STATEMENT OF CHARGING METHODOLOGY
FOR USE OF THE
SOUTHERN ELECTRIC POWER DISTRIBUTION PLC
DISTRIBUTION SYSTEM

Effective from 1st April 2013

The methodology set out in this statement was approved on 18th February 2013 by the Gas and Electricity Markets Authority

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SOUTHERN ELECTRIC POWER DISTRIBUTION PLC DISTRIBUTION SYSTEM

Introduction

Southern Electric Power Distribution plc ("SEPD") is the licensed electricity distribution business which operates networks in the Central Southern England part of Great Britain. We also own and operate small, embedded distribution systems in other parts of England and Wales. This statement is produced by SEPD, in accordance with the requirements of its Electricity Distribution Licence.

Scottish and Southern Electricity Networks is a trading name of SEPD, Scottish Hydro Electric Power Distribution plc and Scottish Hydro Electric Transmission plc. All of these companies are part of the SSE plc Group.

Licence Obligations

This statement describes the Use of System Charging Methodologies under which authorised Users will be charged for use of the SEPD electricity distribution system.

Notwithstanding our obligation to set Use of System charges in line with the special conditions of our Electricity Distribution Licences (as amended from time to time), SEPD is obliged, under Licence Condition 13, paragraph 13.1(a), of its Licences, to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for the provision of Use of System. We are also obliged to review our Use of System Charging Methodology statement annually.

Words and expressions used in this statement have (unless specifically defined herein) the definitions given to them in the Act or the Licence and shall be construed accordingly.

Additional copies of this statement can be obtained from our website: www.ssen.co.uk.

Price Control

The Licence contains conditions relating to price control of the revenue that SEPD is allowed to charge for the provision of regulated services including Use of System. In this way, the amount of revenue that SEPD is allowed to recover from its customer base annually and over the price control period is governed by the detailed terms of its Charge Restriction Licence conditions. Use of System charges may vary from time to time as SEPD sets its Use of System charges to recover its Allowed Revenue.

Use of System

SEPD will levy Use of System charges to Users for use of its Distribution System associated with the supply of electricity to exit points, for the export of electricity from generators from entry points and for the transportation of electricity across its Distribution System.

Users entitled to use the SEPD Distribution System are those who are authorised by licence or by exemption under the Act to supply, distribute or generate electricity. In order to protect all Users of the system, SEPD may require evidence of authorisation before agreeing terms for use of the Distribution System.

Whilst this statement details the methodology that is used by SEPD to calculate Use of System charges, our Licence Condition 14 Charging Statement details the Use of System charges which will be applied. The Charging Statement can be obtained from our website: www.ssen.co.uk.

Prospective Users seeking use of the Distribution System shall procure that the Meter Operator, Data Collector and Data Aggregator appointed for each metering point supplied in relation to which the supply of electricity is measured by Settlements metering equipment shall provide SEPD with any data required to be provided to SEPD, without charge, by the person appointed in that capacity.

Terms for payment of use of system charges, any requirement to provide appropriate security to SEPD in respect of the charges billed but unpaid and/or estimated to arise, and interest payments applicable to late payments shall be in accordance with the relevant terms of the DCUSA.

Use of System charges are applied to the electricity measured (or as otherwise determined by SEPD) at the exit or entry points to or from the SEPD electricity distribution system. However, Suppliers must demonstrate that at all times the quantity of electricity entering the Distribution System for the purpose of providing a supply equals the metered quantity delivered from that exit point plus the amount of electrical losses appropriate to the voltage at which the supply is delivered and to the source of the supply, as shown in the tables in our Licence Condition 14 Statement. Relevant metering information or being a party to the Balancing and Settlement Code will be considered to be adequate demonstration. Suppliers should refer to the tables to calculate the amount of electricity that they must provide. The same loss adjustment factors are reflected automatically in the settlement system.

