

# **Annex: Reasons for directions and determination under Special Licence Condition G - SEEBOARD Power Networks plc**

## **1. Introduction**

- 1.1 This document sets out the reasons for the directions under Special Licence condition G (“the Condition”) of a licence (“the Licence”) treated as granted to SEEBOARD Power Networks plc (“SPN”) under section 6(1) (c) of the Electricity Act 1989. The directions adjust SPN’s 2001/2 performance for the number and duration of interruptions, its 2004/5 targets, associated incentive rates and its interim targets.

The structure of the rest of this document is as follows:

- Section 2 sets out the reasons for the direction under paragraph 8 of the Condition to adjust SPN’s 2001/2 reported performance for inaccuracy;
- Section 3 sets out an explanation of the determination under paragraph 7 of the Condition to define SPN’s interim targets;
- Section 4 sets out the reasons for the direction under paragraph 7C of the Condition to adjust SPN’s 2004/5 targets in the light of further information on the impact of definitions and measurement systems on its reported performance. It also explains the consequential adjustments to SPN’s incentive rates;
- Section 5 sets out an explanation of the direction under paragraph 7D of the Condition to adjust SPN’s interim targets for 2002/3 and 2003/4 in line with the changes under 7C of the Condition; and
- the Appendix includes further detailed tables used in calculating some of the adjustments and the revised version of Annex A of the Condition incorporating all of the adjustments.

## **2. Reasons for direction under paragraph 8 of the Condition – Adjusting 2001/2 performance data for inaccuracy**

### Examiner’s report

- 2.1 The audit report of the examiner<sup>1</sup> (which is attached) shows that SPN’s data for number of interruptions at LV is below the minimum level of accuracy specified in the Regulatory Instructions and Guidance (the RIGS”) due to under-reporting at LV. It is therefore appropriate to make adjustments to this

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<sup>1</sup> “Information and Incentives Project – Audit of incident reporting for 2001/2 - Appendix F SEEBOARD Power Networks”, Mott-MacDonald and British Power International, February 2003

data to mitigate against the effects of inaccuracy. The examiner's report also indicates that SPN's data for the duration of interruptions is below that minimum overall and LV levels of accuracy due to under-reporting at LV and higher voltages. Under paragraph 8 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to these data at all voltages to mitigate against the effects of these inaccuracies.

#### Additional information submitted by SPN

- 2.2 SPN submitted further information regarding the accuracy of its 2001/2 performance data on 26 September 2002, 11 November 2002 and 6 January 2003.
- 2.3 SPN accepts that the adjustments to its LV data should be based on the results of 2002 IIP audit. However, for all the reasons given in paragraph 4.3, SPN believes the use of an average is inappropriate. SPN argued for an addition to the average to compensate for the increase in downside risk that stems from the asymmetry of the penalties and rewards of the IIP scheme. Its submission asked that the 95% confidence limit results should be applied rather than the average results.
- 2.4 SPN notes that its reported data for April and May 2001 for the higher voltages was based on historical systems rather than its new Network Management System (NMS) and therefore should be adjusted to take the resulting inaccuracy into account. It collected data for the period June 2001 to March 2002 under both its old and new systems and then carried out statistical analysis on the matched reports. For all of the reasons given in paragraph 4.3, SPN has argued that the 95% confidence limit results of the analysis should be applied to compensate for additional downside risk. It suggests that its April and May 2001 data for number and duration of interruptions should be increased by 10.03% and 11.37% respectively.

#### Authority's draft direction

- 2.5 The Authority has considered the evidence contained in the examiner's report, the additional evidence presented by SPN and other relevant circumstances. In the light of these and of its principal objective and general duties the Authority is satisfied that it is appropriate to exercise its powers under paragraph 8 of the Condition and to use the results of the IIP audit sample to calculate the adjustments to SPN's LV performance data. The Authority is satisfied that SPN has adopted a sound approach to the comparison of incidents between its old and new measurement systems at the higher voltage levels and that the results of this analysis should be used for adjusting the duration of interruptions. However, the Authority considers it appropriate to use the average results (or point) estimates from SPN's analysis and the IIP audit rather than the upper 95% confidence limit results as the latter significantly increase the probability of applying of too large an adjustment to the data. The reasons set out in paragraph 4.9 below apply also here.

