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STATUTORY INSTRUMENTS

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**2005 No. 528**

**ELECTRICITY**

**The Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005**

<i>Made</i>	- - - -	<i>5th March 2005</i>
<i>Laid before Parliament</i>		<i>8th March 2005</i>
<i>Coming into force</i>	- -	<i>1st April 2005</i>

The Secretary of State, in exercise of the powers conferred upon her by section 184(1) of the Energy Act 2004(1), having consulted such persons as she considers appropriate, hereby makes the following Order:

**Citation commencement and extent**

1.—(1) This Order may be cited as the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 and shall come into force on 1st April 2005.

(2) This Order does not extend to Northern Ireland.

**Interpretation**

2. In this Order—

“deposited maps” means the maps numbered 1 to 10 prepared in duplicate, marked “The Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005” and deposited at the Department of Trade and Industry and at the office of the Gas and Electricity Markets Authority; and

“specified area” means the area of Scotland described in Schedule 1 to this Order and shown on the deposited maps.

**Scheme to provide assistance to the specified area**

3. There shall be a scheme to provide assistance for the specified area, in respect of the costs of distributing electricity within that area.

4. The scheme shall be implemented in the manner set out in the conditions of licences referred to in articles 6 to 8 below.

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(1) 2004 c. 20.

### **Amount of assistance in the first year of the scheme**

5.—(1) The scheme shall commence on 1st April 2005.

(2) The total amount required to be paid by authorised transmitters to relevant distributors under the scheme referred to at article 3 above, in respect of the year commencing on 1st April 2005, is £41,950,000 (forty one million nine hundred and fifty thousand pounds).

### **Modifications to licences granted to authorised suppliers**

6.—(1) The standard conditions of licences granted or treated as granted to authorised suppliers under section 6(1) of the Electricity Act 1989<sup>(2)</sup> are modified by the insertion of the standard condition appearing in Schedule 2.

(2) The conditions which by virtue of section 33 of the Utilities Act 2000<sup>(3)</sup> are the standard conditions for the purposes of licences granted to authorised suppliers after this Order comes into force are modified by the insertion of the standard condition appearing in Schedule 2.

### **Modifications to licences granted to authorised distributors**

7.—(1) The standard conditions of licences granted or treated as granted to authorised distributors under section 6(1) of the Electricity Act 1989 are modified by the insertion of the standard conditions appearing in Schedules 3, 4 and 5.

(2) The conditions which by virtue of section 33 of the Utilities Act 2000 are the standard conditions for the purposes of licences granted to authorised distributors after this Order comes into force are modified by the insertion of the standard conditions appearing in Schedules 3, 4 and 5.

### **Modifications to licences granted to authorised transmitters**

8.—(1) The standard conditions of licences granted or treated as granted to authorised transmitters under section 6(1) of the Electricity Act 1989 are modified by the insertion of the standard conditions appearing in Schedules 6, 7, 8 and 9.

(2) The conditions which by virtue of section 33 of the Utilities Act 2000 are the standard conditions for the purposes of licences granted to authorised transmitters after this Order comes into force are modified by the insertion of the standard conditions appearing in Schedules 6, 7, 8 and 9.

5th March 2005

*Mike O'Brien*  
Minister of State for Energy and E-Commerce,  
Department of Trade and Industry

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(2) 1989, c. 29, section 6 was substituted for the original by the Utilities Act 2000 (c. 27), section 30.

(3) 2000, c. 27, section 33 was amended by the Energy Act 2004 (c. 20), Schedule 19, paragraph 20.

