

# **Annex Explanation of Authority's reasons for the directions and determination under Special Licence Condition G – Scottish Power Manweb plc**

## **1. Introduction**

1.1 This document sets out the reasons for the directions and determination under Special Licence condition G ("the Condition") of a licence ("the Licence") treated as granted to Scottish Power Manweb plc ("SPM") under section 6(1)(c) of the Electricity Act 1989. The directions adjust SPM's 2001/2 performance for the number and duration of interruptions. The document also contains an explanation of the determination of SPM's interim targets.

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

- Section 2 explains the Authority's decision not to make any adjustments to SPM's 2001/2 reported performance for exceptional event claim event one (26 June 2001);
- Section 3 sets out the reasons for the direction under paragraph 10 of the Condition to adjust SPM's 2001/2 reported performance for exceptional event claim two (03-04 July 2001);
- Section 4 sets out the reasons for the direction under paragraph 10 of the Condition to adjust SPM's 2001/2 reported performance for exceptional event claim three (26 February 2002);
- Section 5 sets out an explanation of the determination under paragraph 7 of the Condition to define SPM's interim targets; and
- The Appendix includes the revised version of Annex A of the Condition.

## **2. Reasons for not adjusting 2001/2 performance for exceptional event claim one (26 June 2001) under paragraph 10 of the Condition**

### Claim

2.1 SPM notified the Authority on 10 April 2002 that it considered the lightning storm of 26 June 2001 to have been exceptional and to have had a material and adverse impact on its performance.

### Summary of event

2.2 The Meteorological Office report and the DNO's lightning activity data both show that a severe lightning storm occurred over SPM's geographic area on 26 June 2001. 680 separate lightning strikes were recorded during the period of the storm, which caused 59 incidents on its network. The event affected 12 of

SPM's districts and detailed information listing 4 primary substations showed that each suffered between 4 and 12 separate HV incidents.

- 2.3 SPM proposed that the following faults relating to the event and their associated impact in terms of number and duration of interruptions should be excluded from the 2001/2 performance data.

**Table 2.1: Impact of 26 June lightning storm**

	n° of incidents	CI	CIIS*	CML	CMLIS*
HV	56	0.17	0.17	0.28	0.28
LV	3	0.00	0.00	0.00	0.00
Event totals	59	0.17	0.17	0.29	0.29

Note that the columns may not add due to rounding errors.

#### Examiners report

- 2.4 The Authority appointed Mott MacDonald and British Power International (together known as "the examiner") to provide an audit opinion on the rebasing of IIP targets for certain electricity distribution companies. The examiners report<sup>1</sup> finds that this event was exceptional, with 56 incidents at higher voltages being recorded in a 24 hour period, against a threshold<sup>2</sup> figure of 39.52 but did not have a material and adverse impact having caused only 0.17 CIs and 0.29 CMLs against thresholds of 1.18 and 1.64 respectively. The examiner therefore recommends that no adjustments should be made to SPM's 2001/2 performance data.

#### Authority's draft direction

- 2.5 The Authority has considered the recommendation of the examiner and other relevant circumstances and is satisfied that the event was exceptional. Under paragraph 10 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to SPM's data in respect of that event.
- 2.6 As discussed in paragraph 2.4, the examiner has found that the event did not have a material and adverse impact on SPM's performance. In the light of this, and of its principal objectives and general duties, the Authority is satisfied that it is inappropriate to exercise its powers under paragraph 10 of the Condition and make an adjustment for this exceptional event claim.

#### DNO response to paragraph 10A consultation

- 2.7 SPD made no comments on the draft direction.

<sup>1</sup> "Information and Incentives Project – Report on the examination of the validity of SP Manweb's exceptional event claim – Severe Lightning Storm on 26 June 2001", Mott-McDonald and British Power International, February 2003.

<sup>2</sup> "Information and Incentives Project – Process to Evaluate Exceptional Event Claims Caused by Severe Weather", Mott-McDonald and British Power International, February 2003.

### Authority's Final Direction

- 2.8 The Authority is therefore satisfied that is inappropriate to make an adjustment for this exceptional event claim as explained for the draft direction.

### **3. Reasons for direction under paragraph 10 of the Condition – Adjusting 2001/2 performance for exceptional event claim two (03 and 04 July 2001)**

#### Claim

- 3.1 SPM notified the Authority on 10 April 2002 that it considered the lightning storms between 03 and 04 July 2001 to have been exceptional and to have had a material and adverse impact on its performance.

