

## **Electricity Distribution Price Control Review**

### **Statutory consultation on the licence modifications**

February 2005 54/05

## Summary

This document is the statutory consultation on the proposed modifications to distribution licences pursuant to section 11 and section 11A of the Electricity Act 1989, which are necessary to implement the distribution price controls proposals that were published on 29 November 2004.

This document also sets out updated price control calculations to reflect minor corrections identified since final proposals were published.

Any representations or objections to the proposed modifications must be made in writing on or before **21 March 2005** to Colin Green, Office of Gas and Electricity Markets (Ofgem), 9 Millbank, London SW1P 3GE or via email to [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk).

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# 1. Introduction

- 1.1. The price control framework is embodied in several standard and special licence conditions of the distribution licences. These conditions prescribe how the revenue allowance may be adjusted for a range of factors, including a company's performance under various incentive mechanisms. The licence conditions also set out the obligations on Distribution Network Operators<sup>1</sup> (DNOs) to set distribution charges consistent with their revenue allowances.

## ***Purpose and structure of this document***

- 1.2. This document is the statutory consultation pursuant to section 11 and section 11A of the Electricity Act 1989, on the modifications being proposed to distribution licences, which are necessary to implement the distribution price controls proposals that were published on 29 November 2004. This document also sets out updated price control calculations to reflect minor corrections that have been identified since publishing the Price Control Final Proposals document on 29 November.
- 1.3. The structure of this document is as follows:
- ◆ **Chapter 2** – sets out the updated price control calculations for each of the DNOs;
  - ◆ **Appendix 1** – sets out the notices and modification of the distribution licence pursuant to section 11 and section 11A of the Electricity Act 1989.
- 1.4. Appendix 1 begins with the section 11 notices for England and Wales and then for Scotland (the differences reflect minor differences in the current licence conditions) followed by an Annex with all of the new special licence conditions. These establish the price controls for each DNO. They generally take the same form for each DNO, with licence-specific values being contained in annexes to particular conditions where relevant. Special condition C2, which deals with

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<sup>1</sup> The fourteen electricity distributors that were separated from the public electricity suppliers under the

quality of service incentives, is the exception to this, largely reflecting differences in eligibility for rewards in respect of 2004/05 performance. This condition is therefore produced 14 times here, one for each DNO, although most of the text is the same for each DNO.

- 1.5. After the special conditions, Appendix 1 then includes the section 11A notices dealing with standard licence conditions which can be modified by a process known as collective licence modification,<sup>2</sup> followed by six annexes. Annex 1 sets out the two existing standard conditions that are being modified that apply to all distribution licensees (including independent DNOs, IDNOs) in their proposed new form. Annexes 2 and 3 set out new text for existing standard conditions applying to DNOs that are being modified (grouped into metering and financial issues for convenience only). Annex 4 sets out the new conditions being introduced for reporting arrangements and Annex 5 has minor consequential changes. Annex 6 includes a pro forma that licensees can use to register objections to these modifications.
- 1.6. The new standard conditions in Annex 4 will form part of section C of the distribution licence, which is only active for the ex-PES (Public Electricity Supplier) DNOs. However, all distribution licensees will have the right to object to their introduction.
- 1.7. Ofgem has recently published proposed modifications to the quality of service regulatory instructions and guidance in accordance with standard condition 49. Updated drafts of the regulatory instructions and guidance in relation to revenue reporting (condition 50) and distributed generation and innovation (condition 51) will be published shortly.

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Utilities Act 2000.

<sup>2</sup> See Guidance on modifying the standard licence conditions of gas and electricity licenses, September 2003, 92/03



## ***Responding to this document***

- 1.8. Any representations or objections to the proposed modifications must be made in writing on or before **21 March 2005** to Colin Green, Office of Gas and Electricity Markets (Ofgem) 9 Millbank, London SW1P 3GE or via email to [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk).
- 1.9. No other comments are specifically sought to this document.
- 1.10. Unless marked confidential all responses will be published by placing them in Ofgem's library or on the website. It would be helpful if responses could be submitted both electronically and in writing. Any questions on this document should, in the first instance, be directed to Colin Green, who can be contacted on 020 79017143 or by email at [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk)

## 2. Updated price control calculations

### ***Background***

- 2.1. The price control calculations sheets published in the November 2004 Final Proposals document have been updated for two errors that were discovered as a result of comments made by some DNOs. The errors were:
- ◆ Correction of the calculation of tax allowances for a formula error in the application of the 23.5 percent capitalisation of opex. This affects all DNOs.
  - ◆ Correction of the sliding scale for EDF for a data error in the price control calculation sheets and the financial model. The sliding scale revenue should be a positive value, but was input as negative in both documents. This only affects the 3 EDF Energy DNOs.
- 2.2. In addition, Ofgem has identified inconsistencies in the allocation of regulated and unregulated income in the calculation of price control allowances. Changes have therefore been made in the calculations of the price controls to reflect these issues. These changes reallocate income but do not change the total revenue projections
- 2.3. The updated price control calculation sheets correct these errors, derive the final revenue allowance and form the basis for the calculation of the PE and PU terms for the licence conditions as discussed below.
- 2.4. As a result of these corrections the average P0 has increased by 0.4% to 1.7%, including IFI and with EDF – SPN included on the basis of an  $x=0$ . The overall average revenue over the period has also increased by £10m per year to £3,077.5m (in 2002/03 prices).
- 2.5. The correction of the tax treatment for all DNOs has added £8.3m per annum to revenue which on average is £0.6m per DNO. Correction of the sliding scale has added £1.5m per annum to revenue, which on average is £0.5m per EDF Energy DNO. Correction of excluded service revenue for SP Manweb has added £0.5m per annum to price control revenue (with a corresponding reduction to projected unregulated revenue).

2.6. The final POs and average revenues for each DNO are as follows:

**Table 2.1 Summary of POs and average revenue allowances**

DNOs	Total PO for comparison purposes	Average Revenue Allowance 2005 - 2010
	%	£m
CN – Midlands	-2.6%	242.2
CN - East Midlands	-5.4%	246.4
United Utilities	8.2%	224.3
CE – NEDL	-3.4%	157.0
CE – YEDL	-9.0%	205.0
WPD - South West	1.8%	180.1
WPD - South Wales	6.8%	147.0
EDF Energy – LPN	-2.2%	229.4
EDF Energy – SPN	7.7%	171.5
EDF Energy – EPN	0.5%	292.9
SP Distribution	12.1%	294.7
SP Manweb	-5.3%	175.6
SSE – Hydro	4.2%	170.5
SSE – Southern	9.6%	340.9
<b>Total</b>		<b>3,077.5</b>
<b>Average</b>	<b>1.7%</b>	

### ***Calculation of PE and PU terms***

2.7. The price control formula incorporates a revenue driver to adjust some elements of revenue for volume and customer growth. However, not all elements of the revenue allowance are adjusted in this way. The price control formula therefore identifies two separate revenue terms - PU (the term adjusted by the revenue driver) and PE (the term excluded from the impact of the revenue driver). The calculation of PE and PU terms set out for the purposes of the price control formula is described below.

2.8. The price control revenue allowance for 2005/06 as set out in the price control calculation sheets is notionally divided to identify the amounts of revenue to be adjusted by the revenue driver and that residual amount that will not be subject to adjustment. These values are then inflated by multiplying the sum of the RPI

indices for July to December 2004 and dividing by the sum of the RPI indices for July to December 2001 to determine PU and PE respectively.

- 2.9. This is the method used to convert real 2002/03 prices in the November 2004 Final Proposals document to nominal 2005/06 prices as defined in the current price control conditions of the distribution licences. The calculation of the sum of RPI indices is shown in Table 2.2 below.

**Table 2.2 Calculation of the sum of RPI indices**

<b>RPI index</b>	<b>2001</b>	<b>2004</b>
July	173.3	186.8
August	174.0	187.4
September	174.6	188.1
October	174.3	188.6
November	173.6	189.0
December	173.4	189.9
<b>Total (July to December)</b>	<b>1,043.2</b>	<b>1,129.8</b>

- 2.10. The following table shows an example calculation of the PU term for CN Midlands in 2005/06.

**Table 2.3 Example calculation of the PU term for CN Midlands**

<b>2005/06 Price control revenue (page 6, line 22)</b>		<b>£238.7m</b>
less EHV revenue 2004/05	(A)	(£2.6m)
Residual price control revenue	(B)	£236.1m
Sum of RPI index 2004 (July to December)	(C)	1,129.8
Sum of RPI index 2001 (July to December)	(D)	1,043.2
<b>PU Term</b> C/D)	(B x	<b>£255.7m</b>
<b>PE Term</b> C/D)	(A x	<b>£2.8m</b>

