

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

Whereas:

1. SP Manweb 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 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 provided such other information as the Authority required; and
 - (e) the Authority is satisfied that the event of 27 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 27 to 31 October 2002, $CIIS_t$ for the year commencing 1 April 2002 shall be adjusted from 50.47 to 42.55 and $CMLIS_t$ for the year commencing 1 April 2002 shall be adjusted from 112.06 to 56.39.

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 27 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 the Licensee 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 SP Manweb 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 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	42.55
CMLIS _t for the year commencing 1 April 2002	56.39

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
SP Manweb plc**

1. Introduction

- 1.1 This document sets out the reasons for the Authority's decision to issue a direction under the Condition of the Licence².

2. Exceptional Events

- 2.1 SPM notified the Authority that it considered the severe weather on 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 its interruption performance.
- 2.2 The audited impact of the exceptional event on SPM's 2002/3 performance is set out in Table 2.1 below:

Table 2.1: Impact of 27 October 2002 storms

	CI	CIIS	CML	CMLIS
Event 1: 27 October 2002	7.92	7.92	58.05	58.05

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 53 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 1.18 CI.
- 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 resilience report⁴ and the Asset Risk Management survey⁵) and is satisfied that the event was exceptional. Under paragraph 10 of the Condition the Authority

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

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

may therefore, in accordance with the provisions of that paragraph, make adjustments to SPM's data in respect of that event.

- 2.5 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 SPM had taken appropriate mitigating actions, its own analysis, the company's submissions 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 SPM's 2002/3 performance to take into account the impact of the events.

Table 2.2: Adjustments for 27 October 2002 storms

	CI	CIIS	CML	CMLIS
Event 1: 27 October 2002	7.92	7.92	55.67	55.67

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 SPM's final CIIS and CMLIS performance for 2002/03 are 42.55 and 56.39 CML respectively.