## SCHEDULE 1

Article 2

### Description of Area

1. Aberdeen City local authority region.
2. Aberdeenshire local authority region.
3. Angus local authority region.
4. Argyll and Bute local authority region, except that part of the region around Cardross, Helensburgh, Craigendoran, Wester Auchdennan, Garelochhead, Kilcreggan, Cove, Rosneath, Shandon, Greenfield, Rhu, Whistlefield Hattonburn and Drumfad, Portincaple, Craggan and part of Arden delineated on maps 2 and 3 of the deposited maps.
5. In Clackmannan local authority region that part of the region encompassing Mount Stuart, Woodside, Upper Yets, Balliliesk Home Farm, Hillhead, Yetts o'Muckart, Naemoor, Balruddrie, Nether Moss, Mossspark, Pool of Muckhart, Drumburn, Middlehall, Westerhall, The Leys, Cowden Farm, Thorn Farm, Pathead Cottages, Blairhill Farm, Linnbank, Muirmill, Broom, Pitgober House, Middleton and Muckhart Mill delineated on maps 6, 7 and 8 of the deposited maps.
6. Dundee city local authority region.
7. That part of Fife local authority region around Wester Gospestry, delineated on maps 8 and 10 of the deposited maps.
8. Moray local authority region.
9. Na h-Eilean an Iar local authority region.
10. In North Ayrshire region—
  - (a) The Isle of Arran;
  - (b) The Island of Great Cumbrae;
  - (c) The Island of Little Cumbrae;
  - (d) The Holy Isle; and
  - (e) Pladda Island.
11. Orkney Islands local authority region.
12. Perthshire and Kinross local authority region, except—
  - (a) that part of the region around Dumbarrow, Glentarkie and Pittuncarty delineated on map 10 of the deposited maps;
  - (b) that part of the region around Clunie Field delineated on map 10 of the deposited maps;
  - (c) that part of the region around East Feal, West Feal, Kinneston, West Bowhouse, Middle Bowhouse, East Bowhouse, Greenhead of Arnot, Little Arnot, Arnot Tower and Auchmuirbridge delineated on maps 9 and 10 of the deposited maps;
  - (d) that part of the region around West Mains of Kirkness, Middleburn, Manorleys and Riggwood delineated on map 9 of the deposited maps; and
  - (e) that part of the region around Easter Muirhead, Wester Muirhead, Newhall, Solsgirth House and Solsgirth Home Farm delineated on maps 6 and 7 of the deposited maps.
13. Shetland Islands local authority region.
14. Stirling local authority region, except that part of the region around Stirling, Bannockburn, Bridge of Allan, Cowie, the University of Stirling, Tough Hills, Cairnoch Hill, Dundaff Hill and Lewis Hill delineated on maps 4, 5 and 6 of the deposited maps.

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**15. In West Dunbartonshire local authority region—**

- (a) that part of the region around Gartocharn, Meikle Boturich, Easter Blairquhannan, The Merkins, Kilmarnock House, Blairlinnans and High Duncryne delineated on map 3 of the deposited maps;
- (b) Inchmurrin Island;
- (c) Creinch Island;
- (d) Torrinch Island; and
- (e) Aber Isle.

SCHEDULE 2

Article 6

Modifications to licences granted to authorised suppliers

*Condition 30B. Assistance for areas with high distribution costs scheme: payment to system operator*

**1.** Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 and in accordance with this condition the licensee shall, for the purpose of providing assistance with the high costs of distributing electricity incurred by a relevant distributor in the specified area, pay to the system operator the p/kWh tariff specified in accordance with the terms set out in standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers) of the system operator’s transmission licence.

**2.** The p/kWh tariff to be paid by the licensee in accordance with paragraph 1 above shall be payable by the licensee on a quarterly basis in each financial year (or such other basis as may be specified in standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers) of the system operator’s transmission licence) by the date indicated in each invoice received by the licensee from the system operator requiring such payment or, where no such date is indicated, within 28 days of the date of the invoice.

**3.** The licensee shall pay to the system operator an amount representing 8 per cent above the base interest rate of any payment not made to the system operator on the date specified pursuant to paragraph 2 calculated for each day after the date on which payment should have been made which interest payment shall be made by the licensee as soon as possible after, and in any event within 28 days, of the date of the invoice from the system operator for such payment.