2.6 The Authority therefore proposes the following adjustments to SPN's 2001/2 performance data, calculated in Table 2.1 below.

**Table 2.1: Adjustments to 2001/2 performance data for inaccuracy**

	Disaggregated reported performance figures for 2001/02		Estimated % change due to inaccuracy		Adjusted disaggregated performance figures for 2001/02	
	CI	CML	CI	CML	CI	CML
HV & above	85.74	77.57		1.08	85.74	78.41
LV	5.13	11.29	46.97	61.56	7.55	18.25
NGC or other transmission co	0.00	0.00			0.00	0.00
Embedded generators	0.00	0.00			0.00	0.00
Other connected systems	0.00	0.00			0.00	0.00
<b>CIIS/CMLIS</b>	<b>90.88</b>	<b>88.87</b>	<b>2.65%</b>	<b>8.76%</b>	<b>93.29</b>	<b>96.65</b>

Note: No adjustment has been made to the CI data at the higher voltages as the examiner's report found that the CI data met the overall minimum level of accuracy.

- CIIS for the year commencing 1 April 2001 should be adjusted upwards by 2.65% from 90.88 to 93.29
- CMLIS for the year commencing 1 April 2001 should be adjusted upwards by 8.76% from 88.87 to 96.65

2.7 In reaching these adjustments the Authority recognises that 2001/2 reporting was partially based on old measurement systems and therefore that special considerations applied. In future years a different approach may be appropriate with the new measurement systems in place. The new measurement systems provide connectivity down to the LV feeder level and therefore provide much more robust information on the number of customers affected by faults at each voltage level.

Further evidence presented by the Authority

2.8 The Authority presented additional evidence based on data provided by SPN on the appropriate rebasing factors to be used in adjusting SPN's 2001/2 performance and targets at the meeting with SPN on 11 March 2003. This evidence was based on data provided by SPN and is summarised in paragraphs 4.12 to 4.15 below.

DNO response to paragraph 10A consultation

2.9 SPN's comments, set out in paragraphs 4.16 to 4.19, also apply here. It suggests that the Authority has not addressed the key principles of its argument for using a value greater than the mean for rebasing its IIP targets, with the result that the net downside risk of the scheme would be increased for SPN. It also raises a number of concerns with the application of CUSUM analysis.

Authority's final direction

2.10 For the reasons set out in paragraph 4.9 and paragraphs 4.20 and 4.22 below the Authority is satisfied that the adjustments set out in its draft direction are

appropriate. The Authority does not believe that the balance of risk faced by SPN under the IIP incentive scheme is materially increased by using the mean results of SPN's higher voltage analysis and the mean results of the IIP audit at LV to estimate the impact of measurement systems on reported performance.

### **3. Explanation of draft determination under paragraph 7 of the Condition**

3.1 Under the mechanism set out in paragraph 7 of the Condition the (interim) targets  $TA_t$  and  $TB_t$  for the years 2002/3 and 2003/4 will be the higher of:

- $CIIS_t$  and  $CMLIS_t$  respectively for the year 2001/2 adjusted for inaccuracy; and
- $TA_t$  and  $TB_t$  respectively for 2004/5 set out in Annex A of the Condition.

Given the direction under paragraph 8 of the Condition:

- $TA_t$  for the years commencing 1 April 2002 and 2003 is directed as being 93.29.
- $TB_t$  for the years commencing 1 April 2002 and 2003 is directed as being 96.65.

### **4. Reasons for direction under paragraph 7C of the Condition – Rebasing 2004/5 targets**

4.1 SPN gave notice to the Authority on 26 September 2002 under paragraph 7A of the Condition that it considered its existing targets  $TA_t$  and  $TB_t$  (for the number and duration of interruptions to supply respectively) for the year 2004/05 to be inappropriate. The Authority therefore needs to direct the appropriate targets for that year prior to 1 April 2003 so as to ensure that such targets will have effect for the purposes of the Condition after that date.

