

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

Whereas:

1. EDF Energy Networks (SPN) (“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 an exceptional event referred to in Annex 2 to the notice given under paragraph 10A of the Condition (the “reasons document”);
 - (b) the Licensee notified the Authority of the event within 14 days of the date upon which the Licensee considered such adverse effect had ceased;
 - (c) after the end of the relevant year (2002/03) in which the event occurred, the consortium of Mott-MacDonald and British Power International (“together known as the examiner”) had reported to the Authority in respect of the event and its effect;
 - (d) the Licensee has provided such further information as the Authority may have required; and
 - (e) the Authority is satisfied that the event of 25 to 31 October 2002 is an exceptional event 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 direction 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 event occurred, the constituent data relevant to the event shall be adjusted as follows:

- (1) In respect of the event of 25 to 31 October 2002 $CIIS_t$ for the year commencing 1 April 2002 shall be adjusted from 94.57 to 90.42 and $CMLIS_t$ for the year commencing 1 April 2002 shall be adjusted from 91.61 to 81.25.

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

Overall Distribution Standards of Performance

In respect of the event of 25 to 31 October 2002, the number of customers affected for the purpose of Service 5 of the Overall Distribution Standards of Performance shall be adjusted by SPN in accordance with the direction under paragraph 10 of the Condition.

NOTICE OF REASONS FOR DECISION 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 a direction under paragraph 10 of Special Condition G (“the Condition”) of the distribution licence (“the Licence”) treated as granted under section 6(1)(c) of the Electricity Act 1989 (“the Act”) to EDF Energy Networks (SPN) (“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 direction is to revise the values of the specified information in column A of Table A below so as to be those set out in Column B of Table A below.

Table A: Effect of the direction on the Licensee¹

Column A	Column B
CIIS _t for the year commencing 1 April 2002	90.42
CMLIS _t for the year commencing 1 April 2002	81.25

4. The reasons why the Authority has decided to give this direction are set out in the annex to this notice. In reaching its decision to issue a direction under paragraph 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 Direction
Under Distribution Licence Special Condition G
EDF Energy Networks (SPN)**

1. Introduction

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

2. Exceptional Events

- 2.1 SPN notified the Authority that it considered the severe weather on Sunday 27 October 2002 (Exceptional Event 1) to be an exceptional event (for the purposes of paragraph 10 of the Condition) and to have had a material and adverse impact on both its interruption and telephony performance.
- 2.2 The audited impact of the exceptional event on SPN's 2002/3 interruption performance is set out in Table 2.1 below:

Table 2.1: Impact of 27 October 2002 storm

	CI	CIIS	CML	CMLIS
Event 1: 27 October 2002	4.15	4.15	10.36	10.36

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 event was exceptional, with more than 40 incidents at higher voltages being recorded in a 24 hour period, and had a material and adverse impact on interruption performance having caused more than 2.42 CIs. However, based on analysis by Accent Marketing and Research³, the examiner found that the event did not have an adverse impact upon the quality of telephone response for the reporting year 2002/03.
- 2.3 The Authority has considered the recommendation of the examiner and other relevant information and circumstances (such as the DTI Storms report⁴, the DTI resilience report⁵ and the Asset Risk Management survey⁶) and is satisfied that

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

³ Accent carried out analysis to compare SPN's annual results in the quality of telephone response survey with the period of the exceptional events included and excluded.

⁴ Department of Trade and Industry - October 2002 Power System Emergency Post Event Investigation – 16 December 2002

⁵ 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

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 SPN's data in respect of the event.

- 2.4 In considering the appropriate level of the adjustments for the event, the Authority has taken into account the examiner's views on the extent to which the SPN had taken appropriate mitigating actions, its own analysis and other relevant evidence.
- 2.5 On this basis the Authority has directed that that full impact of the event set out in Table 2.1 above should be excluded from SPN's 2002/3 performance.
- 2.6 In light of these adjustments SPN's final CIIS and CMLIS performance for 2002/03 are 90.42 and 81.25 respectively.

⁶ Ofgem Asset Risk Management Survey – Composite Industry Report – December 2002