**4.** The accounting statements to be prepared for the purposes of standard condition 52 (Regulatory Accounts) in respect of every financial year shall include the payments made to the system operator by the licensee referred to in paragraph 2 and where relevant paragraph 3 of this condition.

**5.** In this condition:

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“base interest rate”

means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding business day.

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“business day”	means any week day other than a Saturday on which banks are open for domestic business in the City of London.
“p/kWh”	means pence per kilowatt hour.
“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.

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### SCHEDULE 3

Article 7

#### Modifications to licences granted to authorised distributors

##### *Condition 53A. Assistance for areas with high distribution costs scheme: transfer of payment to the licensee and accounting requirements*

**1.** Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005, where the licensee is a relevant distributor in the specified area, the licensee shall be entitled to receive and shall account for the annual payments received from the system operator pursuant to standard condition C22 (Assistance for areas with high distribution costs scheme: payments to a relevant distributor) of the system operator’s transmission licence.

**2.** The accounting statement to be prepared for the purposes of standard condition 42 (Regulatory Accounts) in respect of every financial year commencing on 1 April shall include the annual payments received by the licensee referred to in and in accordance with paragraph 1 of this condition.

**3.** In this condition:

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“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.

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### SCHEDULE 4

Article 7

#### Modifications to licences granted to authorised distributors

##### *Condition 53B. Assistance for areas with high distribution costs scheme: allocation of the annual payment between specified suppliers*

**1.** The licensee shall apply the benefit of any annual payment received pursuant to paragraph 1 of standard condition 53A (Assistance for areas with high distribution costs scheme: transfer of payment to the licensee and accounting requirements) to reduce the use of system charges to specified suppliers in a non-discriminatory manner in accordance with standard condition 53C (Assistance for

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areas with high distribution costs scheme: prohibition on engaging in preferential or discriminatory behaviour) and this condition.

2. The licensee shall apply the benefit of the annual payment referred to in paragraph 1 on a pro-rated basis according to each specified supplier’s anticipated level of demand attributable to the requirements of those of its customers located in the specified area in the forthcoming year of demand but not to the requirements of other customers in Great Britain.

3. In this condition:

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“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
“specified supplier”	means an authorised supplier as defined in section 184(13) of the Energy Act 2004 who takes demand from the GB transmission system and supplies same to customers in the specified area.

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SCHEDULE 5

Article 7

Modifications to licences granted to authorised distributors

*Condition 53C. Assistance for areas with high distribution costs scheme: prohibition on engaging in preferential or discriminatory behaviour*

1. The licensee shall not, in meeting its obligations under standard condition 53B (Assistance for areas with high distribution costs scheme: allocation of the annual payment between specified suppliers), unduly discriminate as between any specified supplier or specified suppliers or unduly prefer itself or any affiliate or related undertaking over any other specified supplier or specified suppliers.

2. When determining the level of benefit to apply to another specified supplier under standard condition 53B (Assistance for areas with high distribution costs scheme: allocation of the annual payment between specified suppliers), the licensee shall apply the same or equivalent factors (and shall, in applying such factors, take into account any information available to it) that it applies when considering the level of benefit to apply to itself or any affiliate or related undertaking.

3. On notification by the Authority, the licensee shall keep and maintain such records concerning its compliance with this condition as are in the opinion of the Authority sufficient to enable the Authority to assess whether the licensee is complying with this condition and as are specified in any such notification, and the licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

4. In this condition:

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“assistance for areas with high distribution costs scheme”	means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
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“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
“specified supplier”	means an authorised supplier as defined in section 184(13) of the Energy Act 2004 who takes demand from the GB transmission system and supplies same to customers in the specified area.

SCHEDULE 6

Article 8

Modification to licences granted to authorised transmitters

*Condition C20. Assistance for areas with high distribution costs scheme: restriction on revenue*

1. The licensee shall ensure that in each relevant year the total scheme amount shall not exceed the amount calculated in accordance with the following formula:

$$HBM_t = A_t + HBOC_t - HBK_t$$

where

HBM <sub>t</sub>	represents the total scheme amount in relation to the relevant year t.
A <sub>t</sub>	represents the assistance amount in relation to the relevant year t.
HBOC <sub>t</sub>	represents the administration allowance in relation to the relevant year t.
HBK <sub>t</sub>	represents the correction amount in relation to the relevant year t.