#### Summary of SPN's case

4.2 SPN is requesting further changes to its 2004/5 targets to reflect additional evidence of the impact of measurement systems on its reported performance. In order for SPN to understand the reasons for the changes in its performance at the higher voltages, it collected data in both its historical National Fault and Interruption Reporting Scheme ("NaFIRs") reporting system and its new NMS. It collated and matched the reports for 1623 separate incidents affecting its higher voltage systems between June 2001 and March 2002. SPN has been advised by an external consultant that the difference in performance observed in the sample of higher voltage incidents is statistically significant.

Since SPN's new LV connectivity model was introduced in March 2002, SPN was not able to run its old and new measurement systems in parallel as it had done at the higher voltages. However, the 2002 IIP audit compared

the CI and CML of a randomly selected sample of 100 LV incidents recorded using the old measurement systems against the new connectivity model, thus providing an estimate of the impact of the new measurement systems. SPN has used the difference between the reported and audited figures in the IIP audit sample to estimate the overall changes in reported performance at LV associated with the introduction of its new connectivity model. This extrapolation was based on the proportion of incidents that were included in the audit sample.

- 4.3 In its submissions, SPN has included statistical analysis to determine 95% confidence limits around the average results (or point estimates) of its HV analysis and the IIP audit. SPN has argued that if the average results are applied there is the possibility that its targets will be set too high (i.e. too easy) or too low (i.e. too difficult.) Since the IIP incentive scheme is only a penalty scheme in the first two years, with the possibility of both penalties and rewards in the final year, SPN is concerned that this imposes additional downside risk. It is therefore asking for the upper 95% confidence level changes for measurement systems to be applied at all voltages.
- 4.4 In addition SPN has identified a further 1.9% increase in reported performance for both CI and CML due to a change in the definition of a customer that has reduced the total number of connected customers.
- 4.5 In light of this, SPN is proposing the following changes to its 2004/5 targets:
- $TA_t$  for the year commencing 1 April 2004 should be increased by 17.2% from 86.11 to 100.92.
  - $TB_t$  for the year commencing 1 April 2004 should be increased by 22.16% from 74.54 to 91.06

The detailed calculations to derive these adjustments are set out in Table 1 in the Appendix of this document.

#### Examiner's report

- 4.6 In section 4.6 of its report, the examiner indicates that SPN has adopted a sound approach to the comparison of incidents between its old and new measurement systems at the higher voltage levels and that the results of the analysis of 1,623 incidents can be considered as accurate for the rebasing exercise.<sup>2</sup> However, it concludes that the average results should be applied rather than the 95% upper confidence limits.
- 4.7 The examiner also concludes that it is reasonable to use the results of the 2002 IIP audit as the basis for carrying out the rebasing of SPN's 2004/5 targets at the LV levels. However, it considers that the extrapolation of the audit results to determine the adjustment in performance for the entire LV population should be based on the ratio of CI and CML rather than the ratio of the number of incidents. Further, the average or point estimates should be applied rather than the 95% confidence limit changes.

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<sup>2</sup> "Information and Incentives Project – Independent Review of Proposals for Rebasings of Targets – SPN", Mott-McDonald and British Power International, February 2003.

#### Authority's draft direction

4.8 The Authority has considered the examiner's report, the evidence produced by SPN and other relevant circumstances. In the light of these, and of its principal objective and general duties, the Authority is satisfied that it is appropriate to adjust SPN's 2004/5 targets for the impact of new measurement systems using the average results of its higher voltage analysis and the average results of the IIP audit at LV. Further, the extrapolation to derive the appropriate adjustment in performance for the entire LV population should be based on the proportion of LV incidents in the IIP sample.

4.9 The Authority considers it to be inappropriate to rebase SPN's targets for the upper 95% confidence level changes for a number of reasons:

- The intention of the re-opener condition is to make licensees' targets consistent with how their network performance will be measured in the future rather than making them easier or more difficult to achieve. Applying the upper 95% confidence limit results rather than the average results of SPN's high-voltage analysis and the IIP audit would significantly increase the risk of making its targets easier to achieve.
- The adjustments to companies' targets initially proposed which were made by Ofgem and included in the Condition when it was introduced in April 2002 were based on the estimated impact of definitions and/or new measurement systems rather than the upper limits of a range. Applying the 95% confidence level results for SPN would be inconsistent with this approach.
- DNOs were given the choice of whether or not to have a re-opener clause in their licence. In accepting this clause both SPN and the other relevant DNOs accepted the risk that was inherent in the rebasing process.