**PRICE CONTROL CALCULATIONS FOR CN - MIDLANDS**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		964.7	1,013.2	1,057.4	1,095.1	1,126.5
2	Total capex		120.8	120.4	120.0	119.5	119.3
3	Depreciation		(72.3)	(76.2)	(82.2)	(88.2)	(94.2)
4	Closing asset value		1,013.2	1,057.4	1,095.1	1,126.5	1,151.6
5	Present value of opening / closing RAV		964.7				879.3
6	5 Year movement in closing RAV						85.4
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		72.5	70.0	68.0	66.6	66.0
8	Capital expenditure (excluding pensions)		111.5	111.1	110.7	110.2	110.0
9	Pensions allowance		16.2	16.2	16.2	16.2	16.2
10	Tax allowance		25.9	26.7	26.9	27.0	26.7
11	Capex incentive scheme		1.2	0.9	1.0	0.5	0.6
12	Sliding scale additional income		1.4	1.5	1.5	1.6	1.6
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		0.9	-	-	-	-
16	<b>Total allowed items</b>		<b>229.6</b>	<b>226.4</b>	<b>224.3</b>	<b>222.1</b>	<b>221.1</b>
17	Present value of allowed items		223.5	208.8	196.0	183.9	173.5
18	5 Year movement in closing RAV						85.4
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,071.1</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.007	1.015	1.022	1.029
21	Discounted revenue index		0.973	0.929	0.887	0.846	0.807
22	<b>Price control revenue</b>	<b>246.1</b>	<b>238.7</b>	<b>240.5</b>	<b>242.3</b>	<b>244.0</b>	<b>245.7</b>
23	Excluded services revenue		2.4	2.4	2.4	2.4	2.4
24	Total revenue		241.1	242.9	244.7	246.4	248.1
25	Present value of total revenue		234.7	224.0	213.8	204.0	194.6
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,071.1</b>
27	PO based on the above Revenue (line 22)		(3.0%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>(2.6%)</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.1%				
33	Exclude metering		(0.6%)				
34	Change in Opex		(8.8%)				
35	Depreciation		(1.0%)				
36	Return		2.3%				
37	Rates		(1.0%)				
38	Tax		5.6%				
39	Other		(0.2%)				
40	<b>Total</b>		<b>(2.6%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR CN - EAST MIDLANDS**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		947.9	989.2	1,030.2	1,064.8	1,093.2
2	Total capex		117.8	117.5	117.0	116.6	116.4
3	Depreciation		(76.5)	(76.5)	(82.4)	(88.2)	(94.1)
4	Closing asset value		989.2	1,030.2	1,064.8	1,093.2	1,115.6
5	Present value of opening / closing RAV		947.9				851.7
6	5 Year movement in closing RAV						96.2
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		75.2	77.7	78.2	76.9	76.2
8	Capital expenditure (excluding pensions)		110.3	109.9	109.4	109.0	108.8
9	Pensions allowance		13.0	13.1	13.1	13.1	13.1
10	Tax allowance		27.2	26.3	26.4	26.8	26.8
11	Capex incentive scheme		(0.8)	0.6	(0.6)	(0.6)	(0.2)
12	Sliding scale additional income		1.4	1.4	1.5	1.5	1.6
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.5	-	-	-	-
16	<b>Total allowed items</b>		<b>227.7</b>	<b>229.0</b>	<b>228.1</b>	<b>226.8</b>	<b>226.3</b>
17	Present value of allowed items		221.6	211.2	199.3	187.7	177.5
18	5 Year movement in closing RAV						96.2
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,093.5</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.009	1.020	1.033	1.044
21	Discounted revenue index		0.973	0.931	0.891	0.855	0.819
22	<b>Price control revenue</b>	<b>256.2</b>	<b>241.2</b>	<b>243.4</b>	<b>246.1</b>	<b>249.1</b>	<b>251.8</b>
23	Excluded services revenue		3.5	3.5	3.5	3.5	3.5
24	Total revenue		244.7	246.9	249.6	252.6	255.3
25	Present value of total revenue		238.2	227.7	218.1	209.2	200.3
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,093.5</b>
27	PO based on the above Revenue (line 22)		(5.8%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		(5.4%)				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.3%				
33	Exclude metering		(1.6%)				
34	Change in Opex		(2.9%)				
35	Depreciation		(2.7%)				
36	Return		1.9%				
37	Rates		0.8%				
38	Tax		5.6%				
39	Other		(7.7%)				
40	<b>Total</b>		<b>(5.4%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR UNITED UTILITIES**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		920.0	964.3	1,002.5	1,034.7	1,060.8
2	Total capex		112.7	112.3	111.8	111.4	110.9
3	Depreciation		(68.5)	(74.1)	(79.7)	(85.3)	(90.9)
4	Closing asset value		964.3	1,002.5	1,034.7	1,060.8	1,080.9
5	Present value of opening / closing RAV		920.0				825.2
6	5 Year movement in closing RAV						94.8
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		67.0	64.7	63.1	61.7	60.2
8	Capital expenditure (excluding pensions)		103.5	103.1	102.6	102.2	101.7
9	Pensions allowance		16.0	16.0	16.0	16.0	16.0
10	Tax allowance		19.7	22.3	23.5	24.9	24.9
11	Capex incentive scheme		1.8	1.0	(0.6)	(1.1)	(0.5)
12	Sliding scale additional income		1.6	1.7	1.8	1.8	1.9
13	Opex incentive / Other adjustments		1.4	1.4	1.4	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.5	-	-	-	-
16	<b>Total allowed items</b>		<b>212.6</b>	<b>210.3</b>	<b>207.9</b>	<b>205.5</b>	<b>204.2</b>
17	Present value of allowed items		207.0	193.9	181.6	170.1	160.2
18	5 Year movement in closing RAV						94.8
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,007.6</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.011	1.013	1.022	1.024
21	Discounted revenue index		0.973	0.932	0.885	0.846	0.803
22	<b>Price control revenue</b>	<b>205.2</b>	<b>221.2</b>	<b>223.6</b>	<b>224.1</b>	<b>226.1</b>	<b>226.5</b>
23	Excluded services revenue		5.8	5.8	5.8	5.8	5.8
24	Total revenue		227.0	229.4	229.9	231.9	232.3
25	Present value of total revenue		221.0	211.6	200.9	192.0	182.2
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,007.6</b>
27	PO based on the above Revenue (line 22)		7.8%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>8.2%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.9%				
33	Exclude metering		(1.3%)				
34	Change in Opex		(7.0%)				
35	Depreciation		7.8%				
36	Return		2.7%				
37	Rates		1.0%				
38	Tax		5.2%				
39	Other		(2.0%)				
40	<b>Total</b>		<b>8.2%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR CE - NEDL**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		596.6	624.6	648.9	669.5	686.5
2	Total capex		72.3	72.3	72.3	72.2	72.2
3	Depreciation		(44.4)	(48.0)	(51.6)	(55.2)	(58.8)
4	Closing asset value		624.6	648.9	669.5	686.5	699.9
5	Present value of opening / closing RAV		596.6				534.4
6	5 Year movement in closing RAV						62.2
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		46.3	47.6	47.2	46.7	46.3
8	Capital expenditure (excluding pensions)		62.3	62.2	62.1	61.9	61.8
9	Pensions allowance		17.4	17.5	17.7	17.9	18.0
10	Tax allowance		13.1	13.6	13.9	14.4	14.8
11	Capex incentive scheme		2.4	2.0	1.7	1.1	0.6
12	Sliding scale additional income		1.1	1.2	1.2	1.2	1.3
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.8	-	-	-	-
16	<b>Total allowed items</b>		<b>144.5</b>	<b>144.1</b>	<b>143.8</b>	<b>143.3</b>	<b>142.9</b>
17	Present value of allowed items		140.6	132.9	125.6	118.6	112.1
18	5 Year movement in closing RAV						62.2
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>692.0</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.014	1.028	1.042	1.056
21	Discounted revenue index		0.973	0.935	0.898	0.863	0.828
22	<b>Price control revenue</b>	<b>158.8</b>	<b>152.7</b>	<b>154.8</b>	<b>157.0</b>	<b>159.1</b>	<b>161.2</b>
23	Excluded services revenue		1.2	1.2	1.2	1.2	1.2
24	Total revenue		153.9	156.0	158.2	160.3	162.4
25	Present value of total revenue		149.8	143.9	138.2	132.7	127.4
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>692.0</b>
27	PO based on the above Revenue (line 22)		(3.8%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>(3.4%)</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		4.2%				
33	Exclude metering		(1.4%)				
34	Change in Opex		(10.7%)				
35	Depreciation		5.0%				
36	Return		1.5%				
37	Rates		1.1%				
38	Tax		3.7%				
39	Other		(6.8%)				
40	<b>Total</b>		<b>(3.4%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.