2. For the purposes of paragraph 1 above, for the first relevant year of the assistance for areas with high distribution costs scheme, the assistance amount shall have the value specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 and for each subsequent relevant year the assistance amount shall be derived from the following formula:

$$A_t = A_{t-1} \left[ 1 + \frac{RPI_t}{100} \right]$$

where

A <sub>t-1</sub>	represents the assistance amount in relation to the relevant year t-1.
RPI <sub>t</sub>	means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months May to October (both inclusive) in relation to the relevant year t-1 and that are

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published or determined with respect to the same months in relation to the relevant year t-2.

3. For the purposes of paragraph 1 above, for the first relevant year of the assistance for areas with high distribution costs scheme, the administration allowance shall have the value of £150,000 (one hundred and fifty thousand pounds), for the second relevant year of the assistance for areas with high distribution costs scheme, the administration allowance shall have the value of £80,000 (eighty thousand pounds) and for each subsequent relevant year, the administration allowance shall be derived from the following formula:

$$HBOC_t = HBOC_{t-1} \left( 1 + \frac{RPI_t}{100} \right)$$

where

HBOC <sub>t-1</sub>	represents the administration allowance in relation to the relevant year t-1.
RPI <sub>t</sub>	means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months May to October (both inclusive) in relation to the relevant year t-1 and that are published or determined with respect to the same months in relation to the relevant year t-2.

4. For the purposes of paragraph 1 above, for the first relevant year of the administration for areas with high distribution costs scheme, the correction amount shall have the value zero and for all subsequent relevant years shall have the value derived from the following formula:

$$HBK_t = (HBC_{t-1} - HBM_{t-1}) \left( 1 + \frac{I_t}{100} \right)$$

where

HBC <sub>t-1</sub>	means the actual income from payments received from authorised suppliers pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers), excluding an amount for interest on payments, using the base interest rate in relation to the relevant year t-1.
HBM <sub>t-1</sub>	means the total scheme amount in relation to the relevant year t-1.
I <sub>t</sub>	represents the base interest rate in relation to the relevant year t as of the date upon which such calculation under paragraph 1 above is conducted.

5. In this condition:



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“administration allowance”	means the amount of the licensee’s revenue allowance for administering the assistance for areas with high distribution costs scheme with the value specified in or calculated in accordance with paragraph 3 above.
“assistance amount”	means the amount payable by the licensee to a relevant distributor in any relevant year made pursuant to standard condition C22 (Assistance for areas with high distribution costs scheme: payments to a relevant distributor) and with the value specified in or calculated in accordance with paragraph 2 above.
“assistance for areas with high distribution costs scheme”	means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
“authorised supplier”	has the same meaning as in section 184 of the Energy Act 2004.
“base interest rate”	means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding business day.
“business day”	means any week day other than a Saturday on which the banks are open for domestic business in the City of London.
“correction amount”	means the amount for reconciliation of payments in respect of the assistance for areas with high distribution costs scheme with the value as specified in or calculated in accordance with paragraph 4 above.
“late payments”	means payments required to be made by authorised suppliers and not received by the licensee by the due date specified in any invoice issued by the licensee in relation to same pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers).
“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“relevant year”	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.

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“total scheme amount”	means the maximum allowable revenue of the licensee in relation to the assistance for areas with high distribution costs scheme with the value specified in or as calculated in accordance with paragraph 1 above.
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## SCHEDULE 7

Article 8

### Modification to licences granted to authorised transmitters

#### *Condition C21. Assistance for areas with high distribution costs scheme: payments from authorised suppliers*

1. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 the licensee shall collect payments from authorised suppliers in accordance with the provisions of this condition.