#### Summary of event

- 3.2 The Meteorological Office report and the DNO's lightning activity data both show that a severe lightning storm occurred over SPM's geographic area during 03 and 04 July 2001. 10,021 separate lightning strikes were recorded during the period of the storm, which caused 429 incidents on its network. The event affected 11 of SPM's districts and detailed information listing 9 primary substations showed that each suffered between 7 and 14 separate HV incidents.
- 3.3 SPM proposed that the following faults relating to the event and their associated impact in terms of number and duration of interruptions should be excluded from the 2001/2 performance data.

**Table 3.1: Impact of 03-04 July 2001 Lightning storm**

	n° of incidents	CI	CIIS*	CML	CMLIS*
EHV	18	0.50	0.50	0.45	0.45
HV	287	2.40	2.40	5.10	5.10
LV	124	0.04	0.04	0.18	0.18
Event totals	429	2.94	2.94	5.73	5.73

Note that the columns may not add due to rounding errors.

#### Examiners report

- 3.4 The examiners report<sup>3</sup> finds that this event was exceptional, with 186 incidents at higher voltages being recorded in a 24 hour period, against a threshold figure of 39.52 and had a material and adverse impact having caused 2.94 CIs against the threshold of 1.18 CIs. SPM was also found to have taken appropriate

<sup>3</sup> "Information and Incentives Project – Report on the examination of the validity of SP Manweb's exceptional event claim – Severe Lightning Storm during 03 and 04 July 2001", Mott-McDonald and British Power International, February 2003.

mitigating actions. The examiner therefore recommends that SPM's 2001/2 performance should be adjusted to exclude the impact of the incidents set out in Table 3.1 above.

Authority's draft direction

- 3.5 The Authority has considered the recommendation of the examiner and other relevant circumstances and is satisfied that the event was exceptional. Under paragraph 10 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to SPD's data in respect of that event.
- 3.6 As discussed in paragraph 3.4 the examiner also found that the event had a material and adverse impact on performance and that SPM took reasonable actions to mitigate the impact of the event. In the light of this, and of its principal objectives and general duties, the Authority is satisfied that it is appropriate to exercise its powers under paragraph 10 of the Condition and adjust SPM's performance data to fully exclude the impact of the incidents set out in Table 3.1 above.
- 3.7 The impact of the changes relate 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 annual performance data rather than at a more detailed level. The Authority is satisfied that if the impact of the event were applied at a more detailed level it would result in the same adjustments.
- 3.8 The adjustments to the annual performance data are calculated in Table 3.2 below.

**Table 3.2: Adjustments to 2001/2 performance data for exceptional event claim two (03 July to 04 July 2001)**

	Reported performance figures for 2001/02		Estimated change for exceptional event claim two		Performance figures for 2001/02 adjusted for exceptional event claim two	
	CI	CML	CI	CML	CI	CML
HV & above	44.45	49.32	-2.90	-5.55	41.55	43.77
LV	6.99	13.05	-0.04	-0.18	6.95	12.87
NGC or other transmission company	0.00	0.00	0.00	0.00	0.00	0.00
Embedded generators	0.17	0.15	0.00	0.00	0.17	0.15
Other connected systems	0.00	0.00	0.00	0.00	0.00	0.00
Overall CI & CML for 2001/2	51.60	62.52	-2.94	-5.73	48.66	56.79
Overall CIIS & CMLIS for 2001/2	51.60	62.52	-2.94	-5.73	48.66	56.79

- 3.9 The Authority proposes that;
- CIIS for the reporting year commencing 1 April 2001 should be reduced by 2.94 CIISs from 51.60 to 48.66
  - CMLIS for the reporting year commencing 1 April 2001 should be reduced by 5.73 CMLISs from 62.52 to 56.79

- 3.10 The Authority notes that in reaching its decision it took into account the fact that this event related to severe weather, which caused a large volume of faults across a widespread area. Further, SPM was able to break down the incidents by causation. Where an exceptional event claim relates to other types of event or detailed information on causation is not available, it may be appropriate to use an alternative approach.

DNO response to paragraph 10A consultation

- 3.11 SPD made no comments on the draft direction.

Authority's Final Direction

- 3.12 The Authority is satisfied that the adjustments set out in the draft direction are appropriate.

**4. Reasons for direction under paragraph 10 of the Condition –  
Adjusting 2001/2 performance for exceptional event claim three  
(26 February 2002)**

Claim

- 4.1 SPM notified the Authority on 10 April 2002 that they considered the gales of 26 February 2002 to have been exceptional and to have had a material and adverse impact on its performance.

Summary of event

- 4.2 The Meteorological Office report shows that strong gale to storm force winds swept over SPM's geographic area between on 26 February 2002, with the mean wind speed exceeding 45 knots and with gusts up to 77 knots. SPM's detailed information showed that the gales affected 12 of its districts. SPM provided detailed information which listed 7 primary substations and showed that each suffered between 3 and 5 separate HV incidents.
- 4.3 SPM proposed that the following faults relating to the event and their associated impact in terms of number and duration of interruptions should be excluded from the 2001/2 performance data.

