

**To: The Company Secretary
SP Distribution Plc
Company Number: SC189125
1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP**

Direction under Paragraph 2D.32 (Severe Weather Events) of Part F (Adjustment of performance on quality of supply targets) of Special Condition CRC 2D: Adjustment of licensee's revenues to reflect interruptions-related quality of service performance, of the Distribution Licence in place for the 2021/22 Regulatory Year.

- Whereas
- 1 SP Distribution Plc (the "Licensee") is the holder of an Electricity Distribution licence (the "Licence") granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 (the "Act").
 - 2 The Gas and Electricity Markets Authority (the "Authority" [1]) has considered all representations made by the Licensee and had regard to all relevant information and circumstances.
 - 3 In accordance with the requirements of Paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D of the Licence:
 - (a) the Authority has been notified of each event within 14 days of the date on which the Licensee considers that the effect of the event has ceased;
 - (b) the Licensee has submitted to the Authority a statement of facts with respect to each event within 56 days of the date of the notification;
 - (c) the Authority, or an Appropriate Auditor nominated by the Authority under standard condition 46 (Regulatory Instructions and Guidance) of the Electricity Distribution Licence, has verified the impact of each event on the Licensee's performance;
 - (d) the Authority is satisfied that each event meets the relevant exceptionality requirements and criteria for preventative and mitigating actions.

Now, for the reasons specified in Annex 1, the Authority directs under Paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D of the Licence that, for the purpose of calculating CIIST (customer interruptions actual performance term) and CMLIST (customer minutes lost actual performance term) in respect of the relevant Regulatory Year in which the events occurred, the constituent data relevant to the events shall be adjusted as follows:

CIIST for the Regulatory Year commencing 1 April 2021 shall be adjusted from 45 to 37.2; and

CMLIST for the Regulatory Year commencing 1 April 2021 shall be adjusted from 68.9 to 27.1.

This direction constitutes notice of reasons for our decision pursuant to section 49A(1)(c) of the Act.

31 October 2022

SIGNED on 31 October 2022

**Steven McMahon
Deputy Director, Onshore Networks, Price Control Setting
Duly authorised by the Authority**

Annex 1

Explanation of the Authority's reasons for direction under Paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D of the Licence

1. Introduction

- 1 This document sets out the reasons for issuing a direction under Paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D of the Licence.
- 2 This direction adjusts the Licensee's 2021/22 performance on quality of supply targets for the number and duration of interruptions.
- 3 The structure of the rest of this document is as follows:
- (i) Section 2 sets out the claim submitted by the Licensee for consideration under Paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D of the Licence;
 - (ii) Section 3 sets out the Authority's analysis and decision on the claims; and
 - (iii) Section 4 sets out the Authority's revisions to the Licensee's performance for the exceptional events.

2. Exceptional event claims submitted by the Licensee for 2021/22

- 4 The Licensee notified the Authority during the Regulatory Year 2021/22 that it considered the events in Table 1 to have been exceptional (for the purposes of paragraph 2D.32 (Severe Weather Events) of Part F of Special Condition CRC 2D) and to have affected its performance on quality of supply targets for the number [2] and duration of interruptions [3]. It claimed the adjustments shown in the table below:

Table 1: 2021/22 exceptional event claims

Date and event details	Claimed Adjustments	
	Customers Interrupted (CIs)	Customer Minutes Lost (CMLs)
Severe Weather Event One: 26 November 2021 (paragraph 2D.32 of Part F)	4.68	36.04
Severe Weather Event Two: 7 December 2021 (paragraph 2D.32 of Part F)	0.57	0.40
Severe Weather Event Three: 29 January 2022 (paragraph 2D.32 of Part F)	1.65	3.62
Severe Weather Event Four: 20 February 2022 (paragraph 2D.32 of Part F)	1.07	1.08
Total	7.97	41.14

3. Authority's analysis and decisions on the claims

Severe Weather Event One: 26 November 2021

- 5 This was a claim for 4.68 CIs and 36.04 CMLs because of wind and gales.
- 6 The Authority finds that this event was exceptional, with 344 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 76 set out in Appendix 2 to Special Condition CRC 2D.
- 7 The Authority therefore directs that the Licensee's performance for the Regulatory Year 2021/22 should be adjusted to exclude the audited impact of the event, as set out in Table 2 below.

