

DIRECTIONS UNDER PARAGRAPH 10 OF SPECIAL CONDITION G OF THE DISTRIBUTION LICENCE

Whereas:

1. Central Networks East plc (“the Licensee”) is the holder of a licence (“the Licence”) treated as granted under section 6(1)(c) of the Electricity Act 1989 (“the Act”) to distribute electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in its authorised area for the term and upon the conditions specified in the Licence.
2. The Gas and Electricity Markets Authority (“the Authority”) has carried out a consultation exercise in accordance with paragraph 10A of Special Condition G (“the Condition”) of the Licence.
3. The Authority has considered all representations and objections made by the Licensee and has had regard to all relevant information and circumstances.
4. Pursuant to paragraph 10 of the Condition:
 - (a) the Licensee considers that its performance for calculating Q_t has been materially and adversely affected by three exceptional events referred to as Event One, Event Two and Event Three in Annex 2 to the notice given under paragraph 10A of the Condition (the “reasons document”);
 - (b) the Licensee notified the Authority of such events within 14 days of the date upon which the Licensee considered the effect of each such event ceased;
 - (c) after the end of the relevant year (2002/03) in which those events occurred, the consortium of Mott-MacDonald and British Power International (“together known as the examiner”) has reported to the Authority in respect of such events and their effect;
 - (d) the Licensee provided such further information as the Authority required; and
 - (e) the Authority is satisfied that Event One, Event Two and Event Three are exceptional events having regard to the criteria contained or referred to in the conclusions document¹.

Now, for the reasons specified in the notice issued pursuant to paragraph 10A of the Condition, in the Reasons document for the Authority’s directions under section 49A(1)(c) of the Act, the Authority directs under paragraph 10 of the Condition that for the purpose of calculating Q_t in respect of the relevant year in which the events occurred, the constituent data relevant to those events shall be adjusted as follows:

¹ “the conclusions document” means the document issued by the Authority entitled “Information and Incentives project Incentive Schemes Final Proposals December 2001 78/01”, paragraph 2.60, page 25

- (1) In respect of Event One, $CIIS_t$ for the year commencing 1 April 2002 shall be adjusted from 90.47 to 85.81 and $CMLIS_t$ for the year commencing 1 April 2002 shall be adjusted from 131.41 to 124.54
- (2) In respect of Event Two, $CIIS_t$ for the year commencing 1 April 2002 shall be adjusted from 85.81 to 78.87 and $CMLIS_t$ for the year commencing 1 April 2002 shall be adjusted from 124.54 to 95.73
- (3) In respect of Event Three, $CIIS_t$ for the year commencing 1 April 2002 shall be further adjusted from 78.87 to 75.97 and $CMLIS_t$ for the year commencing 1 April 2002 shall be further adjusted from 95.73 to 85.41.

Overall Distribution Standards of Performance

In respect of Event One, Event Two and Event Three, the number of customers affected for the purpose of Service 5 of the Overall Distribution Standards of Performance shall be adjusted by EME in accordance with the directions under paragraph 10 of the Condition.

DIRECTION UNDER PARAGRAPH 8 OF SPECIAL CONDITION G OF THE DISTRIBUTION LICENCE

Whereas:

1. Central Networks East plc (“the Licensee”) is the holder of a licence (“the Licence”) treated as granted under section 6(1)(c) of the Electricity Act 1989 (“the Act”) to distribute electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in its authorised area for the term and upon the conditions specified in the Licence.
2. The Gas and Electricity Markets Authority (“the Authority”) has carried out a consultation exercise in accordance with paragraph 10A of Special Condition G (“the Condition”) of the Licence.
3. The Authority has considered all representations and objections made by the Licensee and has had regard to all relevant information and circumstances.
4. Pursuant to paragraph 8 of the Condition Mott MacDonald and British Power International (together known as “the examiner”) has found that the level of accuracy of the duration of interruptions to supply (CML) at the Low Voltage level is lower than the level of accuracy specified for such information in the Regulatory Instructions and Guidance.

Now, for the reasons stated in the notice issued pursuant to paragraph 10A of the Condition and in a notice issued to the Licensee under section 49A(1)(c) of the Act, and so as to mitigate any distortion arising from the inaccuracy identified by the examiner, the Authority directs under paragraph 8 of the Condition that in Table A below the data in column B shall be substituted for the specified information in column A for the purposes of paragraphs 2 and 6 of the Condition.

Table A: Adjustments to 2002/3 performance data for inaccuracy (EME)

	A	B
	Reported performance figures for 2002/03 (after EE adjustments)	Adjusted performance figures for 2002/03
HV & above	68.26	68.26
LV	17.13	14.80
NGC or other transmission company	0.00	0.00
Embedded generators	0.00	0.00
Other connected systems	0.21	0.21
Overall CML for 2002/3	85.60	83.28
Overall CMLIS for 2002/3	85.41	83.09

NOTICE OF REASONS FOR DECISIONS UNDER SECTION 49A(1)(c) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (“the Authority”) hereby gives notice pursuant to section 49A(1)(c) of the Electricity Act 1989 (“the Act”) as follows:

1. The Authority has decided to give directions under paragraphs 8 and 10 of Special Condition G (“the Condition”) of the distribution licence (“the Licence”) treated as granted under section 6(1)(c) of the Act to Central Networks East plc (“the Licensee”).
2. The Authority has carried out a consultation exercise in accordance with paragraph 10A of the Condition.
3. In summary, the effect of the directions is to revise the values of the specified information in column A of Table B below so as to be those set out in Column B of Table B below.