4.10 The Authority is satisfied that SPN's proposed further 1.9% adjustment to CI and CML for the impact of a definitional change is appropriate.

On this basis the Authority proposes the following changes to SPN's targets;

- $TA_t$  for the year commencing 1 April 2004 should be increased by 12.42% from 86.11 to 96.80
- $TB_t$  for the year commencing 1 April 2004 should be increased by 14.25% from 74.54 to 85.17

The calculations to derive these adjustments are set out in Table 2 in the Appendix of this document.

4.11 The associated changes to SPN's incentive rates under paragraph 7E of the Condition are set out below:

- $IRA_t$  for the year commencing 1 April 2002 should be reduced from 0.03 to 0.027;
- $IRA_t$  for the years commencing 1 April 2003 and 2004 should be reduced from 0.06 to 0.053;
- $IRB_t$  for the year commencing 1 April 2002 should be reduced from 0.04 to 0.035;
- $IRB_t$  for the years commencing 1 April 2003 and 2004 should be reduced from 0.10 to 0.088.

#### Further evidence presented by the Authority

- 4.12 The Authority presented additional evidence on the appropriate rebasing factors to be used in adjusting SPN's 2001/2 performance and targets at the meeting with SPN on 11 March 2003. This was based on cumulative sum (CUSUM) analysis using data provided by SPN.<sup>3</sup> Such analysis indicates step changes in time series data, which had also been used to derive rebasing factors for several of the other DNOs.
- 4.13 The Authority applied CUSUM analysis to SPN's data on the customers per LV fault per day and the number of customer hours lost per LV fault per day for the period 1 April 2001 to 21 January 2003. The Authority used the 2001/2 customer numbers figure throughout, as the 2002/3 figure was not available at the time of the analysis.
- 4.14 The CUSUM analysis generated average (or seed) values of 12.9 customers per fault and 27.5 customer minutes lost per fault prior to the introduction of SPN's new LV connectivity model and seed values of 18.1 customers per fault and 40.0 customer minutes lost per fault respectively for the period after the new measurement systems had been put in place. This suggests that the rebasing factors for LV CIs and CMLs should be 40% and 45% respectively. These figures are broadly in line with the rebasing factors derived from the mean results of the IIP audit at LV and therefore provide support for using the mean results of that analysis.
- 4.15 SPN was provided with a copy of the CUSUM graphs and also the more detailed spreadsheet calculations. It was also invited to provide comments on the CUSUM analysis.

#### DNO response to paragraph 10A consultation

- 4.16 SPN provided a number of drafting comments to clarify the Authority's presentation of its arguments, which have been incorporated in this document. It also argued that the Authority had not addressed the key principles of its argument for using a value greater than the mean for rebasing its IIP targets, with the result that the net downside risk of the scheme would be increased for SPN.

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<sup>3</sup> The timing of the data request and analysis required was such that this information was not incorporated in the draft proposals issued on 3 March but was provided to SPN for comment during the formal consultation process.

4.17 SPN addressed each of the Authority's reasons (in paragraph 4.9) for rejecting this element of its claim in turn.

- The first reason given is that, if a 95% confidence limit were used for the adjustment rather than the mean adjustment, there would be a significant increase in the probability of the targets being easier to achieve. However, SPN contends that the targets would only be easier to achieve if the allowed adjustment is greater than the actual impact. They argue that there is no recognition of the larger downside risk if the allowed adjustment is less than the actual impact.
- The second reason is that the use of the 95% confidence limits is inconsistent with the previous rebasing approach. SPN believes that insufficient data were available in the initial rebasing exercise to enable robust statistical analysis. SPN notes that a lack of certainty about the impact of new measurement systems was a key driver of its request for the re-opener clause to be included in its licence condition.
- The final reason was that the DNO's acceptance of the re-opener implied its acceptance of the risk in the rebasing process. SPN notes that in accepting the licence condition with a re-opener, it accepted that targets could be rebased up or down: it did not accept that the balance of risk could be materially changed.

