges associated with providing metering point administration services (SLC14 and 18);
 - The Miscellaneous Services charges statement;
 - The Connection charging methodology and charges statement for connection to our electricity distribution system (SLC14).

2. Who we are

- 2.1 ESP Electricity is an independent licensed electricity distribution business able to work in all geographical areas of England, Scotland and Wales. We distribute electricity to a range of customers, comprising domestic, commercial and industrial, through a network of underground cabling and substations at LV and HV network levels. ESP Electricity networks are connected to the distribution systems of other licensed electricity distribution network operators. Our distribution licence was issued under the Electricity Act (1989)¹ in August 2004. The four statements are produced by ESP Electricity, referred to in this statement as 'ESP Electricity', although certain responsibilities may be undertaken by associated companies or agents.

3. Licence Obligations

The relevant objectives as defined in our Electricity Distribution Licence, are:

- 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.

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

- 3.1 The **Standard Licence Condition 13 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 13 of our Electricity Distribution Licence, to comply with various requirements. Under Paragraph 13.1(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 13.2(a) and in order to comply with paragraph 13.2(b) make such modifications to the statement that better achieve the 'relevant objectives'² as defined in paragraph 3.
- 3.2 The **Standard Licence Conditions 14 and 18 statement** details our use of system tariffs and charges for providing metering point administration services (MPAS). We are obliged, under Conditions 14 and 18 of our Electricity Distribution Licence, to comply with various requirements. Under Paragraph 14.1(a) and 18.4, 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 and MPAS. We are also obliged to review our Use of System Charges and MPAS statement annually, in accordance with paragraph 14.6 and 18.6. 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 13 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 13 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 13.2(a) and in order to comply with paragraph 13.2(b) make such modifications to the Connection Charging Methodology Statement that better achieve the 'relevant objectives as defined in paragraph 3.
- 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, in pdf format, from our website at www.espelectricity.com. Alternatively paper copies are available on request for a cost of £10 plus packing,

² See definition in the Glossary of Terms.

postage and VAT.

4. Price Control References

4.1 As an IDNO, Price Control does not apply to ESP Electricity.

5. Connection and Use of System Charges

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 SLC13 document titled 'Statement of Basis of Charges and Charging Methodology for Connection to ESP Electricity's Distribution System'. This statement details the calculation of connection charges, and also contains indicative charges and examples, to aid understanding of connection charges.

Our Licence Condition 14 and 18 document titled 'Statement of Charges for Use of ESP Electricity Distribution Network and Metering Point Administration Services' details the use of system charges that are applied for the supply of electricity to exit points and connection points and/or the transportation of electricity across our network from entry points. It also details the charges we levy for providing metering point administration services.

6. The Contractual Framework (DCUSA)

6.1 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.

6.2 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 our Licence Conditions 14 and 18 document titled 'Statement of Charges for Use of ESP Electricity Distribution Network and Metering Point Administration Services' 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 or alternatively an unserviced copy is available for £50 plus packing, postage and VAT).

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).

- 6.3 Terms and conditions for connection of premises or other electrical systems to our electricity distribution network are contained in our SLC13 document titled "Statement of Methodology and Charges for Connection to ESP Electricity Distribution Network", which is available from us. Persons seeking use of the system with respect to a new supply must apply for connection in accordance with the terms and conditions described in that statement.
- 6.4 Where a person requires a connection to ESP Electricity distribution network pursuant to Section 16 of the Electricity Act (1989), the provisions of this statement are without prejudice to the provisions of sections 16 to 22 of the Electricity Act (1989) (those sections which deal with the rights, powers and duties of United Utilities, as an electricity distributor), in respect of the distribution of electricity to owners or occupiers of premises.

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;
 - Site Specific billing; and,
 - Transactional billing.

Billing and payment by settlement class

- 7.2 The following information covers Use of System Billing, in respect of Settlements - Supercustomer.
- 7.3 The Supercustomer approach to use of system billing makes use of the way that the Supplier's energy settlements are calculated. In brief, the use of system charges billed to the Supplier will consist of:
- a fixed portion, based on the aggregated number of Metering Point Administration Numbers (MPANs) registered and therefore supplied to; and
 - a unit portion based on the aggregated kWh consumption per settlement class combination.

The charge is calculated in a way that corresponds to the calculation of the Supplier's energy purchases, as follows:

Settlements process

7.4 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.

7.5 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 the relevant clauses 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.

7.6 For information on the Initial Account, and Reconciliation Accounts, please refer to the relevant clauses 'Billing and Payment by Settlement Class' of the DCUSA.

Site specific billing and payment

7.7 For information on Use of System Billing, in respect of Site Specific customers, please refer to the relevant clauses 'Site Specific Billing and Payment' of the DCUSA.

Transactional Billing

7.8 For information on Transactional billing, please refer to the relevant clauses 'Transactional Charges' of the DCUSA.

7.9 For a list of our Transactional Charges please refer to the separate Statement of Miscellaneous Services Charges.