2. For each relevant year the licensee shall calculate a p/kWh tariff by dividing the total scheme amount by a reasonable forecast of the total units of electricity to be supplied within Great Britain during the relevant year.

3. The licensee shall issue to each authorised supplier an invoice for the amount determined by applying the p/kWh tariff to the units of electricity actually supplied by each authorised supplier during each period in relation to the relevant year *t* specified in the following table and such invoices shall be issued in respect of each such period in relation to the relevant year *t* by the dates specified in the following table specifying the amount due and the date required for payment of such amount by the authorised supplier which shall not be more than 28 days from the date of the invoice.

Period in relevant year	Invoice dates in relation to relevant year
April to June	15 August
July to September	15 November
October to December	15 February
January to March	15 May

4. The invoices issued pursuant to paragraph 3 above may also include a separate amount payable by an authorised supplier representing an interest charge of 8 per cent above the base interest rate on any payment not made to the licensee by the authorised supplier on the date specified calculated for each day after the date on which any payment relating to a previous invoice or to previous invoices should have been made up to the date on which such payment was actually made.

5. For each relevant year, the licensee shall prepare a statement setting out in respect of such relevant year:

- (a) the methodology used to calculate the p/kWh tariff;
- (b) the p/kWh tariff that will apply in the relevant year;
- (c) the terms for payment of invoices issued under paragraph 3 above including the dates by which such invoices should be paid;

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- (d) a statement that the level of interest to be applied to any late payments by an authorised supplier shall be 8% above the base interest rate as calculated and applied in accordance with paragraph 4 above;
- (e) contact details which can be used if an authorised supplier has any queries concerning the operation of the assistance for areas with high distribution costs scheme;
- (f) a statement of the administration allowance; and
- (g) a statement of the assistance amount payable by the licensee in relation to the relevant year, together with details of the payments payable by the licensee on the payment dates in relation to the relevant year specified in standard condition C22 (Assistance for areas with high distribution costs scheme: payments to a relevant distributor).

6. For each relevant year including the first relevant year, as soon as reasonably practicable after the preparation of the statement made pursuant to paragraph 5 above and not less than one month prior to issuing the first invoice in the relevant year to which such statement relates, the licensee shall provide a copy of the statement to the Authority, authorised suppliers and to a relevant distributor. Where a person becomes an authorised supplier on a date after the statement has been provided under this paragraph, the licensee shall provide a copy to such authorised supplier as soon as reasonably practicable after such date.

7. The licensee shall send a copy of any statement prepared pursuant to paragraph 5 above to any person who requests a copy.

8. The licensee may make a charge for any copy of a statement sent pursuant to paragraph 7 above of an amount reflecting the licensee's reasonable costs of providing such copy which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

9. In this condition:

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“administration allowance”	means the amount of the licensee's revenue allowance for administering the assistance for areas with high distribution costs scheme with the value specified in or calculated in accordance with paragraph 3 of standard condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue).
“assistance amount”	means the amount payable by the licensee to a relevant distributor in any relevant year pursuant to Condition C22 (Assistance for areas with high distribution costs scheme: payments to a relevant distributor).
“assistance for areas with high distribution costs scheme”	means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
“authorised supplier”	has the meaning given to it in section 184 of the Energy Act 2004.
“business day”	means any week day other than a Saturday on which banks are open for domestic business in the City of London.

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“correction amount”	means the amount for reconciliation of payments in respect of the assistance for areas with high distribution costs scheme as specified in or calculated in accordance with paragraph 4 of standard condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue).
“base interest rate”	means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding business day.
“late payments”	means payments made by authorised suppliers not received by the licensee in the timescales described in any invoice issued by the licensee pursuant to this condition.
“p/kWh”	means pence per kilowatt hour.
“relevant year”	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
“total scheme amount”	means the maximum revenue of the licensee in relation to the assistance for areas with high distribution costs scheme and calculated in accordance with paragraph 1 of standard condition C20 (Assistance for areas with high distribution costs: restriction on revenue).
“units of electricity supplied”	means the best possible data supplied from BSCCo (as defined in the BSC) of the kilowatt hours consumed by the appropriate supplier’s BM Units (as defined in the BSC) at the time the licensee prepares the relevant invoice for issuing under paragraph 3 above.