**PRICE CONTROL CALCULATIONS FOR CE - YEDL**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		804.6	826.2	852.9	875.2	892.9
2	Total capex		88.8	88.7	88.7	88.7	88.5
3	Depreciation		(67.2)	(62.0)	(66.5)	(70.9)	(75.3)
4	Closing asset value		826.2	852.9	875.2	892.9	906.1
5	Present value of opening / closing RAV		804.6				691.8
6	5 Year movement in closing RAV						112.8
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		62.2	60.6	59.0	58.4	57.9
8	Capital expenditure (excluding pensions)		83.0	82.8	82.6	82.5	82.3
9	Pensions allowance		10.1	10.3	10.5	10.7	10.8
10	Tax allowance		21.1	22.5	23.8	26.0	26.0
11	Capex incentive scheme		1.6	0.2	(1.9)	(1.9)	(1.3)
12	Sliding scale additional income		1.5	1.5	1.6	1.6	1.6
13	Opex incentive / Other adjustments		6.4	6.4	6.4	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.0	-	-	-	-
16	<b>Total allowed items</b>		<b>186.9</b>	<b>184.4</b>	<b>182.0</b>	<b>177.2</b>	<b>177.4</b>
17	Present value of allowed items		181.9	170.1	159.0	146.7	139.1
18	5 Year movement in closing RAV						112.8
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>909.7</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.010	1.020	1.030	1.041
21	Discounted revenue index		0.973	0.931	0.891	0.853	0.816
22	<b>Price control revenue</b>	<b>221.8</b>	<b>201.0</b>	<b>203.0</b>	<b>205.0</b>	<b>207.1</b>	<b>209.1</b>
23	Excluded services revenue		2.8	2.8	2.8	2.8	2.8
24	Total revenue		203.8	205.8	207.8	209.9	211.9
25	Present value of total revenue		198.3	189.8	181.6	173.7	166.2
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>909.7</b>
27	PO based on the above Revenue (line 22)		(9.4%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>(9.0%)</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.6%				
33	Exclude metering		(1.9%)				
34	Change in Opex		(6.2%)				
35	Depreciation		(6.0%)				
36	Return		0.8%				
37	Rates		(1.0%)				
38	Tax		5.8%				
39	Other		(2.1%)				
40	<b>Total</b>		<b>(9.0%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR WPD - SOUTH WEST**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		695.6	717.4	734.0	747.0	756.3
2	Total capex		72.1	72.1	72.1	72.1	72.1
3	Depreciation		(50.3)	(55.5)	(59.1)	(62.7)	(66.3)
4	Closing asset value		717.4	734.0	747.0	756.3	762.1
5	Present value of opening / closing RAV		695.6				581.8
6	5 Year movement in closing RAV						113.7
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		53.2	55.2	56.0	55.5	55.1
8	Capital expenditure (excluding pensions)		63.8	63.7	63.5	63.4	63.3
9	Pensions allowance		14.4	14.6	14.8	15.0	15.2
10	Tax allowance		15.8	16.4	17.1	17.8	18.6
11	Capex incentive scheme		4.5	4.1	2.8	1.8	0.9
12	Sliding scale additional income		1.4	1.5	1.5	1.5	1.5
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		1.7	1.7	1.7	1.7	1.7
15	DPCR3 costs		1.6	-	-	-	-
16	<b>Total allowed items</b>		<b>156.5</b>	<b>157.2</b>	<b>157.4</b>	<b>156.8</b>	<b>156.3</b>
17	Present value of allowed items		152.3	144.9	137.5	129.8	122.6
18	5 Year movement in closing RAV						113.7
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>800.9</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.013	1.027	1.038	1.051
21	Discounted revenue index		0.973	0.934	0.897	0.860	0.825
22	<b>Price control revenue</b>	<b>173.1</b>	<b>175.6</b>	<b>177.8</b>	<b>180.3</b>	<b>182.3</b>	<b>184.6</b>
23	Excluded services revenue		2.9	2.9	2.9	2.9	2.9
24	Total revenue		178.5	180.7	183.2	185.2	187.5
25	Present value of total revenue		173.7	166.7	160.1	153.3	147.1
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>800.9</b>
27	PO based on the above Revenue (line 22)		1.4%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>1.8%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		0.9%				
33	Exclude metering		(2.2%)				
34	Change in Opex		(3.8%)				
35	Depreciation		(0.9%)				
36	Return		(0.4%)				
37	Rates		1.1%				
38	Tax		4.2%				
39	Other		2.9%				
40	<b>Total</b>		<b>1.8%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR WPD - SOUTH WALES**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		573.6	577.8	579.3	578.4	575.0
2	Total capex		49.9	49.7	49.7	49.7	49.7
3	Depreciation		(45.7)	(48.2)	(50.6)	(53.1)	(55.6)
4	Closing asset value		577.8	579.3	578.4	575.0	569.1
5	Present value of opening / closing RAV		573.6				434.5
6	5 Year movement in closing RAV						139.0
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		43.0	44.5	45.1	44.7	44.3
8	Capital expenditure (excluding pensions)		44.1	44.0	43.8	43.7	43.6
9	Pensions allowance		10.0	9.9	10.2	10.4	10.5
10	Tax allowance		13.1	14.2	15.0	15.9	16.7
11	Capex incentive scheme		(1.7)	(1.1)	(0.9)	(0.3)	(0.1)
12	Sliding scale additional income		1.2	1.2	1.2	1.2	1.1
13	Opex incentive / Other adjustments		0.3	0.3	0.3	-	-
14	Quality reward		1.3	1.3	1.3	1.3	1.3
15	DPCR3 costs		0.9	-	-	-	-
16	<b>Total allowed items</b>		<b>112.2</b>	<b>114.2</b>	<b>116.1</b>	<b>116.9</b>	<b>117.6</b>
17	Present value of allowed items		109.2	105.3	101.4	96.8	92.2
18	5 Year movement in closing RAV						139.0
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>644.0</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.013	1.026	1.037	1.050
21	Discounted revenue index		0.973	0.934	0.897	0.859	0.824
22	<b>Price control revenue</b>	<b>134.8</b>	<b>143.4</b>	<b>145.2</b>	<b>147.1</b>	<b>148.7</b>	<b>150.5</b>
23	Excluded services revenue		0.2	0.2	0.2	0.2	0.2
24	Total revenue		143.6	145.4	147.3	148.9	150.7
25	Present value of total revenue		139.7	134.1	128.7	123.3	118.2
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>644.0</b>
27	PO based on the above Revenue (line 22)		6.4%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>6.8%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		4.7%				
33	Exclude metering		(2.1%)				
34	Change in Opex		(3.4%)				
35	Depreciation		6.1%				
36	Return		0.5%				
37	Rates		1.0%				
38	Tax		5.6%				
39	Other		(5.6%)				
40	<b>Total</b>		<b>6.8%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR EDF ENERGY - LPN**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		909.2	952.8	992.0	1,025.4	1,053.3
2	Total capex		111.7	111.6	111.4	111.4	111.3
3	Depreciation		(68.1)	(72.4)	(78.0)	(83.6)	(89.2)
4	Closing asset value		952.8	992.0	1,025.4	1,053.3	1,075.4
5	Present value of opening / closing RAV		909.2				821.1
6	5 Year movement in closing RAV						88.2
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		60.1	62.6	64.1	63.5	62.9
8	Capital expenditure (excluding pensions)		99.2	99.0	98.8	98.6	98.5
9	Pensions allowance		21.7	21.8	21.9	22.1	22.2
10	Tax allowance		20.8	22.2	23.2	24.4	25.4
11	Capex incentive scheme		8.0	7.4	3.8	1.7	0.1
12	Sliding scale additional income		0.2	0.2	0.2	0.2	0.2
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		4.6	-	-	-	-
16	<b>Total allowed items</b>		<b>214.6</b>	<b>213.2</b>	<b>212.1</b>	<b>210.6</b>	<b>209.3</b>
17	Present value of allowed items		208.9	196.6	185.3	174.3	164.2
18	5 Year movement in closing RAV						88.2
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,017.5</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.015	1.031	1.047	1.063
21	Discounted revenue index		0.973	0.936	0.901	0.866	0.834
22	<b>Price control revenue</b>	<b>228.3</b>	<b>222.5</b>	<b>225.9</b>	<b>229.3</b>	<b>232.8</b>	<b>236.5</b>
23	Excluded services revenue		3.2	3.2	3.2	3.2	3.2
24	Total revenue		225.7	229.1	232.5	236.0	239.7
25	Present value of total revenue		219.6	211.3	203.2	195.4	188.0
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,017.5</b>
27	PO based on the above Revenue (line 22)		(2.6%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>(2.2%)</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.7%				
33	Exclude metering		0.4%				
34	Change in Opex		(5.3%)				
35	Depreciation		(2.0%)				
36	Return		0.0%				
37	Rates		1.1%				
38	Tax		4.4%				
39	Other		(2.4%)				
40	<b>Total</b>		<b>(2.2%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR EDF ENERGY - SPN**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		641.4	713.4	778.6	837.1	889.6
2	Total capex		118.6	117.8	117.0	116.9	116.9
3	Depreciation		(46.7)	(52.6)	(58.5)	(64.4)	(70.2)
4	Closing asset value		713.4	778.6	837.1	889.6	936.3
5	Present value of opening / closing RAV		641.4				714.9
6	5 Year movement in closing RAV						(73.4)
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		58.8	55.3	51.9	49.5	45.1
8	Capital expenditure (excluding pensions)		106.8	106.0	105.1	105.0	104.8
9	Pensions allowance		20.4	20.5	20.6	20.7	20.9
10	Tax allowance		10.5	12.0	12.9	13.7	14.8
11	Capex incentive scheme		(4.3)	(4.8)	(4.1)	(3.8)	(2.7)
12	Sliding scale additional income		0.1	0.2	0.2	0.2	0.2
13	Opex incentive / Other adjustments		1.6	1.6	1.6	1.6	1.6
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		0.8	-	-	-	-
16	<b>Total allowed items</b>		<b>194.7</b>	<b>190.8</b>	<b>188.3</b>	<b>186.8</b>	<b>184.7</b>
17	Present value of allowed items		189.6	176.0	164.5	154.6	144.8
18	5 Year movement in closing RAV						(73.4)
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>756.1</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.029	1.059	1.090	1.122
21	Discounted revenue index		0.973	0.949	0.926	0.903	0.880
22	<b>Price control revenue</b>	<b>156.8</b>	<b>161.7</b>	<b>166.5</b>	<b>171.4</b>	<b>176.4</b>	<b>181.5</b>
23	Excluded services revenue		1.6	1.6	1.6	1.6	1.6
24	Total revenue		163.3	168.1	173.0	178.0	183.1
25	Present value of total revenue		159.0	155.0	151.1	147.3	143.6
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>756.1</b>
27	PO based on the above Revenue (line 22)		3.2%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29	Reverse of x of +2 for SPN		4.1%				
30	<b>Total PO for comparison purposes</b>		<b>7.7%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		4.3%				
33	Exclude metering		(4.0%)				
34	Change in Opex		(6.3%)				
35	Depreciation		10.9%				
36	Return		7.7%				
37	Rates		(0.7%)				
38	Tax		3.0%				
39	Other		(7.2%)				
40	<b>Total</b>		<b>7.7%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR EDF ENERGY - EPN**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		1,138.4	1,218.3	1,290.1	1,353.6	1,409.0
2	Total capex		161.0	160.8	160.7	160.5	160.5
3	Depreciation		(81.0)	(89.1)	(97.1)	(105.2)	(113.2)
4	Closing asset value		1,218.3	1,290.1	1,353.6	1,409.0	1,456.3
5	Present value of opening / closing RAV		1,138.4				1,111.9
6	5 Year movement in closing RAV						26.5
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		90.2	90.8	89.9	89.1	88.3
8	Capital expenditure (excluding pensions)		154.0	153.7	153.5	153.2	153.0
9	Pensions allowance		12.1	12.3	12.5	12.7	12.9
10	Tax allowance		23.1	25.1	26.8	28.1	28.5
11	Capex incentive scheme		12.6	9.4	5.3	1.3	(0.5)
12	Sliding scale additional income		0.3	0.3	0.3	0.3	0.3
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.6	-	-	-	-
16	<b>Total allowed items</b>		<b>293.8</b>	<b>291.6</b>	<b>288.2</b>	<b>284.7</b>	<b>282.5</b>
17	Present value of allowed items		285.9	268.9	251.8	235.7	221.6
18	5 Year movement in closing RAV						26.5
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,290.5</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.011	1.021	1.031	1.042
21	Discounted revenue index		0.973	0.932	0.892	0.854	0.817
22	<b>Price control revenue</b>	<b>286.6</b>	<b>286.9</b>	<b>290.0</b>	<b>292.9</b>	<b>295.9</b>	<b>298.9</b>
23	Excluded services revenue		1.9	1.9	1.9	1.9	1.9
24	Total revenue		288.8	291.9	294.8	297.8	300.8
25	Present value of total revenue		281.1	269.2	257.6	246.6	235.9
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,290.5</b>
27	PO based on the above Revenue (line 22)		0.1%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>0.5%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.9%				
33	Exclude metering		(2.8%)				
34	Change in Opex		(0.2%)				
35	Depreciation		(1.2%)				
36	Return		0.9%				
37	Rates		1.1%				
38	Tax		3.3%				
39	Other		(2.4%)				
40	<b>Total</b>		<b>0.5%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR SP DISTRIBUTION**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		1,233.4	1,210.2	1,184.5	1,156.3	1,125.8
2	Total capex		85.9	85.7	85.6	85.4	85.2
3	Depreciation		(109.2)	(111.4)	(113.7)	(115.9)	(118.2)
4	Closing asset value		1,210.2	1,184.5	1,156.3	1,125.8	1,092.8
5	Present value of opening / closing RAV		1,233.4				834.4
6	5 Year movement in closing RAV						399.0
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		73.0	77.4	76.8	76.2	75.7
8	Capital expenditure (excluding pensions)		83.1	82.9	82.8	82.6	82.4
9	Pensions allowance		4.8	4.8	4.8	4.8	4.8
10	Tax allowance		35.8	37.2	39.2	41.1	43.2
11	Capex incentive scheme		(1.6)	(0.9)	0.3	1.1	1.1
12	Sliding scale additional income		0.7	0.7	0.7	0.7	0.6
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.5	-	-	-	-
16	<b>Total allowed items</b>		<b>197.2</b>	<b>202.1</b>	<b>204.6</b>	<b>206.5</b>	<b>207.8</b>
17	Present value of allowed items		191.9	186.4	178.8	171.0	163.0
18	5 Year movement in closing RAV						399.0
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,290.1</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.008	1.015	1.023	1.031
21	Discounted revenue index		0.973	0.929	0.887	0.847	0.809
22	<b>Price control revenue</b>	<b>259.8</b>	<b>290.2</b>	<b>292.4</b>	<b>294.6</b>	<b>296.9</b>	<b>299.2</b>
23	Excluded services revenue		-	-	-	-	-
24	Total revenue		290.2	292.4	294.6	296.9	299.2
25	Present value of total revenue		282.5	269.7	257.5	245.8	234.7
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,290.1</b>
27	PO based on the above Revenue (line 22)		11.7%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>12.1%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		0.2%				
33	Exclude metering		(2.2%)				
34	Change in Opex		(1.3%)				
35	Depreciation		2.4%				
36	Return		(1.5%)				
37	Rates		4.7%				
38	Tax		8.9%				
39	Other		0.8%				
40	<b>Total</b>		<b>12.1%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR SP MANWEB**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		735.4	782.0	821.9	856.7	886.5
2	Total capex		98.4	98.2	98.1	97.9	97.8
3	Depreciation		(51.8)	(58.3)	(63.2)	(68.1)	(73.0)
4	Closing asset value		782.0	821.9	856.7	886.5	911.2
5	Present value of opening / closing RAV		735.4				695.7
6	5 Year movement in closing RAV						39.7
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		51.3	50.1	48.9	47.3	46.8
8	Capital expenditure (excluding pensions)		89.3	89.1	89.0	88.8	88.7
9	Pensions allowance		15.7	15.7	15.7	15.7	15.7
10	Tax allowance		14.2	14.8	15.2	15.2	14.8
11	Capex incentive scheme		0.0	(1.5)	(2.5)	(2.1)	(1.1)
12	Sliding scale additional income		0.4	0.5	0.5	0.5	0.5
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		0.9	-	-	-	-
<b>16</b>	<b>Total allowed items</b>		<b>171.7</b>	<b>168.7</b>	<b>166.7</b>	<b>165.4</b>	<b>165.3</b>
17	Present value of allowed items		167.1	155.6	145.7	136.9	129.7
18	5 Year movement in closing RAV						39.7
<b>19</b>	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>774.7</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.008	1.017	1.026	1.035
21	Discounted revenue index		0.973	0.929	0.888	0.849	0.812
<b>22</b>	<b>Price control revenue</b>	<b>183.1</b>	<b>172.6</b>	<b>174.0</b>	<b>175.5</b>	<b>177.1</b>	<b>178.6</b>
23	Excluded services revenue		1.4	1.4	1.4	1.4	1.4
24	Total revenue		174.0	175.4	176.9	178.5	180.0
25	Present value of total revenue		169.4	161.7	154.6	147.7	141.2
<b>26</b>	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>774.7</b>
27	PO based on the above Revenue (line 22)		(5.7%)				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
<b>30</b>	<b>Total PO for comparison purposes</b>		<b>(5.3%)</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		4.6%				
33	Exclude metering		(1.1%)				
34	Change in Opex		(1.6%)				
35	Depreciation		2.0%				
36	Return		3.6%				
37	Rates		(1.2%)				
38	Tax		2.9%				
39	Other		(14.5%)				
<b>40</b>	<b>Total</b>		<b>(5.3%)</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.