**Table 4.1: Impact of 26 February 2002 Gales**

	n° of incidents	CI	CIIS*	CML	CMLIS*
EHV	1	0.00	0.00	0.00	0.00
HV	87	1.55	1.55	4.02	4.02
LV	214	0.05	0.05	0.26	0.26
Event totals	302	1.61	1.61	4.29	4.29

Note that the columns may not add due to rounding errors.

#### Examiners report

- 4.4 The examiners report<sup>4</sup> finds that this event was exceptional, with 88 incidents at higher voltages being recorded in a 24 hour period, against a threshold figure of 39.52 and had a material and adverse impact having caused 1.61 CIs against the threshold of 1.18 CIs. SPM was also found to have taken appropriate mitigating actions. The examiner therefore recommends that SPM's 2001/2 performance should be adjusted to exclude the impact of the incidents set out in Table 4.1 above.

#### Authority's draft direction

- 4.5 The Authority has considered the recommendation of the examiner and other relevant circumstances and is satisfied that the event was exceptional. Under paragraph 10 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to SPD's data in respect of that event.
- 4.6 As discussed in paragraph 4.4, the examiner also found the event had a material and adverse impact on performance and that SPM took reasonable actions to mitigate against the impact of the event. In the light of this, and of its principal objectives and general duties, the Authority is satisfied that it is appropriate to exercise its powers under paragraph 10 of the Condition and adjust SPM's performance data to fully exclude the impact of the incidents set out in Table 4.1 above.
- 4.7 The impact of the changes relate 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 annual performance data rather than at a more detailed level. The Authority is satisfied that if the impact of the event were applied at a more detailed level it would result in the same adjustments.
- 4.8 The adjustments to the annual performance data are calculated in Table 4.2 below.

<sup>4</sup> "Information and Incentives Project – Report on the examination of the validity of SP Manweb's exceptional event claim – Severe Gales on 26 February 2002", Mott-McDonald and British Power International, February 2003.

**Table 4.2: Adjustments to 2001/2 performance data for exceptional event claim three (26 February 2002)**

	Performance figures for 2001/02 adjusted for exceptional event claim two		Estimated change for exceptional event claim three		Performance figures for 2001/02 adjusted for exceptional event claim three	
	CI	CML	CI	CML	CI	CML
HV & above	41.55	43.77	-1.55	-4.02	40.00	39.75
LV	6.95	12.87	-0.05	-0.26	6.90	12.61
NGC or other transmission company	0.00	0.00	0.00	0.00	0.00	0.00
Embedded generators	0.17	0.15	0.00	0.00	0.17	0.15
Other connected systems	0.00	0.00	0.00	0.00	0.00	0.00
Overall CI & CML for 2001/2	48.66	56.79	-1.60	-4.28	47.06	52.51
Overall CIIS & CMLIS for 2001/2	48.66	56.79	-1.60	-4.28	47.06	52.51

4.9 The Authority proposes that;

- CIIS for the reporting year commencing 1 April 2001 should be reduced by 1.60 CIISs from 48.66 to 47.06
- CMLIS for the reporting year commencing 1 April 2001 should be reduced by 4.28 CMLISs from 56.79 to 52.51

4.10 The Authority notes that in reaching its decision it took into account the fact that this event related to severe weather, which caused a large volume of faults across a widespread area. Further, SPM was able to break down the incidents by causation. Where an exceptional event claim relates to other types of event or detailed information on causation is not available, it may be appropriate to use an alternative approach.

DNO response to paragraph 10A consultation

4.11 SPD made no comments on the draft direction.

Authority's Final Direction

4.12 The Authority is satisfied that the adjustments set out in the draft direction are appropriate.

## **5. Explanation of the determination under paragraph 7 of the Condition**

5.1 Under the mechanism set out in paragraph 7 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 exceptional events; and
- $TA_t$  and  $TB_t$  respectively for 2004/5 set out in Annex A of the Condition.

5.2 Given the direction under paragraph 10 of the Condition takes effect:

- $TA_t$  for 2002/3 and 2003/4 is determined as being 47.2; and
- $TB_t$  for 2002/3 and 2003/4 is determined as being 65.8.

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>	47.2	47.2	47.2
IRA <sub>t</sub> (£ million 2000/01 prices)	0.06	0.11	0.11
RLA <sub>t</sub>	0.25	0.5	0.5
<b>RLOPA</b>			0.6
TB <sub>t</sub>	65.8	65.8	65.8
IRB <sub>t</sub> (£ million 2000/01 prices)	0.05	0.12	0.12
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