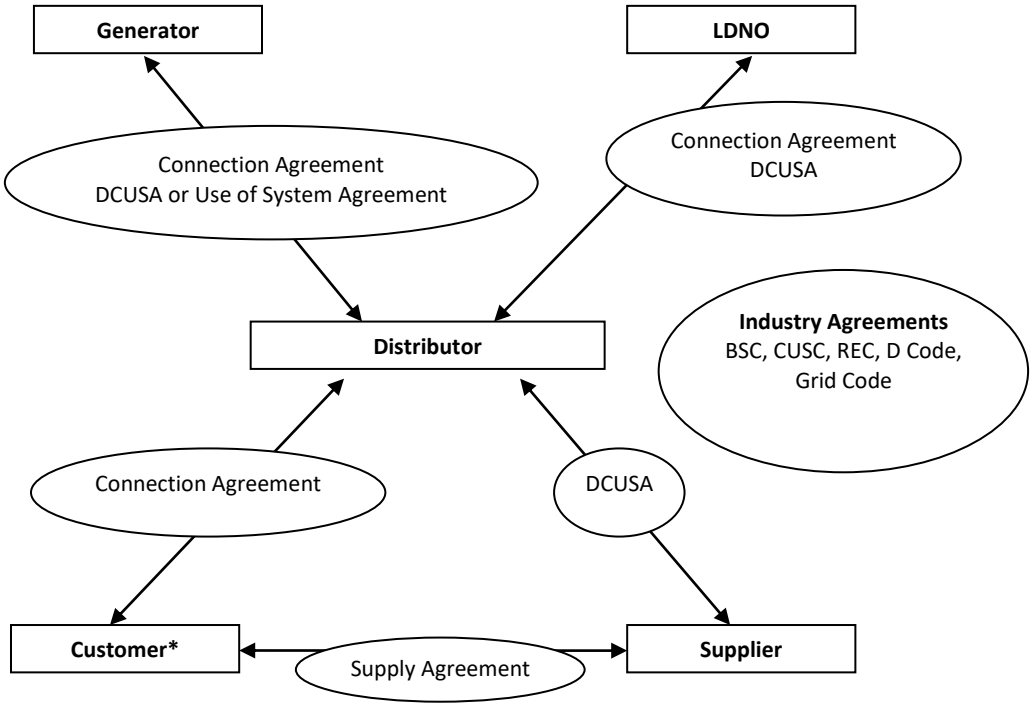
Connection and Use of System Boundary

There is a point at which SEPD splits the recovery of costs between connection to the distribution network and on-going use of system charges for utilisation of the network. This statement details the charging methodology that is applied for the calculation of use of system charges. The Licence Condition 14 Charging Statement details the actual use of system charges to be applied, whilst the licence Condition

13 Statement details the Connection Charging Methodology that is used for calculation for connection charges. These statements can be obtained from our website: www.ssen.co.uk.

The Contractual Framework

The following flowchart shows the contractual framework for a customer trading through either Supplier Volume Allocation (SVA) or Central Volume Allocation (CVA) Settlements.



* demand or generator

Users seeking to use the SEPD Distribution System will be required, prior to using the system, to be a party to the Distribution Connection and Use of System Agreement (DCUSA) or (if appropriate) enter into an alternative agreement with SEPD setting out the obligations of both parties. The User will be required to:

- pay all charges due in respect of use of the system as described in this statement, our Licence Condition 14 Charging Statement and the accompanying schedules;
- enter into any necessary arrangements with National Grid Electricity Transmission (NGET) for use of the Transmission System unless SEPD is informed by NGET that this is not required in any particular case;
- be a party to the Balancing and Settlement Code (BSC); and
- comply with the provisions of the Distribution Code (where applicable),

Subject to the Act, the Electricity Distribution Licence and any agreement between us, if the User and SEPD fail to agree contractual terms, or any variation of contractual terms proposed by SEPD, either party may request determination by the Authority.

While the terms and conditions in the agreements will be consistent with those in this statement, the agreement will take precedence.

Terms and conditions for connection of premises or other electrical systems to the SEPD Distribution System are contained in our Licence Condition 13 document titled "Statement of Methodology and Charges for Connection to Southern Electric Power Distribution plc's Distribution System" which is available from our website: www.ssen.co.uk.

Line Loss Factor Methodology

SEPD produces Line Loss Factors for use in Settlements following a Line Loss Factor Methodology, which is approved by Elexon and is compliant with Balancing and Settlement Code Procedure (BSCP) 128. Copies of the SEPD 'Statement of Line Loss Factors Methodology for the Southern Electric Power Distribution plc Electricity Distribution Network' are available from our website: www.ssen.co.uk.