**PRICE CONTROL CALCULATIONS FOR SSE - HYDRO**  
**2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		727.9	727.0	724.6	720.6	715.3
2	Total capex		49.7	49.6	49.4	49.3	49.1
3	Depreciation		(50.7)	(52.0)	(53.3)	(54.6)	(55.9)
4	Closing asset value		727.0	724.6	720.6	715.3	708.5
5	Present value of opening / closing RAV		727.9				540.9
6	5 Year movement in closing RAV						187.0
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		47.1	47.9	49.4	50.5	50.2
8	Capital expenditure (excluding pensions)		47.4	47.3	47.2	47.1	46.9
9	Pensions allowance		3.9	3.9	3.9	3.9	3.9
10	Tax allowance		21.0	22.0	22.6	23.4	24.6
11	Capex incentive scheme		6.4	5.6	4.1	2.3	0.8
12	Sliding scale additional income		1.3	1.3	1.3	1.3	1.3
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		0.9	-	-	-	-
16	<b>Total allowed items</b>		<b>128.0</b>	<b>127.9</b>	<b>128.5</b>	<b>128.6</b>	<b>127.8</b>
17	Present value of allowed items		124.6	118.0	112.3	106.4	100.2
18	5 Year movement in closing RAV						187.0
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>748.5</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.010	1.020	1.030	1.040
21	Discounted revenue index		0.973	0.931	0.891	0.853	0.816
22	<b>Price control revenue</b>	<b>161.1</b>	<b>167.2</b>	<b>168.8</b>	<b>170.5</b>	<b>172.2</b>	<b>173.9</b>
23	Excluded services revenue		0.5	0.5	0.5	0.5	0.5
24	Total revenue		167.7	169.3	171.0	172.7	174.4
25	Present value of total revenue		163.2	156.2	149.4	143.0	136.8
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>748.5</b>
27	PO based on the above Revenue (line 22)		3.8%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>4.2%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		1.1%				
33	Exclude metering		(2.3%)				
34	Change in Opex		(3.6%)				
35	Depreciation		1.2%				
36	Return		(2.5%)				
37	Rates		1.3%				
38	Tax		7.5%				
39	Other		1.5%				
40	<b>Total</b>		<b>4.2%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**PRICE CONTROL CALCULATIONS FOR SSE SOUTHERN  
2002/03 Prices**

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		£m	£m	£m	£m	£m	£m
	<b>RAV</b>						
1	Opening asset value		1,349.9	1,393.4	1,426.9	1,453.0	1,471.9
2	Total capex		142.3	142.0	141.8	141.7	141.5
3	Depreciation		(98.8)	(108.6)	(115.7)	(122.8)	(129.9)
4	Closing asset value		1,393.4	1,426.9	1,453.0	1,471.9	1,483.5
5	Present value of opening / closing RAV		1,349.9				1,132.7
6	5 Year movement in closing RAV						217.3
	<b>ALLOWED ITEMS</b>						
7	Operating costs (excluding pensions)		85.8	90.3	92.1	91.4	90.7
8	Capital expenditure (excluding pensions)		124.9	124.6	124.4	124.2	124.0
9	Pensions allowance		30.2	30.2	30.2	30.3	30.3
10	Tax allowance		39.5	39.1	39.6	41.0	42.1
11	Capex incentive scheme		8.4	7.8	5.2	1.9	0.1
12	Sliding scale additional income		2.5	2.6	2.6	2.7	2.7
13	Opex incentive / Other adjustments		-	-	-	-	-
14	Quality reward		-	-	-	-	-
15	DPCR3 costs		1.9	-	-	-	-
16	<b>Total allowed items</b>		<b>293.1</b>	<b>294.7</b>	<b>294.1</b>	<b>291.5</b>	<b>289.9</b>
17	Present value of allowed items		285.3	271.8	257.0	241.3	227.4
18	5 Year movement in closing RAV						217.3
19	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,500.1</b>
	<b>REVENUE</b>						
20	Revenue index		1.000	1.012	1.023	1.035	1.048
21	Discounted revenue index		0.973	0.933	0.894	0.857	0.822
22	<b>Price control revenue</b>	<b>305.0</b>	<b>333.0</b>	<b>336.9</b>	<b>340.8</b>	<b>344.8</b>	<b>348.8</b>
23	Excluded services revenue		1.9	1.9	1.9	1.9	1.9
24	Total revenue		334.9	338.8	342.7	346.7	350.7
25	Present value of total revenue		326.0	312.4	299.5	287.0	275.1
26	<b>TOTAL PRESENT VALUE OVER 5 YEARS</b>						<b>1,500.1</b>
27	PO based on the above Revenue (line 22)		9.2%				
28	PO for Innovation Funding Incentive (IFI)		0.4%				
29							
30	<b>Total PO for comparison purposes</b>		<b>9.6%</b>				
31	X		0.0%				
	Analysis of PO (%):						
32	Include EHV		2.0%				
33	Exclude metering		(1.0%)				
34	Change in Opex		2.0%				
35	Depreciation		(1.5%)				
36	Return		(0.5%)				
37	Rates		0.6%				
38	Tax		6.9%				
39	Other		1.0%				
40	<b>Total</b>		<b>9.6%</b>				

- Notes:
1. Price control revenue excludes metering as this is included in the metering price control but includes EHV on pre March 2005 assets.
  2. Operating costs (excluding pensions) exclude the costs of NTR and metering but include the costs of EHV on pre March 2005 assets.
  3. Excluded services revenue shown above excludes NTR, metering, and EHV on pre March 2005 assets.
  4. These revenue lines are before the application of the merger term.
  5. Price control revenue included in the table excludes income from IFI. But a PO is shown above for comparison purposes including the effect on PO of IFI.
  6. The figures above include the tax adjustment as described in paragraph 2.1.

**Appendix 1 Notices pursuant to section 11 and section 11A  
of the Electricity Act 1989 of proposed modifications to  
distribution licences**

## ***Notice under section 11 of the Electricity Act 1989***

### ***(distribution licences - England and Wales)***

The Gas and Electricity Markets Authority ('**the Authority**') hereby gives notice pursuant to Section 11 (2) & (3) of the Electricity Act 1989 ('**the Act**') as follows:

1. The Authority proposes to modify the conditions of the distribution licences that are granted, or treated as granted, under Section 6(1) (c) of the Act, to each of the following electricity distributors:
  - (a) Central Networks East plc
  - (b) Central Networks West plc
  - (c) United Utilities Electricity plc
  - (d) Northern Electric Distribution Ltd
  - (e) Yorkshire Electricity Distribution plc
  - (f) Western Power Distribution (South West) plc
  - (g) Western Power Distribution (South Wales) plc
  - (h) EDF Energy Networks (LPN) plc
  - (i) EDF Energy Networks (SPN) plc
  - (j) EDF Energy Networks (EPN) plc
  - (k) SP Manweb plc
  - (l) Southern Electric Power Distribution plc

as detailed in Part A, Part B and Part C below:

#### **Part A.**

By omitting, deleting and removing:

- (i). Special condition A (Definitions and interpretation)
- (ii). Special condition B (Restriction of distribution charges)
- (iii). Special condition C (Restriction of distribution charges: adjustments)
- (iv). Special condition D (Information to be provided to the Authority in connection with the charge restriction conditions)
- (v). Special condition E (Allowance in respect of security costs)
- (vi). Special condition F (Duration of charge restriction conditions)
- (vii). Special condition G (Incentive Scheme: Calculation of charge restriction adjustment)
- (viii). Schedule A (Supplementary provisions of the charge restriction conditions)

#### **Part B.**

By adding and including:

- (i) Special condition A1– Definitions and interpretation
- (ii) Special condition A2– Scope of the charge restriction conditions
- (iii) Special condition A3– Arrangements for the recovery of uncertain costs

- (iv) Special condition A4– Duration of the charge restriction conditions
- (v) Special condition B1– Restriction of distribution charges: demand use of system charges
- (vi) Special condition B2 – Restriction of distribution charges: allowed pass-through items
- (vii) Special condition B3 – Restriction of distribution charges: total incentive revenue adjustment
- (viii) Special condition C1– Calculation of charge restriction adjustments arising from the distribution losses incentive scheme
- (ix) Special condition C2 – Calculation of charge restriction adjustments arising from performance in respect of the quality of service
- (x) Special condition C3 – Calculation of charge restriction adjustment arising from the innovation funding incentive scheme
- (xi) Special condition D1– Restriction of distribution charges: generation use of system charges
- (xii) Special condition D2 – Calculation of charge restriction adjustments arising from incentive schemes for distributed generation and registered power zones
- (xiii) Special condition E1– Charge restriction conditions: supplementary restrictions
- (xiv) Special condition F1 – Restriction of basic metering charges
- (xv) Special condition G1 – Restriction of distribution charges outside the distribution services area

### **Part C**

By making any incidental or consequential modifications to any special condition, standard condition or amended standard condition for the accurate and correct numbering and referencing of any such condition.

