

To: Southern Electric Power Distribution Plc
Company Number: 04094290
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Date: 12 April 2024

Dear Company Secretary,

Direction under Paragraph 2D.35 (Other 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 2022/23 Regulatory Year.

Whereas

- 1 Southern Electric Power 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.35 (Other 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 Licence, has verified the impact of each event on the Licensee's performance; and
 - (d) the Licensee has provided such further information, if any, as the Authority may require; and
 - (e)(i) the Authority is satisfied that the event meets the exceptionality requirements defined in Appendix 3;
 - (e)(ii) the Authority has had regard to whether the Licensee has met the criteria for preventative and mitigating actions set out in Appendix 4; and
 - (e)(iii) the Authority is satisfied that any payments under the Regulations by the Licensee to Customers in respect of the event should be recovered via this licence condition.

Now, for the reasons specified in Annex 1, the Authority directs under Paragraph 2D.35 (Other 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 actual performance term) in respect of the relevant year in which the event occurred, the constituent data relevant to the event shall be adjusted as follows:

CIIST for the Regulatory Year commencing 1 April 2022 shall be adjusted from 47.1 to 45.6; and CMLIST for the Regulatory Year commencing 1 April 2022 shall be adjusted from 50 to 49.3.

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

31 October 2023

SIGNED on 31 October 2023

David McCrone

Head of Quality of Service

Duly authorised by the Authority

Annex 1

Explanation of the Authority's reasons for direction under paragraph 2D.35 (Other 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.35 (Other Events) of Part F of Special Condition CRC 2D of the Licence.
- 2 This direction adjusts the Licensee's 2022/23 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.35 (Other 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 claim; and
 - (iii) Section 4 sets out the Authority's revisions to the Licensee's performance for the exceptional event.

2. Exceptional event claims submitted by the Licensee for 2022/23

- 4 The Licensee notified the Authority during 2022/23 that it considered the event in Table 1 to have been exceptional (for the purposes of Paragraph 2D.35 (Other 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: 2022/23 exceptional event claims

Date and event details	Claimed adjustments	Claimed adjustments
	Customers Interrupted (CIs)	Customer Minutes Lost (CMLs)
Other Event One: 5 May 2022 (paragraph 2D.35 of Part F)	1.57	0.67
Total	1.57	0.67

3. Auditor's recommendations and Authority's decisions

Other Event One: 5 May 2022

- 5 This was a claim for 1.57 CIs and 0.67 CMLs because of a failure of a current transformer (CT).
- 6 The Authority appointed an Appropriate Auditor under Standard Condition 46 of the Electricity Distribution Licence to audit the claim.
- 7 The Appropriate Auditor's report finds that the other event customers interrupted threshold of 0.84 in Appendix 3: Exceptionality requirements for other events of Special Condition CRC 2D was exceeded, with 75697 customers interrupted.
- 8 The Appropriate Auditor's report finds that the other event customer minutes lost threshold of 0.67 in Appendix 3: Exceptionality requirements for other events of Special Condition CRC 2D was exceeded, with 4198366 minutes of supply lost.
- 9 The Licensee was also found to have taken appropriate preventative and mitigating actions as set out in Appendix 4: Criteria for preventative and mitigating actions of Special Condition CRC 2D. The Appropriate Auditor therefore recommended that

the Licensee's performance for the Regulatory Year 2022/23 should be adjusted to exclude the audited impact of Other Event One as set out in Table 2 below.

Table 2: Audited impact of 2022/23 exceptional event claims

Date and event details	Authority's Adjustments	Authority's Adjustments
	CIs	CMLs
Other Event One: 5 May 2022 (paragraph 2D.35 of Part F)	1.57	0.67
Total	1.57	0.67

4. Authority's revisions to performance

- 10 The Authority has verified the impact of Other Event One 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 Other Event One was exceptional. Under paragraph 2D.35 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 Other Event One.
- 11 The impact of the changes relates to overall company performance and the adjustment to price control revenue under the incentive scheme, rather than protection of individual customers. The Authority therefore considers it reasonable and pragmatic to apply the adjustments to the overall annual performance data rather than at a more detailed level.
- 12 The adjustments to the annual performance data are shown in Table 3.

Table 3: Adjustments to 2022/23 performance data for exceptional event claims

	Performance figures for 2022/23	Performance figures for 2022/23	Change for Exceptional Event(s)	Change for Exceptional Event(s)	Performance figures for 2022/23 adjusted for Exceptional Event(s)	Performance figures for 2022/23 adjusted for Exceptional Event(s)
	CI	CML	CI	CML	CI	CML
Unplanned incidents	45.51	46.40	1.57	0.67	43.94	45.74
Pre-arranged incidents	3.25	7.13	-	-	1.63	3.57
National Grid Electricity Transmission or transmission companies	-	-	-	-	-	-
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2022/23	48.76	53.54	1.57	0.67	47.19	52.87
Overall CIIS & CMLIS for 2022/23	47.14	49.97	1.57	0.67	45.56	49.30

The Authority directs that:

CIIS for the Regulatory Year commencing 1 April 2022 should be reduced by 1.6 from 47.1 to 45.6.

CMLIS for the Regulatory Year commencing 1 April 2022 should be reduced by 0.7 from 50 to 49.3.

- [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.