4.18 SPN does not believe that the intent of the rebasing exercise was to increase the risk faced by a DNO. It argues that because of the asymmetrical nature of the scheme, it can show that the use of the mean audit results increases its downside risk, and therefore, that the use of a value greater than the mean would be fairer.

4.19 SPN also provided comments on the Authority CUSUM analysis on 24 March 2003. It notes that no estimates of the variability around the CUSUM results have been provided and that without such analysis it is difficult to fully comment on the results. It also indicates that CUSUM analysis needs to be interpreted carefully where other external factors may impact on the variable being measured. This is particularly true of CMLs, where the DNO's short-term action may impact on performance. SPN argues that the analysis assumes that the mix of incidents is the same across the years being considered. If there is a difference this may affect the estimated impact of new measurement systems. Finally, it notes that the point estimates from the CUSUM analysis are slightly underestimated due to a change in customer numbers. Taking this into account raises the percentage changes to 42% and 47% for CIs and CMLs respectively.

#### Authority's final direction

4.20 The Authority has considered SPN's further comments on the draft directions and supporting documentation and the additional evidence from the CUSUM analysis. In the light of these, and of its principle objective and general duties, the Authority remains satisfied that it is appropriate to adjust SPN's 2004/5 targets for the impact of new measurement systems using the

mean results of its higher voltage analysis and the mean results of the IIP audit at LV.

4.21 The Authority considers it to be appropriate to rebase SPN's targets using the mean changes for the following reasons in addition to those stated in paragraph 4.9:

- The Authority does not believe that the balance of risk faced by SPN under the IIP incentive scheme is materially increased by using the mean results of its higher voltage analysis and the mean results of the IIP audit at LV to estimate the impact of measurement systems on reported performance. SPN's targets for both the number and duration of interruptions were adjusted for the estimated impact of new definitions and measurements systems when the incentive scheme licence condition was originally introduced in April 2002. SPN notes that there was insufficient data available at that stage to enable robust statistical analysis. The Authority does not consider that replacing the initial estimates by revised estimates (calculated using the mean results of the IIP audit results and SPN's higher voltage analysis) will result in additional downside risk.
- The Authority accepts that care needs to be taken in applying CUSUM analysis, particularly for LV CMLs where short-term management action may have a significant effect on performance. Nevertheless the Authority believes that this analysis provides useful supporting information which suggests that the scale of the adjustments to targets and performance at LV indicated by the IIP audits are appropriate.

4.22 In conclusion the Authority is satisfied that the adjustments set out in its draft direction are appropriate.

## **5. Reasons for direction under paragraph 7D of the Condition – Adjustment to interim targets.**

5.1 The Authority has made a modification under paragraph 7C of the Condition to SPN's targets  $TA_t$  and  $TB_t$  for the year 2004/5. SPN has also requested that the provisions of paragraph 7D of the Condition be applied. The Authority is therefore satisfied that it is appropriate to make adjustments to the (interim) targets  $TA_t$  and  $TB_t$  for the years 2002/3 and 2003/4 to ensure that they are consistent with SPN's adjusted 2001/2 performance and its modified 2004/5 targets and reflect any relevant information relating to the 2001/2 performance figures not fully captured by the IIP audit.

5.2 This is best achieved to repeat the mechanism used originally to set the interim targets in the draft direction under paragraph 7 of the licence condition, but substituting the adjusted 2004/5 targets. The Authority therefore proposes the following adjustments to  $TA_t$  and  $TB_t$  for the years 2002/3 and 2003/4 set out in Table 5.1 below.