2. All of the resulting licence conditions as a consequence of the modifications specified in Parts A, B and C above, are set out in the document “Electricity Distribution Price Control Review, Statutory consultation on the licence modifications”, February 2005.
3. The reasons why the Authority proposes to make these licence modifications and their effect are set out in the following documents published by the Authority:
  - (i). Electricity Distribution Price Control Review, Appendix – structure and scope of price control licence modifications, June 2004;
  - (ii). Electricity Distribution Price Control Review, Appendix – draft price control licence modifications, December 2004;
  - (iii). Electricity Distribution Price Control Review, Final Proposals, November 2004; and
  - (iv). Electricity Distribution Price Control Review, Statutory consultation on the licence modifications, February 2005 (this document).
4. In summary, the purpose and effect of these licence modifications are to implement those changes to the regulatory framework consulted upon as part of, or in conjunction with, the Electricity Distribution Price Control Review; in particular, those changes required to remove and terminate the existing distribution price controls and introduce and give effect to the revised price

controls set out in the Authority's Final Proposals published on 29 November 2004.

5. Copies of the proposed licence modifications, together with the other documents referred to in paragraph 3 of this Notice, are available (free of charge) from the Ofgem library (telephone: 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations or objections to any of the proposed modifications to any of the licences specified in this Notice must be made in writing on or before **21 March 2005** to Colin Green, Office of Gas and Electricity Markets (Ofgem), 9 Millbank, London SW1P 3GE or via email to [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk)

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Martin Crouch, Director – Distribution

Authorised on behalf of the Authority

## ***Notice under section 11 of the Electricity Act 1989***

### ***(distribution licences – Scotland)***

The Gas and Electricity Markets Authority ('**the Authority**') hereby gives notice pursuant to Section 11 (2) & (3) of the Electricity Act 1989 ('**the Act**') as follows:

1. The Authority proposes to modify the conditions of the distribution licences that are granted, or treated as granted, under Section 6(1) (c) of the Act, to each of the following electricity distributors:
  - (a) Scottish Hydro-Electric Power Distribution Limited;
  - (b) SP Distribution Limited.

as detailed in Part A, Part B and Part C below:

#### **Part A.**

By omitting, deleting and removing:

- (i). Special condition A (Interpretation);
- (ii). Special condition B (Definitions);
- (iii). Special condition C (Restriction of distribution charges);
- (iv). Special condition D (Restriction of distribution charges: adjustments);
- (v). Special condition E (Information to be provided to the Authority in connection with the charge restriction conditions);
- (vi). Special condition F (Allowance in respect of security costs);
- (vii). Special condition G (Duration of charge restriction conditions);
- (viii). Special condition J (Incentive Scheme: Calculation of charge restriction adjustment);
- (ix). Schedule A to the special licence conditions A to G;
- (x). Schedule B to the special licence conditions A to G,

#### **Part B.**

By adding and including:

- (i) Special condition A1 – Definitions and interpretation
- (ii) Special condition A2 – Scope of the charge restriction conditions
- (iii) Special condition A3 – Arrangements for the recovery of uncertain costs
- (iv) Special condition A4 – Duration of the charge restriction conditions
- (v) Special condition B1 – Restriction of distribution charges: demand use of system charges
- (vi) Special condition B2 – Restriction of distribution charges: allowed pass-through items
- (vii) Special condition B3 – Restriction of distribution charges: total incentive revenue adjustment
- (viii) Special condition C1 – Calculation of charge restriction adjustments arising from the distribution losses incentive scheme

- (ix) Special condition C2 – Calculation of charge restriction adjustments arising from performance in respect of the quality of service
- (x) Special condition C3 – Calculation of charge restriction adjustment arising from the innovation funding incentive scheme
- (xi) Special condition D1– Restriction of distribution charges: generation use of system charges
- (xii) Special condition D2 –Calculation of charge restriction adjustments arising from incentive schemes for distributed generation and registered power zones
- (xiii) Special condition E1– Charge restriction conditions: supplementary restrictions
- (xiv) Special condition F1 – Restriction of basic metering charges
- (xv) Special condition G1 – Restriction of distribution charges outside the distribution services area

### **Part C**

By making any incidental or consequential modifications to any special condition, standard condition or amended standard condition for the accurate and correct numbering and referencing of any such condition.

2. All of the resulting licence conditions as a consequence of the modifications specified in Parts A, B and C above, are set out in the document “Electricity Distribution Price Control Review, Statutory consultation on the licence modifications”, February 2005.
3. The reasons why the Authority proposes to make these licence modifications and their effect are set out in the following documents published by the Authority:
  - (i). Electricity Distribution Price Control Review, Appendix – structure and scope of price control licence modifications, June 2004;
  - (ii). Electricity Distribution Price Control Review, Appendix – draft price control licence modifications, December 2004;
  - (iii). Electricity Distribution Price Control Review, Final Proposals, November 2004; and
  - (iv). Electricity Distribution Price Control Review, Statutory consultation on the licence modifications, February 2005 (this document).
4. In summary, the purpose and effect of these licence modifications are to implement those changes to the regulatory framework consulted upon as part of, or in conjunction with, the Electricity Distribution Price Control Review; in particular, those changes required to remove and terminate the existing distribution price controls and introduce and give effect to the revised price controls set out in the Authority’s Final Proposals published on 29 November 2004.
5. Copies of the proposed licence modifications, together with the other documents referred to in paragraph 3 of this Notice, are available (free of charge) from the Ofgem library (telephone: 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).



6. Any representations or objections to the proposed modifications must be made in writing on or before **21 March 2005** to Colin Green, Office of Gas and Electricity Markets (Ofgem), 9 Millbank, London SW1P 3GE or via email to [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk)

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Martin Crouch, Director – Distribution  
Authorised on behalf of the Authority

***Annex to notices under Section 11 of the Electricity  
Act 1989***

***SPECIAL CONDITION A1 – Definitions and  
interpretation***

1. Unless the context otherwise requires, words and expressions used in the standard conditions of this licence shall have the same meaning when used in these special conditions.
2. Special conditions A2 to F1 shall apply to the distribution services area (as defined in standard condition 1(Definitions and interpretation)) of the licensee.
3. Special condition G1 shall apply outside the distribution services area of the licensee.
4. In special conditions A2 to G1:  
“allowed demand revenue” means:
  - (a) in the relevant year commencing 1 April 2005 and every subsequent relevant year, the revenue calculated in accordance with the formula set out in paragraph 2 of special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (b) in any relevant year preceding 1 April 2005, the revenue calculated by multiplying:
    - (i) the maximum average charge per unit distributed (arising from the application of the formula set out in paragraph 1 of special condition B (Restriction of distribution charges), or in Scotland special condition C, of this licence in the form in which it was in force at 31 March 2005); and
    - (ii) the regulated quantity distributed (calculated in accordance with special condition A (Definitions and interpretation), or in Scotland special condition B, of this licence in the form in which it was in force at 31 March 2005).

“allowed meter operation revenue”	means the revenue calculated in accordance with the formula set out in paragraph 9 of special condition F1 (Restriction of basic metering charges).
“allowed network generation revenue”	(a) in the relevant year commencing 1 April 2005 and every subsequent relevant year, means the revenue calculated in accordance with the formula set out in paragraph 2 of special condition D1 (Restriction of distribution charges: generation use of system charges); and (b) in any relevant year preceding 1 April 2005, shall take the value of zero.
“allowed pass-through items”	means the items referred to in special condition B2 (Restriction of distribution charges: allowed pass-through items)
“average specified rate”	means the average of the daily base rates of Barclays Bank plc current from time to time during the period in respect of which the calculation in question falls to be made.
“base demand revenue”	means the revenue calculated in accordance with the formula set out in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
“basic meter asset provision charges”	means the charges levied by the licensee for basic meter asset provision in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency).
“basic meter operation revenue”	means the revenue (measured on an accruals basis) derived by the licensee from charges levied in respect of basic meter operation services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency).
“business rates”	means: (a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988; and (b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government Scotland Act

	1975, the Local Government etc (Scotland) Act 1994, or any legislation amending or replacing those enactments.
“charge restriction conditions”	means special conditions A2 to F1 inclusive as from time to time modified or replaced in accordance with the provisions of the Act.
“combined allowed distribution network revenue”	means the total amount of allowed demand revenue and allowed network generation revenue.
“combined distribution network revenue”	means the total amount of regulated demand revenue and network generation revenue.
“demand customer”	means, in relation to any energised or de-energised exit point on the licensee’s distribution system for which there is a valid metering point administration number, the person who is taking, or is deemed to be taking a supply of electricity through that exit point.
“demand use of system charges”	means charges levied by the licensee in accordance with paragraph 2 of standard condition 4A (Charges for Use of System) in respect of demand customers.
“DG”	for the purposes of special condition D2 only (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones), and whether on its own or as part of another defined term, means distributed generation.
“directly connected”	in relation to any premises, means so connected to the licensee’s distribution system that the final connection to the premises is from that system (and “indirectly connected” means other than directly connected).
“distribution charges”	means charges levied by the licensee in respect of the provision of distribution services.
“distributed generation”	means an installation comprising any plant or apparatus for the production of electricity which is directly connected to the licensee’s distribution system or is connected to that system through one or more independent or private networks (other than through an onshore transmission system) directly connected to it.
“distribution losses”	means the amount, in units, being the difference between the units entering the

	licensee's distribution system and the units distributed.
"distribution services"	means all services provided by the licensee as part of its distribution business other than excluded services.
"distribution unit category"	means (as the case may be) HV units or LV1 units or LV2 units or LV3 units.
"EHV premises"	means: <ul style="list-style-type: none"> <li>(a) in relation to premises connected to the licensee's distribution system at 31 March 2005, those EHV premises notified in writing to the Authority by the licensee by 31 July 2005 in accordance with paragraph 9 of special condition D (Restriction of distribution charges), or special condition E in Scotland, of this licence in the form in which it was in force on 31 March 2005; and</li> <li>(b) in relation to premises connected to the licensee's distribution system which are either first connected or (having been previously connected) have had their connection materially altered on or after 1 April 2005, those premises which are so connected at a voltage of 22 kilovolts or greater, or at a substation with a primary voltage of 66 kilovolts or higher.</li> </ul>
"EHV units"	means units distributed by the licensee which are transported to EHV premises.
"entry point"	means a point at which units, whether metered or unmetered, enter the licensee's distribution system.
"excluded services"	means those services provided by the licensee as part of its distribution business which, in accordance with special condition A2 (Scope of the charge restriction conditions), fall to be treated as excluded services.
"exit point"	means a point at which units, whether metered or unmetered, leave the licensee's distribution system (and, for the avoidance of doubt, includes a point of connection to the licensee's distribution system).
"generation use of system charges"	means charges levied by the licensee in accordance with paragraph 2 of standard condition 4A (Charges for Use of System) in respect of distributed generation.