Contact Details

This statement has been prepared in order to discharge SEPD's obligation under Standard Licence Condition 13 of our Electricity Distribution Licence. If you have any questions about the contents of this statement please contact us at the address shown below. Also given below are contact details for Ofgem should Users wish to enquire separately on matters relating to this statement.

Distribution Pricing Team
Southern Electric Power Distribution plc
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
e-mail: DistributionPricingTeam@sse.com

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU
www.ofgem.gov.uk

Use of System Methodology – Common Distribution Charging Methodology (CDCM) for HV and LV Designated Properties

SEPD is obliged under Licence Condition 13A to ensure that the Common Distribution Charging Methodology (CDCM) is complied with when setting charges for HV and LV Designated Properties.

The CDCM statement is a separate statement which describes the methodology under which the charges for Use of System will be calculated for most HV and LV Designated Properties. The CDCM is applicable for most HV and LV demand, generation and licensed embedded distribution network connections.

The CDCM statement (Schedule 16) is embedded into and governed by the Distribution Connection and Use of System Agreement (DCUSA). This Schedule and the full DCUSA can be viewed or downloaded from the DCUSA website: www.dcusa.co.uk.

The CDCM charging models prepared by SEPD for the calculation of Use of System charges are available from our website: www.ssen.co.uk.

Use of System Methodology – Extra High Voltage Distribution Charging Methodology (EDCM) for Designated EHV Properties

SEPD is obliged under Licence Condition 13B to ensure that the Extra High Voltage Distribution Charging Methodology (EDCM) is complied with when setting charges for Designated EHV Properties.

The EDCM statement is a separate statement which describes the methodology under which the charges for Use of System will be calculated for Designated EHV Properties. The EDCM is applicable for most sites connected at EHV/HV substations and all sites connected at EHV including licensed embedded distribution network connections.

The EDCM statement (Schedule 17) is embedded into and governed by the Distribution Connection and Use of System Agreement (DCUSA). There are two versions of the EDCM and SEPD used the Forward Cost Pricing (FCP) version of the EDCM that is detailed in Schedule 17. The methodology also applies to users who are not party to DCUSA. This Schedule and the full DCUSA can be viewed or downloaded from the DCUSA website: www.dcusa.co.uk.

Export Use of System Charges for "Pre 2005" Distributed Generation

On 1st April 2005 export distribution use of system (GDUoS) charges were introduced in relation to Distributed Generation (DG). GDUoS charges were initially applied only to generators which connected under the terms of the revised charging methodologies which came into effect on that date as Ofgem granted an exemption from GDUoS charges for:

(a) DG which had connected under pre-April 2005 connection terms; and

(b) DG which was contracted for connection to the Distribution System under pre-April 2005 terms, but which had not connected by 31st March 2005.

These categories of DG are generally known as "**pre 2005 DG**".

Ofgem decided subsequently that those pre 2005 DG covered by the CDCM would be subject to GDUoS with effect from 1 April 2010. CDCM covers DG classed as Designated Properties (typically connected at low voltage ("LV") or high voltage ("HV")).

However, pre 2005 DG export connections classed as Designated EHV Properties (typically at extra high voltage ("EHV") but including some HV connections) continued to remain exempt from GDUoS charges. Ofgem issued a decision letter on 10 February 2012 which specified that, unless an ongoing exemption applies, GDUoS charges are to be applied to DG in this category. The implementation date for charging was subsequently confirmed as 1 April 2013. The charges for generators classed as Designated EHV Properties are calculated using the EDCM.

Exemptions from GDUoS

The implementation plan that Ofgem set out in their decision letter included exemptions from GDUoS charging of up to 25 years for qualifying pre 2005 DG connections. Where applicable, the exemption period commences from the individual connection date of each generator facility.

No exemptions from use of system charges apply to demand (import) connections. Where a pre 2005 DG which is subject to exemption from GDUoS but was liable for annual O&M charges under pre 2005 charging arrangements, these charges will continue to apply until such time as GDUoS is applied.

Exemptions From CDCM Charging

In the case of pre 2005 DG covered by CDCM the default position is that GDUoS charges are applied. However, following the Ofgem decision letter, some generators in this category exercised a one-off option to opt out of GDUoS charging for the remaining period of their exemption. SEPD had to be notified of exercise of this option in writing by 30 June 2012.

