

## **NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989 (ref 114/11)**

The Gas and Electricity Markets Authority (the 'Authority') hereby gives notice pursuant to section 11(2) of the Electricity Act 1989 (the 'Act') as follows:

1. The Authority proposes to modify the conditions of the individual distribution licences treated as granted under section 6(1)(c) of the Act to each of the following electricity distributors:
  - a. Electricity North West Limited;
  - b. Northern Electric Distribution Limited;
  - c. Yorkshire Electricity Distribution plc;
  - d. Western Power Distribution (South Wales) plc;
  - e. Western Power Distribution (South West) plc;
  - f. Western Power Distribution (West Midlands) plc;
  - g. Western Power Distribution (East Midlands) plc;
  - h. London Power Networks plc;
  - i. South Eastern Power Networks plc;
  - j. Eastern Power Networks plc;
  - k. SP Distribution Limited;
  - l. SP Manweb plc;
  - m. Scottish Hydro Electric Power Distribution plc; and
  - n. Southern Electric Power Distribution plc,

by amending: paragraph 8.41 of Charge Restriction Condition 8 (Adjustments of licensee's revenues to reflect quality of service performance) in relation to the revised telephony score ('RTS') term, in the manner set out in the Schedule to this Notice.

2. The Authority proposes to make these licence modifications to clarify the RTS text in paragraph 8.41. The reasons for each amendment are as follows:
  - a. paragraph 8.41 states the outcome if an electricity distributor's RTS performance is greater than or equal to 4.4, is greater than or equal to 3.9 but less than 4.4 or is less than 3.9;
  - b. the text that describes the outcome if an electricity distributor's performance is greater than 4.4 is incomplete and potentially confusing. As a result, we need to correct the text specifying the outcome resulting from this performance.
3. The effect of the proposed modification to the RTS text correctly specifies the outcome if an electricity distributor's performance is greater than 4.4.
4. A copy of the proposed modifications and other documents referred to in this Notice are available (free of charge) from the Ofgem library (telephone 020 7901 1600) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
5. Any representations or objections to the proposed licence modifications may be made on or before 28 September 2011 to: Peter Hicks, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [Peter.Hicks@ofgem.gov.uk](mailto:Peter.Hicks@ofgem.gov.uk).

6. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.



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**Rachel Fletcher**  
**Partner, Distribution**

**For and on behalf of the Authority**

**31 August 2011**

## Schedule to section 11 Notice

### **CRC 8. Adjustment of licensee's revenues to reflect quality of service performance**

#### **Part E: Performance in relation to telephony response**

8.37 This Part E applies for the purposes of the calculations established under:

- (a) Part A above in respect of Principal Formula 2; and
- (b) Part C above in respect of the formula for the term QBt.

8.38 For the purposes of those formulas:

QDt means the adjustment to Combined Allowed Distribution Network Revenue in respect of the licensee's overall surveyed performance in Regulatory Year t in relation to the targets for the speed and quality of telephone response in that year.

8.39 In calculating the value of QDt under this Part E (see paragraph 8.41), the term RTSt refers to the revised telephony score, including a weighting on unsuccessful calls, and is derived from the following formula:

$$RTS_t = APTR_t \times (1 - (UNCP_t \times 0.75))$$

8.40 In the formula for the RTS term above:

APTRt (*the telephony performance term*) is the actual overall performance score for the licensee in the Regulatory Year t, based on all assessed attributes in the survey of the quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

UNCPt (*the unsuccessful calls term*) is the actual unsuccessful proportion of calls (within a range of values from 0 to 1) in Regulatory Year t, as defined in the Quality of Service RIGs.

8.41 In Regulatory Year t, if RTSt is greater than or equal to 4.4, QDt is the amount as specified for Regulatory Year t for the licensee in table A12 in Appendix 1, expressed in £ million in 2007/08 prices to be inflated by PIA<sub>t</sub>. ~~derived from the following formula:~~

$$QD_{\pounds} = RLD_{\pounds} \times PIA_{\pounds}$$

In Regulatory Year t, if RTSt is greater than or equal to 3.9 and less than 4.4, QDt has the value of zero.

In Regulatory Year t, if RTSt is less than 3.9, QDt is the amount derived from the following formula:

$$QD_t = \max[(RTS_t - 3.9) \times PIA_t \times IRC_t, -RLD_t \times PIA_t]$$

8.42 In the formula for the QDt term above:

IRC<sub>t</sub> (*the telephony performance penalty term*) means the penalty rate in Regulatory Year t for performance in respect of the speed and quality of the licensee's telephone response and is derived from the following formula:

$$IRC_t = 2 \times RLD_t$$

where:

RLDt (*the revenue exposure to telephony penalties term*) means the maximum amount of revenue exposed to penalties under the incentives for the quality and speed of telephone response and has the value as specified for Regulatory Year t for the licensee in table A13 in Appendix 1, in £ million in 2007/08 prices.