Severe Weather Event Two: 7 December 2021

- 8 This was a claim for 0.57 CIs and 0.4 CMLs because of wind and gales.
- 9 The Authority finds that this event was exceptional, with 84 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 76 set out in Appendix 2 to Special Condition CRC 2D.
- 10 The Authority therefore directs that the Licensee's performance for the Regulatory Year 2021/22 should be adjusted to exclude the audited impact of the event, as set out in Table 2 below.

Severe Weather Event Three: 29 January 2022

- 11 This was a claim for 1.65 CIs and 3.62 CMLs because of wind and gales.
- 12 The Authority finds that this event was exceptional, with 160 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 76 set out in Appendix 2 to Special Condition CRC 2D.
- 13 The Authority therefore directs that the Licensee's performance for the Regulatory Year 2021/22 should be adjusted to exclude the audited impact of the event, as set out in Table 2 below.

Severe Weather Event Four: 20 February 2022

- 14 This was a claim for 1.07 CIs and 1.08 CMLs because of wind and gales.
- 15 The Authority finds that this event was exceptional, with 79 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 76 set out in Appendix 2 to Special Condition CRC 2D.
- 16 The Authority therefore directs that the Licensee's performance for the Regulatory Year 2021/22 should be adjusted to exclude the audited impact of the event, as set out in Table 2 below.
- 17 The Licensee did not include certain incidents in their initial claims for Severe Weather Event One and Severe Weather Event Three. The omitted incidents were submitted by the Licensee following the Authority's additional analysis of Severe Weather Event One and Severe Weather Event Three. The omitted incidents impacted both the CIs and CMLs of Severe Weather Event One and Severe Weather Event Three, and are included in the adjustments shown below.

Table 2: Audited impact of 2021/22 exceptional event claims

Date and event details	Authority's Adjustments	
	CI	CML
Severe Weather Event One: 26 November 2021 (paragraph 2D.32 of Part F)	4.71	36.85
Severe Weather Event Two: 7 December 2021 (paragraph 2D.32 of Part F)	0.57	0.39
Severe Weather Event Three: 29 January 2022 (paragraph 2D.32 of Part F)	1.67	3.64
Severe Weather Event Four: 20 February 2022 (paragraph 2D.32 of Part F)	0.82	0.90
Total	7.78	41.78

4. Authority's revisions to performance

- 18 The Authority has verified the impact of Severe Weather Event One, Severe Weather Event Two, Severe Weather Event Three and Severe Weather Event Four on the Licensee's performance and considered all other relevant information and circumstances (such as the Licensee's statement of facts) and is satisfied that both Severe Weather Event One, Severe Weather Event Two, Severe Weather Event Three and Severe Weather Event Four were exceptional. Under paragraph 2D.32 of Part F of Special Condition CRC 2D the Authority may, therefore, in accordance with the provisions of that paragraph, make adjustments to the Licensee's data in respect of Severe Weather Event One, Severe Weather Event Two, Severe Weather Event Three and Severe Weather Event Four.
- 19 The adjustments to the annual performance data are shown in Table 3 below.

Table 3: Adjustments to 2021/22 performance data for exceptional event claims

	Performance figures for 2021/22		Change for Exceptional Event(s)		Performance figures for 2021/22 adjusted for Exceptional Event(s)	
	CI	CML	CI	CML	CI	CML
Unplanned incidents	44.28	67.34	7.78	41.78	36.50	25.56
Pre-arranged incidents	1.34	3.10	-	-	0.67	1.55
National Grid Electricity Transmission or transmission companies	0.78	0.09	-	-	-	0.01
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2021/22	46.40	70.53	7.78	41.78	38.62	28.75
Overall CIIS & CMLIS for 2021/22	44.95	68.90	7.78	41.78	37.18	27.12

The Authority directs that:

CIIS for the Regulatory Year commencing 1 April 2021 should be reduced by 7.8 from 45 to 37.2.

CMLIS for the Regulatory Year commencing 1 April 2021 should be reduced by 41.8 from 68.9 to 27.1.

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

[2] Customers Interrupted (CIs) is the proportion of total customers whose supplies have been interrupted. This is calculated by summing the number of customers with an interruption of supply that lasted for three minutes or longer, multiplying by 100 and dividing by the total number of customers.

[3] Customer Minutes Lost (CMLs) is a measure of the duration of interruptions to supply. It is the average customer minutes lost per customer, where an interruption of supply lasts for three minutes or longer.