Should a DG party decide at a later stage to discontinue a CDCM GDUoS exemption, this decision must be notified to us in writing by 1 November, in relation to the following Charging Year. It is important to note that a choice to discontinue an exemption can only be exercised once and cannot thereafter be reversed.

Exemptions From EDCM Charging

In the case of pre 2005 DG covered by EDCM but where no exemption applies, GDUoS charges apply with effect from 1 April 2013.

For those pre 2005 DG connections covered by EDCM but for which an exemption applies, the default position is that GDUoS charges will not be applied until the start of the Charging Year following the end of the exemption period.

A generator with an EDCM charging exemption may choose to opt out of their exemption. In such a case, GDUoS charges will apply from the start of the Charging Year following our receipt of written notification of opting out of the GDUoS exemption.

Should, at a later stage, a generator choose to discontinue their exemption from EDCM GDUoS charges, we must receive written notice of this decision by 1 November, in relation to the following Charging Year. It is important to note that a choice to discontinue an exemption can only be exercised once and cannot thereafter be reversed.

Please note that this section summarises the main points of Ofgem decision letters in relation to pre 2005 DG GDUoS exemptions, but we reserve the right to apply additional terms on a case by case basis to enable us to implement the decision as it relates to specific connections.

Distribution Charging Methodology Development Group

SEPD along with the other Distribution Network Operators collectively hold a regular meeting known as the Distribution Charging Methodology Development Group (DCMDG) to discuss and explain developments in the charging methodologies. This forum is also open to any interested party and gives the opportunity for all parties to raise and discuss any issues that they have with the charging methodologies. For more information on the DCMDG please contact Electralink by email: DCMDG@electralink.co.uk.

Distribution Generation Network Unavailability

SEPD will make compensation payments to customers for network outages under two schemes.

The majority of customers are compensated under the Guaranteed Standards' arrangements. Customers who are off supply for greater than defined periods of time are entitled to a payment. This scheme applies to all demand customers and to all generators not included in the scheme described below.

For customers with exporting generation which meets the qualification criteria the scheme known as Distribution Generation Network Unavailability (DGNU) will apply.

Out of Area Networks

SEPD operates embedded distribution networks in all other DNO areas in England and Wales. The use of system charging methodology for these out of area' networks is described in a separate statement. This statement can be obtained from our website: www.ssen.co.uk.

Where Our Use of System Charges are Published

SEPD's Use of System tariffs are published in our Licence Condition 14 Statement. This statement can be obtained from our website: www.ssen.co.uk.

Hard copies are also available on request at a cost of £5 by following up the contact details on page 6.

GLOSSARY OF TERMS

Term	Definition
Act	The Electricity Act 1989
Authority	The Gas and Electricity Markets Authority (GEMA) – the regulatory body for the gas and electricity industries established under the Section 1 of the Utilities Act 2000.
BSC	The Balancing and Settlement Code, which contains the governance arrangements for electricity balancing and settlement in Great Britain.
CDCM	The Common Distribution Charging Methodology used for calculating charges to Designated Properties as required by Standard Licence Condition 13A of the Electricity Distribution Licence.
Charging Year	Means a 12 month period starting from 1 April in any calendar year
CUSC	NGET's Connection and Use of System Code
Customer	A person to whom a User proposes to supply, or for the time being supplies, electricity through an Exit Point, or from who, a User or any relevant exempt Supplier, is entitled to recover charges, compensation or an account of profits in respect of electricity supplied through an Exit Point. or a person from whom a User purchases, or proposes to purchase, electricity, at an Entry Point (who may from time to time be supplied with electricity as a Customer of that User (or another electricity supplier) through an Exit Point.
CVA	Central Volume Allocation as defined in the BSC;
DCUSA	The Distribution Connection and Use of System Agreement (DCUSA), which is a multi-party contract between the licensed electricity distributors, suppliers, generators and Offshore Transmission Owners of Great Britain. It is a requirement that all licensed electricity distributors and suppliers become parties to the DCUSA.
Designated EHV Properties	As defined in standard condition 13B of the Electricity Distribution Licence
Designated Properties	As defined in standard condition 13A of the Electricity Distribution Licence