**Table 5.1 Revision to interim targets**

	Original interim target	Percentage increase in interim target	Revised interim target
TA <sub>t</sub> (years commencing 1 April 2002 & 2003)	93.29	3.77%	96.80
TB <sub>t</sub> (years commencing 1 April 2002 & 2003)	96.65	0%	96.65

- 5.3 In reaching its conclusion on the appropriate revision to TA<sub>t</sub> the Authority has considered whether an adjustment needs to be made to reflect inaccuracy in the 2001/2 data for the number of interruptions at HV, which was identified by SPN's analysis but not captured by the audit. Making a further adjustment of 8.16% to the data (applying the average results of its higher voltage analysis) for April and May 2001 has no impact on the 2002/3 and 2003/4 interim targets.

DNO response to paragraph 10A consultation

- 5.4 SPN's comments, set out in paragraphs 4.16 to 4.19, also apply here. It argued that the Authority had not addressed the key principles of its argument for using a value greater than the mean for rebasing its IIP targets, with the result that the net downside risk of the scheme would be increased for SPN. It also raised a number of concerns with the application of CUSUM analysis.

Authority's final direction

- 5.5 For the reasons set out in paragraph 4.9 and paragraphs 4.20 and 4.22 above the Authority is satisfied that the adjustments set out in its draft direction are appropriate. The Authority does not consider that the balance of risk faced by SPN under the IIP incentive scheme is materially increased by using the mean results of its higher voltage analysis and the mean results of the IIP audit at LV to estimate the impact of measurement systems on reported performance.

## Appendix – Further Information

APPENDIX TABLE 1 – SPN SUBMISSION

Revised 2004/5 targets	A		B		C		D		E		F		G		H		I		J		
	Disaggregated forecast performance figures for 1999/00		Estimated % change for historic changes to measurement systems		Estimated performance for 1999/00		Estimated % change from definitions		Estimated % change from measurement systems this price control period		Estimated total % change		Estimated performance for 1999/00		DPCR target		April 2002 licence condition target		Final licence condition target		
	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	
LV UG Networks	3.8	7.2	16.0	10.8	4.4	8.0	1.92	1.92	100.97	106.99	102.89	108.91	8.97	16.62							
LV OH Networks	0.7	1.6	16.0	10.8	0.8	1.8	1.92	1.92	100.97	106.99	102.89	108.91	1.55	3.80							
HV UG Networks	45.4	37.5	16.0	10.8	52.6	41.5	-4.43	2.02	10.03	9.27	5.60	11.29	55.55	46.23							
HV OH Networks	24.4	24.4	16.0	10.8	28.3	27.1	-4.43	2.02	10.03	9.27	5.60	11.29	29.85	30.14							
EHV UG Networks	1.8	0.9	16.0	4.3	2.1	1.0	1.92	2.02	10.03	9.27	11.95	11.29	2.38	1.08							
EHV OH Networks	3.9	1.1	16.0	4.3	4.5	1.1	1.92	2.02	10.03	9.27	11.95	11.29	5.03	1.24							
Subtransmission UG Nets	0.0	0.0			0.0	0.0	1.92	1.92	10.03	9.27	11.95	11.19	0.00	0.00							
Subtransmission OH Nets	7.1	1.3	16.0	4.3	8.3	1.3	1.92	1.92	10.03	9.27	11.95	11.19	9.25	1.46							
Unallocated	0.0	0.0			0.0	0.0					0.00	0.00	0.00	0.00							
TOTAL	87.0	74.0	16.0	10.5	100.9	81.8	-3.2	2.0	14.7	20.9	11.5	23.0	112.57	100.58	78.00	67.00	86.11	74.54	100.92	91.06	
	Validated TOTAL % change:													29.38%	35.92%					17.20%	22.16%

Footnote:

- Any adjustments to measurement systems for historic changes were finalised in April 2002, so columns A, B and C are fixed.
- The updated percentage changes for definitions and measurement systems in columns D and E are added together to give the total percentage change in column F.
- The total percentage changes in column F are applied to the estimated performance figures for 1999/2000 in column C to derive the revised estimated performance figures for 1999/2000 in column G.
- The revised total performance figures for CIIS and CMLIS in column G are compared with those in column A to derive the percentage changes which should be applied to the DPCR targets in column H.
- The percentage changes in column G are applied to the DPCR targets to give the final proposed licence condition targets in column J.
- The final licence condition targets in column J are compared with the licence condition targets set out in April 2002 in column I to derive the percentage changes as a result of the rebasing.