SCHEDULE 8

Article 8

Modification to licences granted to authorised transmitters

*Condition C22. Assistance for areas with high distribution costs scheme: payments to a relevant distributor*

1. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 the licensee shall in respect to each relevant year pay to a relevant distributor the assistance amount in the proportions specified in the table below and on the payment dates specified therein.

Payment dates	Proportion of assistance amount paid on payment date
15 September	23%

Payment dates	Proportion of assistance amount paid on payment date
15 December	22% <sup>1</sup>
15 March	27%
15 June	28%

2. For the avoidance of doubt, the payments required by this condition shall be made to a relevant distributor by the licensee whether or not sufficient monies have been received by the licensee from authorised suppliers pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payment from authorised suppliers).

3. In this condition:

“assistance amount”	means the amount paid by the licensee to a relevant distributor in relation to any relevant year made pursuant to this condition as specified in or calculated in accordance with paragraph 2 of standard condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue).
“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“relevant year”	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

## SCHEDULE 9

Article 8

### Modification to licences granted to authorised transmitters

#### *Condition C23. Assistance for areas with high distribution costs scheme: annual statement*

1. As soon as practicable after issuing the last invoice in any relevant year pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers) the licensee shall provide the Authority and a relevant distributor with a statement of the total scheme amount and the mechanism for and the values of the components used in the calculation of the same with respect to the relevant year.

2. In this condition:

“authorised supplier”	has the same meaning as in section 184 of the Energy Act 2004.
“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“relevant year”	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.

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“total scheme amount”	means the maximum allowable revenue of the licensee in relation to the assistance for areas with high distribution costs scheme with the value specified in or as calculated in accordance with paragraph 1 of standard condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue).
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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order is made under section 184 of the Energy Act 2004. It establishes a scheme for offsetting the costs of distributing electricity in the area of Northern Scotland which is described in Schedule 1 to the Order and shown on the deposited maps numbered 1-10. The first of these maps, Map 1, is annexed to this Note and delineates the area as a whole. Maps 2-10 set out the boundaries in more detail. The deposited maps are all available for inspection during normal office hours at the Department of Trade and Industry (reference number, QBBD/002/00267P), 1 Victoria Street, London SW1H 0ET and at the office of the Gas and Electricity Markets Authority, 9 Millbank, London, SW1P 3GE.

The detail of the scheme is contained in the modifications to licence conditions which appear in Schedules 2 to 9.

Article 6 modifies the conditions of licences issued to electricity suppliers, and these modifications can be found at Schedule 2. These modifications require all electricity suppliers in Great Britain to pay to the electricity transmission system operator a sum which is calculated on the basis of the number of kilowatt hours of electricity supplied.

Article 8 modifies the conditions of licences issued to electricity transmitters, although the effect of the amendments is that they will only apply to the operator of the electricity transmission system in Great Britain. These modifications can be found at Schedules 6, 7, 8 and 9. The effect of these modifications is to impose on the Great Britain system operator an obligation to issue a statement specifying the sums which are due to be paid by electricity suppliers, and an obligation to pass the sums collected from electricity suppliers to electricity distributors in the area specified in Schedule 1.

Article 7 modifies the conditions of licences issued to electricity distributors although the effect of the modifications is that they will currently only apply to one electricity distributor which operates in the area specified in Schedule 1. These modifications can be found at Schedules 3, 4 and 5. The effect of these modifications is to require the electricity distributor to pass sums received from the transmission system operator to electricity suppliers supplying customers in the area specified in Schedule 1.

A Regulatory Impact Assessment is available and can be obtained from the Energy Markets Unit, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

The licences modified by this Order may be inspected at the Registry of the Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE.

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### Annex to the Explanatory Note