Term	Definition
DG	Distributed Generator / Distributed Generation, which is generation directly connected or embedded within the Distribution System.
Distribution Code, D Code	The Distribution Code of the Licensed Distribution Network Operators (DNOs) of Great Britain; produced in accordance with Condition 9 of the licence and approved by the Authority to define the technical aspects and planning criteria of the working relationship between the DNO and all those connected to its distribution system. The Distribution Code can be downloaded from: https://www.dcode.org.uk/
Distribution Services Area	The area specified by the Authority that a DNO as Distribution Service Provider will operate.
Distribution System	The system consisting (wholly or mainly) of: Electric lines owned or operated by an authorised distributor that is used for the distribution of electricity from grid supply points or generation sets or other entry Points to the points of delivery to Customers or Users; or any transmission licensee in its capacity as operator of that licensee's transmission system or the GB transmission system; and includes any remote transmission assets (owned by a transmission licensee within England and Wales) that are operated by that authorised distributor and any electrical plant, electricity meters, and Metering Equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB transmission system.
DNO	Distribution Network Operator, an Electricity Distributor who operates one of the fourteen Distribution Services Areas and in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence have effect.
EDCM	The EHV Distribution Charging Methodology used for calculating charges to Designated EHV Properties as required by standard licence condition 13B of the Electricity Distribution Licence.
EHV	Extra High Voltage – Nominal voltages of 22kV and above.
Electricity Distribution Li-	The Electricity Distribution Licence granted or treated as granted pursuant

Term	Definition
cence	to section 6(1) of the Act.
Embedded network	An electricity Distribution system operated by an LDNO and embedded within another distribution network.
Entry Point	A boundary point at which electricity is exported onto a Distribution System from a connected installation or from another Distribution System, not forming part of the total system (boundary point and total system having the meanings given to those terms in the BSC).
Exit Point	A point of connection at which a supply of electricity may flow from the Distribution System to the Customer's Installation or User's Installation or the Distribution System of another person.
GDUoS	Generation Distribution Use of System charges
HV	High voltage – Nominal voltages of at least 1kV and less than 22kV.
LDNO	A Licensed Distribution Network Operator.
Licence	The Electricity Distribution Licence granted to SEPD under Section 6(1)(c) of the Act.
LLF	Line Loss Factor (LLF), the factor which is used in Settlement to adjust the Metering System volumes to take account of losses on the Distribution System.
LLFC	Line Loss Factor Class (LLFC), an identifier assigned to an SVA Metering system which is used to assign the LLF and Use of System Charges.
LV	Low voltage – Nominal voltages below 1kV.
Metering Point	The point at which electricity that is exported to or imported from the licensee's Distribution System is measured, is deemed to be measured, or is intended to be measured and which is registered pursuant to the provisions of the REC. (For the purposes of this statement Grid supply Points are not 'Metering Points')
Metering System	Particular commissioned metering equipment installed for the purposes of measuring the quantities of Exports and/or Imports at the Boundary Point.
MPAN	Meter Point Administration Number, a number relating to a Metering Point under the REC.

Term	Definition
MPRS	Meter Point Registration Service
NGET	National Grid Electricity Transmission plc, the company which owns and operates the high-voltage electricity transmission network in England and Wales.
Ofgem	The Office of Gas and Electricity Markets, governed by GEMA, which is responsible for the regulation of electricity distribution companies.
REC	Retail Energy Code - A code that consolidates the switching arrangements historically set out in the Master Registration Agreement (MRA) and the Supply Point Administration Agreement (SPAA) (for gas) into one dual-fuel code. Provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers. It includes terms for the provision of Metering Point Administration Services (MPAS) Registrations.
Registrant	means the person registered in accordance with the BSC as responsible for the Metering System
Relevant DG	Means Distributed Generation (except for standby generation operating in parallel with the SEPD Distribution System for testing purposes only) which is subject to GDUoS.
SEPD	Southern Electric Power Distribution plc
Settlement	The determination and settlement of amounts payable in respect of charges (including reconciling charges) in accordance with the Balancing and Settlement Code.
Supplier	An organisation with a Supply Licence responsible for electricity supplied to and/or exported from a Metering Point.
SVA	Supplier Volume Allocation, as defined in the BSC.
User(s)	Someone who has a use of system agreement with SEPD, e.g. a Supplier, Generator or LDNO.
Use of System charges	Charges for demand and generation customers which are connected to and utilising the distribution network.