“HV units”	means units (other than EHV units) distributed by the licensee which are delivered to exit points on the licensee’s distribution system at a voltage of 1000 volts or greater.
“incentive payment”	means an adjustment to allowed revenues, whether allowed demand revenue or allowed network generation revenue, representing the penalty or reward in respect of the licensee’s performance against the incentive schemes.
“incentive schemes”	means the arrangements set out in special conditions C1, C2, C3, and D2 for adjusting allowed demand revenue and allowed network generation revenue in respect of the licensee’s performance in meeting predetermined targets for specified outputs.
“LV units”	means units distributed by the licensee to exit points on the licensee’s distribution system at a voltage of less than 1000 volts.
“LV1 units”	means LV units which are distributed by the licensee outside off-peak periods: <ul style="list-style-type: none"> <li>(a) to domestic premises or small premises (other than domestic premises); and</li> <li>(b) the appropriate demand use of system charges apply different rates in off-peak periods as opposed to other times of day (and, for the avoidance of doubt, such charges include all those specified as falling within the LV1 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions)).</li> </ul>
“LV2 units”	means LV units which are distributed by the licensee during off-peak periods to domestic premises or small premises (other than domestic premises) where the appropriate demand use of system charges are restricted to apply to specified off-peak periods. <p>(and, for the avoidance of doubt, such charges include all those items specified as falling within the LV2 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions)).</p>
“LV3 units”	means LV units other than LV1 and LV2 units, for the avoidance of doubt including units

	distributed under the use of system charges specified as falling within the LV3 category in the statements provided by the licensee in accordance with paragraphs 7 and 8 of special condition E1 (Restriction of distribution charges: supplementary restrictions).
“metered”	means, in relation to any quantity of electricity distributed, as measured by a meter installed for such purpose.
“network generation revenue”	<p>means the revenue (measured on an accruals basis) derived by the licensee from generation use of system charges made for the provision of distribution services to owners or operators of distributed generation in the relevant year, after deduction of:</p> <ul style="list-style-type: none"> <li>(a) an amount equal to such part of the total amount payable in that relevant year to the transmission licensee (measured on an accruals basis) in respect of transmission connection point charges, transmission use of system charges and remote transmission asset rentals, and which has been recovered from distribution system users in that relevant year by the licensee in its generation use of system charges, as falls to be attributed to those users in that relevant year;</li> <li>(b) an amount equal to such part of the total amount payable in that relevant year to another authorised distributor (measured on an accruals basis) in respect of charges for the transportation of units from that person's network, and which would otherwise be included in network generation revenue by reason of being recovered from distribution system users in that relevant year by the licensee in its generation use of system charges, as falls to be attributed to those users in that relevant year; and</li> <li>(c) value added tax (if any) and any other taxes based directly on the amounts so derived,</li> </ul> <p>and, for the avoidance of doubt, network unavailability rebates or payments shall be treated as a cost and not a reduction in network generation revenue.</p>
“price control review date”	means the date from which modifications to the charge restriction conditions have effect:

- (a) whether before or after the date upon which the modifications are made;
- (b) whether or not the same modifications are made in respect of each licensee; and
- (c) where such modifications have been proposed by the Authority following a review by the Authority of the charge restriction conditions (or that part or parts to which the modifications relate) in relation to all distribution services providers.

“quality of service rigs”

for the purposes of special condition C2 only (Calculation of charge restriction adjustments arising from performance in respect of quality of service), means the regulatory instructions and guidance in force under standard condition 49 (Quality of Service Incentive Scheme and Associated Information).

“registered power zone”

means an area comprising a collection of contiguously connected distribution system assets having one or more terminal points which together describe in full the boundary of that area with the distribution system and which has been registered by the Authority as a registered power zone in accordance with special condition D2 (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones).

“regulated demand revenue”

means the revenue (measured on an accruals basis) derived by the licensee from demand use of system charges made for the provision of distribution services to demand customers in the relevant year, after deduction of:

- (a) an amount equal to such part of the total amount payable in that relevant year to the transmission licensee (measured on an accruals basis) in respect of transmission connection point charges, transmission use of system charges and remote transmission asset rentals, and which has been recovered from distribution system users in that relevant year by the licensee in its demand use of system charges, as falls to be attributed to those users in that relevant year;
- (b) an amount equal to such part of the total amount payable in that relevant year to another authorised distributor (measured



	on an accruals basis) in respect of charges in respect of units transported from that person's network, and which would otherwise be included in regulated demand revenue by reason of being recovered from distribution system users in that relevant year by the licensee in its demand use of system charges, as falls to be attributed to those users in that relevant year; and
	(c) value added tax (if any) and any other taxes based directly on the amounts so derived.
“relevant year”	means a financial year commencing on or after 1 April 1990.
“relevant year t”	means that relevant year for the purposes of which any calculation falls to be made under the charge restriction conditions.
“relevant year t-1”	means the relevant year immediately preceding relevant year t and similar expressions shall be construed accordingly.
“remote transmission asset rental”	means any rent or other periodic payment payable by the licensee to a transmission licensee in respect of remote transmission assets forming part of the licensee’s distribution system.
“Retail Price Index”	means the general index of retail prices published by the Office for National Statistics each month in respect of all items or: <ul style="list-style-type: none"> <li>(a) if the index in respect of any month relevant for the purposes of the charge restriction conditions has not been published on or before the last day of February, such price index as the Authority may, after consultation with all holders of a licence in which the charge restriction conditions have effect, determine to be appropriate; or</li> <li>(b) if there is a material change in the basis of the index, such index as the Authority may, after consultation with all holders of a licence in which the charge restriction conditions have effect, determine to be appropriate.</li> </ul>
“RPZ”	for the purposes of special condition D2 only (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power

	zones), and whether on its own or as part of another defined term, means registered power zone.
“small premises”	means premises at which a supply electricity is taken through a non-half-hourly meter, whether for domestic or non-domestic purposes, which is deemed to be small.
“transmission licensee”	means the holder of a licence granted or treated as granted under section 6(1)(b) of the Act.
“transmission connection point charges”	means charges levied by a transmission licensee as connection charges by direct reference to the number or nature of the connections between the licensee’s distribution system and the transmission system of that transmission licensee and which are payable by the licensee.
“transmission use of system charges”	means charges levied by a transmission licensee as use of system charges by direct reference to the export of electricity from the licensee’s distribution system to the transmission system of that transmission licensee and which are payable by the licensee.
“unit”	means a kilowatt hour.
“units distributed”	means the aggregate quantity of units distributed by the licensee through its distribution system in relevant year t as measured on leaving that system, whether metered or unmetered.
“unmetered”	in relation to any quantity of electricity entering or leaving the licensee’s distribution system that is not measured by metering equipment, refers to the quantity estimated as so doing.

5. Any reference in these special conditions to:

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity distribution licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity generation licences; or
- (e) a provision of the standard conditions of electricity transmission licences;

shall, if these or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.

6. Except where the context otherwise requires:
  - (a) any reference in a special condition to a numbered paragraph or appendix (in each case with or without a letter) or to an annex identified by a letter is a reference to the paragraph, appendix, or annex bearing that number or (as may be the case) that letter in the special condition in which the reference occurs; and
  - (b) any reference in a special condition to a paragraph is a reference to a paragraph of that special condition and any reference to a sub-paragraph is a reference to a sub-paragraph of that paragraph.

## ***SPECIAL CONDITION A2 - Scope of the charge restriction conditions***

1. The purpose of this condition is to set out the basis on which services provided by the licensee may be treated as excluded services.
2. Excluded services are those services provided by the licensee as part of its distribution business in respect of which such charges as are or may be levied may be treated as falling outside the scope of the charge restrictions otherwise imposed by or under this licence.
3. Subject to paragraph 4, the services which by virtue of this condition are excluded services for the purposes of the charge restriction conditions are those set out in Appendix 1 below (which is part of this condition).
4. No service provided by the licensee, within its distribution services area, as part of its distribution business may be treated as an excluded service insofar as it consists of the provision of services remunerated:
  - (a) under charges made for the use of system in accordance with paragraph 2 of standard condition 4A (Charges for Use of System);
  - (b) under charges made for the provision of basic metering and data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency); or
  - (c) under charges made for the provision within its distribution services area of metering point administration services in accordance with paragraph 2 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency).
5. Where the Authority, following consultation with the licensee and having particular regard to paragraph 4 and the matters set out in Appendix 1, is satisfied that any service treated by the licensee as an excluded service should not be so treated, it may issue a direction to that effect.
6. Where a direction is issued under paragraph 5, the service or services specified in the direction shall cease to be treated as excluded services by the licensee from the date of issue of the direction or such other date as may be specified therein.