TABLE 2 – AUTHORITY PROPOSAL

Revised 2004/5 targets	A		B		C		D		E		F		G		H		I		J		K		
Voltage category	Disaggregated forecast performance figures for 1999/00		Estimated % change for historic changes to measurement systems		Estimated performance for 1999/00		Estimated % change from definitions		Estimated % change from measurement systems this price control period		Estimated total % change		Estimated performance for 1999/00		DPCR target		April 2002 licence condition target		Final licence condition target		Incentive Rates		
	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	CIIS	CMLIS	
LV UG Networks	3.8	7.2	16.0	10.8	4.4	8.0	1.92	1.92	46.97	61.56	48.89	63.48	6.58	13.01								Old 02/03	
LV OH Networks	0.7	1.6	16.0	10.8	0.8	1.8	1.92	1.92	46.97	61.56	48.89	63.48	1.14	2.97								0.030 0.040	
HV UG Networks	45.4	37.5	16.0	10.8	52.6	41.5	-4.43	2.02	8.16	6.39	3.73	8.41	54.57	45.03								New 02/03	
HV OH Networks	24.4	24.4	16.0	10.8	28.3	27.1	-4.43	2.02	8.16	6.39	3.73	8.41	29.32	29.36								0.027 0.035	
EHV UG Networks	1.8	0.9	16.0	4.3	2.1	1.0	1.92	2.02	8.16	6.39	10.08	8.41	2.34	1.05									
EHV OH Networks	3.9	1.1	16.0	4.3	4.5	1.1	1.92	2.02	8.16	6.39	10.08	8.41	4.94	1.21								Old 03/04 & 04/05	
Subtransmission UG Nets	0.0	0.0			0.0	0.0	1.92	1.92	8.16	6.39	10.08	8.31	0.00	0.00								0.060 0.100	
Subtransmission OH Nets	7.1	1.3	16.0	4.3	8.3	1.3	1.92	1.92	8.16	6.39	10.08	8.31	9.09	1.42								New 03/04 & 04/05	
Unallocated	0.0	0.0			0.0	0.0					0.00	0.00	0.00	0.00								0.053 0.088	
TOTAL	87.0	74.0	16.0	10.5	100.9	81.8	-3.2	2.0	10.2	13.0	7.0	15.0	107.98	94.06	78.00	67.00	86.11	74.54	96.80	85.17			
	Validated TOTAL % change:												24.10%	27.11%								12.42%	14.25%

Footnote:

- Any adjustments to measurement systems for historic changes were finalised in April 2002, so columns A, B and C are fixed.
- The updated percentage changes for definitions and measurement systems in columns D and E are added together to give the total percentage change in column F.
- The total percentage changes in column F are applied to the estimated performance figures for 1999/2000 in column C to derive the revised estimated performance figures for 1999/2000 in column G.
- The revised total performance figures for CIIS and CMLIS in column G are compared with those in column A to derive the percentage changes which should be applied to the DPCR targets in column H.
- The percentage changes in column G are applied to the DPCR targets to give the final proposed licence condition targets in column J.
- The final licence condition targets in column J are compared with the licence condition targets set out in April 2002 in column I to derive the percentage changes as a result of the rebasing.
- The new incentive rates in column K are derived by dividing the old incentive rate by 1 + the percentage change in column J for CIIS and CMLIS respectively.

Revised Annex A

<b>Relevant year Commencing:</b>	<b>1 April 2002</b>	<b>1 April 2003</b>	<b>1 April 2004</b>
TA <sub>t</sub>	96.80	96.80	96.80
IRA <sub>t</sub> (£ million 2000/01 prices)	0.027	0.053	0.053
RLA <sub>t</sub>	0.25	0.5	0.5
<b>RLOPA</b>			0.6
TB <sub>t</sub>	96.65	96.65	85.17
IRB <sub>t</sub> (£ million 2000/01 prices)	0.035	0.088	0.088
RLB <sub>t</sub>	0.5	1.25	1.25
<b>RLOPB</b>			1.4
RLD <sub>t</sub>	0.1	0.125	0.125