Table B: Effect of the directions on the Licensee¹

Column A	Column B
CIIS _t for the year commencing 1 April 2002	75.97
CMLIS _t for the year commencing 1 April 2002	83.09

4. The reasons why the Authority has decided to give these directions are set out in the annex to this notice. In reaching its decision to issue directions under paragraphs 8 and 10 of the Condition the Authority has taken account of all representations and objections it has received to the consultation under paragraph 10A of the Condition.
5. A copy of the direction and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 1600).

Dated the 5 July 2004

Martin Crouch
Director, Electricity Distribution

Duly authorised by the Authority

¹ See paragraph 6 of Special Condition G

Annex to Section 49A Electricity Act Notice of Reasons for Directions Under Distribution Licence Special Condition G Central Networks East plc

1. Introduction

- 1.1 This document sets out the reasons for the Authority's decision to issue directions under the Condition of the Licence.²

2. Exceptional Events

- 2.1 CN (East) notified the Authority that it considered the severe weather on 29 July 2002 (Exceptional Event 1), 27 October 2002 (Exceptional Event 2) and 30 January 2003 (Exceptional Event 3) to be exceptional events (for the purposes of paragraph 10 of the Condition) and to have had material and adverse impacts on its interruption performance.
- 2.2 The audited impact of the exceptional events on CN (East)'s 2002/3 performance is set out in Table 2.1 below:

Table 2.1: Impact of 29 July 2002, 27 October 2002 and 30 January 2003 storms

	CI	CIIS	CML	CMLIS
Event 1: 29 July 2002	4.66	4.66	6.87	6.87
Event 2: 27 October 2002	6.94	6.94	30.33	30.33
Event 3: 30 January 2003	2.90	2.90	10.32	10.32

Note (1) CI and CML are un-weighted customer interruptions and customer minutes and CIIS and CMLIS are weighted customer interruptions and customer minutes lost as used in the incentive scheme.

- 2.3 The examiner (Mott-MacDonald BPI) found that the events were exceptional, with more than 51 incidents at higher voltages being recorded in a 24 hour period in each case, and had material and adverse impacts on interruption performance having caused more than 2.03 CI in each case.
- 2.4 The Authority has considered the recommendation of the examiner and other relevant information and circumstances (such as the DTI Storms report³, the DTI

² A more detailed explanation of the adjustments and the reasons behind them is set out in the Reasons document for the Authority's directions on the public register.

³ Department of Trade and Industry - October 2002 Power System Emergency Post Event Investigation – 16 December 2002

resilience report⁴ and the Asset Risk Management survey⁵) and is satisfied that the events were exceptional. Under paragraph 10 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to CN (East)'s data in respect of three events.

- 2.5 In considering the appropriate level of the adjustments for each event, the Authority has taken into account the examiner's views on the extent to which the CN (East) had taken appropriate mitigating actions, its own analysis and other relevant evidence.
- 2.6 On this basis the Authority has directed that that the following number and duration of interruptions should be excluded from CN (East)'s 2002/3 performance to take into account the impact of these events.

Table 2.2: Adjustments for 29 July 2002, 27 October 2002 and 30 January 2003 storms

	CI	CIIS	CML	CMLIS
Event 1: 29 July 2002	4.66	4.66	6.87	6.87
Event 2: 27 October 2002	6.94	6.94	28.81	28.81
Event 3: 30 January 2003	2.90	2.90	10.32	10.32

Note (1) CI and CML are un-weighted customer interruptions and customer minutes and CIIS and CMLIS are weighted customer interruptions and customer minutes lost as used in the incentive scheme.

- 2.7 In light of these adjustments CN (East)'s revised CIIS and CMLIS performance for 2002/03 were 75.97 and 85.41 CML respectively.

3. Accuracy

- 3.1 The examiner found that CN (East)'s data for the duration of interruptions is below the minimum LV level of accuracy specified in the RIGs, due to over-reporting. Under paragraph 8 of the Condition the Authority may, therefore, in accordance with the provisions of that paragraph, make adjustments to CN (East)'s data to mitigate against the effects of this inaccuracy.
- 3.2 The Authority has considered the examiner's findings and other relevant information and circumstances. In the light of these, and of its principal objective and general duties, the Authority has directed the adjustments to CN (East)'s performance set out in Table 3.1 below.
- 3.3 In light of the adjustments set out in this document CN (East)'s final CIIS and CMLIS performance for 2002/3 are 75.97 and 83.09 respectively.

⁴ The Department of Trade and Industry resilience report may be viewed on the Department of Trade and Industry web site www.dti.gov.uk/energy/domestic_markets/security_of_supply/bpifinalreport/shtml

⁵ Ofgem Asset Risk Management Survey – Composite Industry Report – December 2002

Table 3.1: Adjustments to 2002/3 performance data for inaccuracy

	Disaggregated reported performance figures for 2002/03 adjusted for exceptional event claims one, two and three		Estimated % change due to inaccuracy		Adjusted disaggregated performance figures for 2002/03	
	CI	CML	CI	CML	CI	CML
HV & above	66.67	68.26			66.67	68.26
LV	9.30	17.13		-13.57	9.30	14.80
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	0.17	0.21			0.17	0.21
Total unweighted CI/CML	76.14	85.60		-2.72	76.14	83.28
Total weighted CIIS/CMLIS	75.97	85.41		-2.72	75.97	83.09

Note (1) the columns may not add due to rounding. (2) CI and CML are un-weighted customer interruptions and customer minutes and CIIS and CMLIS are weighted customer interruptions and customer minutes lost as used in the incentive scheme.