

To:

Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) plc (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
SP Distribution plc (SPD)
SP Manweb plc (SPMW)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)
Western Power Distribution (West Midlands) plc (WMID)
Western Power Distribution (East Midlands) plc (EMID)
Western Power Distribution (South Wales) plc (SWALES)
Western Power Distribution (South West) plc (SWEST)

Electricity Act 1989
Section 11A (2)

Modification of the Special Licence Conditions (also known as the Charge Restriction Conditions) of the Electricity Distribution licences held by the licensees listed above

1. Each of the licensees to whom this document is addressed ('the licensees') is the holder of an Electricity Distribution licence ('the Licence') granted or treated as granted under 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 28 May 2021 ('the Notice') that we propose to modify the Licence by:
 - a. inserting a new Special Condition CRC 3N (Arrangements to exclude Green Recovery Scheme Project Costs from the Totex Incentive Mechanism); and
 - b. making amendments to the ED1 Price Control Financial Instruments.

We stated that any representations to the modification proposal must be made on or before 25 June 2021.

3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 5 responses to the Notice. We have published all non-confidential responses on our website.
5. We carefully considered the responses to the Notice and our responses to the comments raised in them are set out in the issues log at

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

<https://www.ofgem.gov.uk/publications/decision-on-the-proposed-modifications-to-the-riio-ed1-licences-for-the-green-recovery-scheme>.

6. It is necessary to make a number of minor alterations to the modification proposal set out in the Notice. Changes to the Special Conditions since the Statutory Consultation are shown in strikethrough or underline and yellow highlight in the modification text that can be found at <https://www.ofgem.gov.uk/publications/decision-on-the-proposed-modifications-to-the-riio-ed1-licences-for-the-green-recovery-scheme>. The alterations are required to correct typographical errors in the modification proposal, and to address minor issues and corrections raised in the responses to the Notice.
7. We are making the changes to the licence set out in the modification proposal (as altered from the Notice) to establish the Green Recovery Scheme and the regulatory treatment of Green Recovery Scheme expenditure as determined by Ofgem in our decision on projects proposed by DNOs.²
8. The full text of the modification proposal can be found at <https://www.ofgem.gov.uk/publications/decision-on-the-proposed-modifications-to-the-riio-ed1-licences-for-the-green-recovery-scheme>. Alternatively it is available from foi@ofgem.gov.uk.
9. Further details on the background and reasons for the modification proposal are set out in the following documents:
 - a. Open letter on the Energy Network Association Green Recovery Scheme³; and
 - b. Decision on the RIIO-ED1 Green Recovery Scheme⁴
10. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁵ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the Special Licence Conditions of the Electricity Distribution licence of the licensees in the manner specified at <https://www.ofgem.gov.uk/publications/decision-on-the-proposed-modifications-to-the-riio-ed1-licences-for-the-green-recovery-scheme>. This decision will take effect from 22 October 2021.

This document is our notice of reasons for the purposes of section 49A(2) of the Act.

² <https://www.ofgem.gov.uk/publications/decision-riio-ed1-green-recovery-scheme>

³ <https://www.ofgem.gov.uk/publications-and-updates/open-letter-energy-network-association-green-recovery-scheme>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/decision-riio-ed1-green-recovery-scheme>

⁵ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

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Steven McMahon
Deputy Director, Networks
Duly authorised on behalf of the
Gas and Electricity Markets Authority

26 August 2021