## Appendix 1: Excluded services

- ES1. The service consisting of the distribution of units:
- (a) to EHV premises that were not connected to the licensee's distribution system before 1 April 2005; or
  - (b) to premises connected before 1 April 2005 that become EHV premises by virtue of having their connection materially altered, subject to the licensee agreeing with the Authority an appropriate offsetting adjustment to the value of PU or PE (being the amount set against that term in the part of Annex A of special condition B1 (Restriction of distribution charges: demand use of system charges) that applies to the licensee) as appropriate.
- ES2. The service consisting of the carrying out of works for the provision, installation, operation, repair or maintenance of electric lines or other electrical plant, but only insofar as such service is not remunerated through use of system charges or under charges made for the provision of basic metering and data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency) or under charges made for the provision within its distribution services area of metering point administration services in accordance with paragraph 2 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency).
- ES3. The service consisting of the provision of any revenue protection services pursuant to the terms of an agreement for use of system.
- ES4. The service consisting of the provision of any statement or report pursuant to:
- (a) paragraph 7 of standard condition 4 (Use of System Charging Methodology);
  - (b) paragraph 8 of standard condition 4A (Charges for Use of System);
  - (c) paragraph 13 or 15 of standard condition 4B (Connection Charging Methodology);
  - (d) paragraph 7 of standard condition 14A (Basis of Charges for Metering Point Administration Services: Requirements for Transparency); or
  - (e) paragraph 7 of standard condition 36C ((Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency).
- ES5. The service consisting of the relocation of electric lines or electrical plant (including the carrying out of any works associated therewith) pursuant to any statutory obligation (other than under section 9(1) or section 16 of the Act) imposed on the licensee.
- ES6. The service consisting of the moving of any electric lines, electrical plant or meters forming part of the licensee's distribution system to accommodate the extension, redesign, or redevelopment of any premises on which the same are located or to which they are connected.

- ES7. The service consisting of the provision of electric lines and electrical plant insofar as the same are required:
- (a) for the specific purpose of enabling the provision of top-up or standby supplies or sales of electricity; or
  - (b) to provide a higher degree of security than is required for the purposes of complying with paragraph 1 of standard condition 5 (Distribution System Planning Standard and Quality of Service).
- ES8. The service consisting of the transportation of reactive energy to premises with a power factor of less than 0.95, but only insofar as the charges for such services reflect the costs imposed on the licensee and are levied on the basis of the metered value of kVAr or kVArh transported to such premises.
- ES9. Any other service in relation to use of the licensee's distribution system insofar as it consists of the provision of a service (including electric lines or electrical plant) which is for the specific benefit of any third party who requests it and which is not made available by the licensee as a normal part of its distribution business within its distribution services area remunerated by use of system charges, or under charges made for the provision of basic metering and data services in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency), or under any other charge in respect of the excluded services set out in paragraphs ES1 to ES8 and paragraph ES10.
- ES10. Any provision of a basic metering service (as set out at paragraph 3(b) of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services)) insofar as it consists of a service (including any premium on one provided outside a contractual core time or timeband) that is not incorporated within the calculation of allowed meter operation revenue for the purposes of paragraph 9 of special condition F1 (Restriction of basic metering charges), or any provision of a metering service other than a basic metering service which is not remunerated by use of system charges or under any other charge in respect of an excluded service set out in paragraphs ES1 to ES9.

## ***SPECIAL CONDITION A3 – Arrangements for the recovery of uncertain costs***

1. The purposes of this condition are to enable the licensee to propose, and to provide for the Authority to determine, such adjustments to the charge restriction conditions as are necessary to enable the licensee to recover the efficient costs incurred within the categories of costs described in paragraph 2 pursuant to the licensee's compliance with obligations or requirements arising under any of the enactments ("the relevant enactments") specified in that paragraph.
2. The relevant enactments are:
  - (a) (subject to paragraph 3) regulations 17 and 18 of the Electricity Safety, Quality and Continuity Regulations 2002 (for which the category of costs is "ESQCR costs");
  - (b) any regulations which amend or replace the Electricity Safety, Quality and Continuity Regulations 2002 (for which the category of costs is "new ESQCR costs");
  - (c) any regulations made pursuant to section 74A of the New Roads and Street Works Act 1991 (for which the category of costs is "road occupation costs"); and
  - (d) any order or regulations made pursuant to Part 3 of the Traffic Management Act 2004 which impose a permit scheme (for which the category of costs is "permit scheme costs").
3. For the purposes of paragraph 2(a), any ESQCR costs incurred by the licensee in complying with any obligations imposed by the relevant enactment to which that paragraph refers that had previously been an obligation of the licensee under the Electricity Supply Regulations 1988 (including, in particular, costs incurred under regulation 18 for the purposes of averting immediate danger to the public) are to be disregarded for the purposes of paragraph 4.
4. Subject to the provisions of paragraphs 6 and 7, where the licensee reasonably believes that its efficiently incurred costs in any one or more relevant years of complying with obligations or requirements arising under any of the relevant enactments are, or are likely to be, a material amount, the licensee may, by notice to the Authority, propose a relevant adjustment to the charge restriction conditions.
5. A relevant adjustment under paragraph 4 is one which, in the opinion of the licensee, would if made, have the effect of enabling the licensee to recover the efficient costs incurred or likely to be incurred in relation to the obligations or requirements referred to in that paragraph.

6. The licensee may not propose a relevant adjustment under paragraph 4:
  - (a) in respect of any costs of whatever description incurred in any relevant year before the year commencing 1 April 2005; and
  - (b) in respect of ESQCR costs, before 1 April 2008.
7. The licensee may propose a relevant adjustment under paragraph 4 on or after 1 April 2005 in relation to any of the following costs incurred, or likely to be incurred, after that date:
  - (a) new ESQCR costs;
  - (b) road occupation costs; and
  - (c) permit scheme costs.
8. A notice served by the licensee in accordance with paragraph 4 must:
  - (a) state the obligations or requirements to which the notice relates;
  - (b) set out by reference to each such obligation or requirement the basis on which the licensee has calculated the relevant adjustment; and
  - (c) state the date from which the licensee wishes the Authority to agree that the relevant adjustment shall have effect (“the adjustment date”) (which in the case of ESQCR costs may not be a date earlier than 1 April 2008).
9. Where the licensee serves a notice under paragraph 4, the Authority:
  - (a) following consultation with the licensee;
  - (b) having particular regard to the purposes of this condition; and
  - (c) taking no account of the financial performance of the licensee relative to any of the assumptions, whether express or implied, by reference to which the charge restriction conditions may have been framed,

may, within four months of receiving such notice, determine the relevant adjustment to the charge restriction conditions in such manner as it considers appropriate.
10. If the Authority has not determined the relevant adjustment within four months of receiving a notice from the licensee under paragraph 4, and such a notice has not been withdrawn, the licensee may give notice to the Authority that the relevant adjustment shall take effect from the adjustment date for all relevant purposes under the charge restriction conditions.
11. A “material amount” within the meaning of paragraph 4 is an amount which exceeds, or is likely to exceed, 1 per cent of base demand revenue for the relevant year commencing 1 April 2005, as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges)



12. A relevant adjustment proposed in accordance with paragraph 4 may – so long as the requirements of paragraphs 6 and 7 are satisfied – be framed on the basis of a material amount that has been calculated:
- (a) by reference to only one of the categories of cost described in paragraph 2; or
  - (b) by reference to more than one of those categories (in which case, it shall be a material amount for the purposes of each relevant category).
13. For the purposes of this condition:
- (a) the power of the Authority to determine a relevant adjustment in accordance with paragraph 9 is a power to confirm, reject, or vary the relevant adjustment proposed by the licensee under paragraph 4;
  - (b) without prejudice to sub-paragraph (a), in determining a relevant adjustment to the charge restriction conditions the Authority may include in its determination such adjustments as it thinks fit in respect of those costs likely to be incurred by the licensee in subsequent relevant years within the category of costs to which the relevant adjustment applies;
  - (c) where the Authority's determination or an adjustment made by the licensee under paragraph 10 has the effect of adjusting the charge restriction conditions in relation to any relevant year (other than through the normal operation of the correction factor, being the term  $KD_t$  derived in accordance with paragraph 5 of special condition B1 (Restriction of demand charges: demand use of system charges)), the licensee may not propose any additional relevant adjustment in respect of the same category of costs in that year;
  - (d) references to the Traffic Management Act 2004 are to be interpreted as, in relation to Scotland, the Transport (Scotland) Bill as enacted; and
  - (e) the total amount of any relevant adjustment or adjustments in respect of any relevant year  $t$ , whether determined by the Authority or made by the licensee under this condition, shall, where it can be reasonably so construed, be taken to comprise the amount of the term  $UNC_t$  determined for the purposes of special condition B2 (Restriction of distribution charges: allowed pass-through items).

## ***SPECIAL CONDITION A4 - Duration of the charge restriction conditions***

1. The purpose of this condition is to set out the process for a disapplication of the charge restriction conditions in whole or in part.
2. Special conditions B1 to F1 shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 3 and:
  - (a) the Authority agrees in writing to the disapplication request; or
  - (b) the application of those conditions (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 5 or paragraph 6.
3. A disapplication request pursuant to this condition shall:
  - (a) be in writing addressed to the Authority;
  - (b) specify those of the charge restriction conditions (or any part or parts thereof) to which the request relates; and
  - (c) state the date (being not earlier than the date specified in paragraph 4) from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect (“the disapplication date”).
4. Save where the Authority agrees otherwise, no disapplication following delivery of a disapplication request pursuant to this condition shall have effect earlier than that date which is the later of:
  - (a) in respect of special conditions B1 to E1:
    - (i) a date not less than six months after the delivery of the disapplication request; and
    - (ii) 1 April 2010; or
  - (b) in respect of special condition F1:
    - (i) a date not less than three months after the delivery of the disapplication request; and
    - (ii) 1 July 2005.
5. Where, for a disapplication request in respect of special conditions B1 to E1, the Authority has not done both of the following:
  - (a) given notice to the licensee that it intends to make a reference to the Competition Commission under section 12 of the Act relating to the modification of special conditions B1 to E1 (or any part or parts thereof) within the later of:
    - (i) three months of receiving a disapplication request, and
    - (ii) before the beginning of the six-month period that ends with the disapplication date; and

(b) made such a reference within six months of giving such notice,

the licensee may give notice to the Authority terminating the application of such of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.

6. Where, for a disapplication request in respect of special condition F1, the Authority has not done both of the following:

- (a) given notice to the licensee that it intends to make a reference to the Competition Commission under section 12 of the Act relating to the modification of special condition F1 within three months of receiving a disapplication request; and
- (b) made such a reference within three months of giving such notice,

the licensee may give notice to the Authority terminating the application of special condition F1 (or any part or parts thereof as are specified in the disapplication request) with effect from the disapplication date or a later date.

7. If the Competition Commission's report on a reference made by the Authority relating to the modification of the charge restriction conditions (or any part or parts thereof) specified in the disapplication request does not include a conclusion that the cessation of such conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 13 of the Act deliver to the Authority notice terminating the application of such conditions (or part or parts thereof) with effect from the disapplication date or later.

8. A disapplication request or notice served under this condition may be served in respect of a specified geographic area.

## ***SPECIAL CONDITION B1 – Restriction of distribution charges: demand use of system charges***

1. The purposes of this condition are to establish the charge restrictions that determine the level of allowed demand revenue that may be recovered from demand use of system charges by the licensee and to set out the obligation of the licensee in respect of those restrictions.

### **Restriction on setting demand use of system charges**

2. The licensee, in setting its demand use of system charges, shall take all appropriate steps within its power to ensure that in the relevant year t combined distribution network revenue does not exceed combined allowed distribution network revenue.

### **Formula for allowed demand revenue (AD<sub>t</sub>)**

3. Allowed demand revenue shall be calculated in accordance with the following formula:

$$AD_t = BR_t + PT_t + IP_t - KD_t$$

where:

- AD<sub>t</sub> means allowed demand revenue in the relevant year t.
- BR<sub>t</sub> means the amount of base demand revenue in the relevant year t calculated in accordance with the formula set out in paragraph 4.
- PT<sub>t</sub> means the revenue adjustment, whether of a positive or negative value, made in the relevant year t in respect of allowed pass-through items as derived in accordance with special condition B2 (Restriction of distribution charges: allowed pass-through items).
- IP<sub>t</sub> means the total amount of incentive revenue, whether of a positive or negative value, calculated for the relevant year t in accordance with special condition B3 (Restriction of distribution charges: total incentive revenue adjustment).
- KD<sub>t</sub> means the correction factor, whether of a positive or negative value, calculated for the relevant year t in accordance with the formula set out in paragraph 5.

### **Formula for base demand revenue (BR<sub>t</sub>)**

4. For the purposes of paragraph 3, BR<sub>t</sub> is derived from the following formula:

$$BR_t = (PU \times GR_t + PE) \times PIAD_t - MG_t$$

where:

PU means the amount set against that term in the part of Annex A that applies to the licensee, and represents the revenue allowance determined by the Authority in relation to the distribution of electricity to LV and HV premises at the time that the allowance was established.

PE means the amount set against that term in the part of Annex A that applies to the licensee, and represents the revenue allowance determined by the Authority in relation to the distribution of electricity to EHV premises at the time that the allowance was established.

GR<sub>t</sub> is the growth term, and in the relevant year commencing 1 April 2005 has the value of 1 and then in the relevant year commencing 1 April 2006 and each subsequent relevant year is derived from the following formula:

$$GR_t = 0.5 \times \left[ \frac{\sum P_{0i} \times D_{it}}{\sum P_{0i} \times D_{it-1}} + \frac{C_t}{C_{t-1}} \right] \times GR_{t-1}$$

where:

$\sum$  means the summation across all distribution unit categories *i* as described in the definition of the term P<sub>0i</sub>.

P<sub>0i</sub> means, in respect of each distribution unit category *i* set out against the licensee's name in Annex B to this condition, the corresponding value of P<sub>0</sub> that applies in respect of that category.

D<sub>it</sub> means the total number of units distributed in the relevant year *t* to premises directly connected to the distribution system of the licensee within its distribution services area which fall within the relevant distribution unit category *i*.

C<sub>t</sub> means the number of energised or de-energised exit points on the licensee's distribution system in the relevant year *t*, for which there is a valid metering point administration number, as calculated on 30 September of that year.

PIAD<sub>t</sub> is the price index adjuster, which in the relevant year commencing 1 April 2005 has the value of 1 and in each subsequent relevant year is derived from the following formula:

$$PIAD_t = \left( 1 + \frac{RPI_t - X}{100} \right) \times PIAD_{t-1}$$

where:

$RPI_t$  means the percentage change (whether positive or negative) between the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months July to December (inclusive) in the relevant year t-2 and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year t-1.

X shall in relation to the relevant year commencing 1 April 2006 and every subsequent relevant year take the value of zero, except in respect of EDF Energy Networks (SPN) plc where in the relevant years commencing 1 April 2006 and every subsequent relevant year it shall take the value of -2.

$MG_t$  is the merger adjustment, and is derived from the following formula:

$$MG_t = MR_t \times PIAM_t$$

where:

$MR_t$  means the amount set against that term for each relevant year in the part of Annex C that applies to the licensee.

$PIAM_t$  in the year commencing 1 April 2001 equals 1 and in all subsequent years is derived from the following formula:

$$PIAM_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAM_{t-1}$$

#### **Formula for the correction factor ( $KD_t$ )**

5. For the purpose of paragraph 3,  $KD_t$  is derived, subject to paragraph 4 of special condition E1 (Restriction of distribution charges: supplementary restrictions), from the following formula:

$$KD_t = (RD_{t-1} - AD_{t-1}) \times \left[ 1 + \frac{(I_t + PR_t)}{100} \right]$$

where:

$RD_{t-1}$  means the regulated demand revenue in the relevant year t-1, except in the relevant year commencing 1 April 2005 where  $RD_{t-1}$  shall be the amount of distribution revenue (as defined in special condition A (Definitions and interpretation), or in Scotland special condition B, of this licence in the form in which it was in force at 31 March 2005 and, for the avoidance of doubt, excluding EHV revenues) recovered by the licensee in the relevant year commencing 1 April 2004.

$AD_{t-1}$  means allowed demand revenue in the relevant year t-1, except in the relevant year commencing 1 April 2005 where  $AD_{t-1}$  shall be derived from the following formula:

$$AD_{t-1} = M_{dt-1} \times D_{t-1}$$

where:

$M_{dt-1}$  means the maximum average charge per unit distributed in the relevant year commencing 1 April 2004 arising from the application of the formula in paragraph 1 of special condition B (Restriction of distribution charges), or in Scotland special condition C, of this licence in the form in which it was in force at 31 March 2005.

$D_{t-1}$  means the regulated quantity distributed in the relevant year commencing 1 April 2004, calculated in accordance with special condition A (Definitions and interpretation), or in Scotland special condition B, of this licence in the form in which it was in force at 31 March 2005.

$I_t$  means the average specified rate (as defined under those words in special condition A1 (Definitions and interpretation)) in the relevant year t.

$PR_t$  means the rate of interest that is applicable in accordance with paragraph 2 of special condition E1 (Restriction of distribution charges: supplementary restrictions).

### Annex A: Values for PU and PE by licensee

<b>Licensee</b>	<b>PU (£m)</b>	<b>PE (£m)</b>
Central Networks West plc	255.7	2.8
Central Networks East plc	257.7	3.5
United Utilities Electricity plc	235.4	4.1
Northern Electric Distribution Limited	158.2	7.2
Yorkshire Electricity Distribution plc	213.9	3.8
Western Power Distribution (South West) plc	188.5	1.7
Western Power Distribution (South Wales) plc	148.5	6.8
EDF Energy Networks (LPN) plc	236.9	4.1
EDF Energy Networks (SPN) plc	167.9	7.2
EDF Energy Networks (EPN) plc	304.7	6.0
SP Distribution Limited	313.7	0.6
SP Manweb plc	179.3	7.6
Scottish Hydro-Electric Power Distribution Limited	179.2	1.8
Southern Electric Power Distribution plc	353.9	6.8



## Annex B: Values for P0 weights by licensee

### Central Networks West plc

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.0397
LV2	0.1220
LV3	0.9286
HV	0.2503

### Central Networks East plc

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	0.7512
LV2	0.1680
LV3	0.5537
HV	0.1960

### United Utilities Electricity plc

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.8789
LV2	0.2104
LV3	1.4180
HV	0.6297

### Northern Electric Distribution Limited

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.0512
LV2	0.1100
LV3	0.8205
HV	0.1580

### Yorkshire Electricity Distribution plc

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	0.7700
LV2	0.1200
LV3	0.6025
HV	0.1750

**Western Power Distribution (South West) plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.8800
LV2	0.4100
LV3	1.2734
HV	0.2350

**Western Power Distribution (South Wales) plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.8600
LV2	0.2700
LV3	1.3852
HV	0.2415

**EDF Energy Networks (LPN) plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.0970
LV2	0.1360
LV3	0.6988
HV	0.2580

**EDF Energy Networks (SPN) plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	0.7456
LV2	0.0929
LV3	0.5076
HV	0.2376

**EDF Energy Networks (EPN) plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.0252
LV2	0.3010
LV3	0.9072
HV	0.2503

**SP Distribution Limited**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	2.7442
LV2	0.6794
LV3	1.8388
HV	0.7426

**SP Manweb plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.8699
LV2	0.6016
LV3	1.4532
HV	0.6020

**Scottish Hydro-Electric Power Distribution Limited**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.8824
LV2	0.8819
LV3	1.9542
HV	0.4900

**Southern Electric Power Distribution plc**

<b>Unit category <i>i</i></b>	<b>P<sub>0</sub></b>
LV1	1.2118
LV2	0.1806
LV3	1.0334
HV	0.2842

## Annex C: Values for MR by licensee

### Central Networks West plc

MR<sub>t</sub> (£m)

1 April 2005	3.124
1 April 2006	3.124
1 April 2007	3.124
1 April 2008	3.124
1 April 2009	0.000

thereafter zero

### Central Networks East plc

MR<sub>t</sub> (£m)

1 April 2005	3.276
1 April 2006	3.276
1 April 2007	3.276
1 April 2008	3.276
1 April 2009	0.000

thereafter zero

### United Utilities Electricity plc

MR<sub>t</sub> (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### Northern Electric Distribution Limited

MR<sub>t</sub> (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **Yorkshire Electricity Distribution plc**

**MR<sub>i</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **Western Power Distribution (South West) plc**

**MR<sub>i</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **Western Power Distribution (South Wales) plc**

**MR<sub>i</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **EDF Energy Networks (LPN) plc**

**MR<sub>i</sub>** (£m)

1 April 2005	1.920
1 April 2006	1.920
1 April 2007	1.920
1 April 2008	0.000
1 April 2009	0.000

thereafter zero

**EDF Energy Networks (SPN) plc**

**MR<sub>t</sub>** (£m)

1 April 2005	1.703
1 April 2006	1.703
1 April 2007	1.703
1 April 2008	0.000
1 April 2009	0.000

thereafter zero

**EDF Energy Networks (EPN) plc**

**MR<sub>t</sub>** (£m)

1 April 2005	2.777
1 April 2006	2.777
1 April 2007	2.777
1 April 2008	0.000
1 April 2009	0.000

thereafter zero

**SP Distribution Limited**

**MR<sub>t</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

**SP Manweb plc**

**MR<sub>t</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **Scottish Hydro-Electric Power Distribution Limited**

**MR<sub>i</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

### **Southern Electric Power Distribution plc**

**MR<sub>i</sub>** (£m)

1 April 2005	0.00
1 April 2006	0.00
1 April 2007	0.00
1 April 2008	0.00
1 April 2009	0.00

thereafter zero

## ***SPECIAL CONDITION B2 – Restriction of distribution charges: allowed pass-through items***

1. The purpose of this condition is to provide for adjustments to the charge restriction conditions to reflect certain costs that can be passed through to demand customers of the licensee through allowed demand revenue.

### **Formula for allowed pass-through items (PT<sub>t</sub>)**

2. For the purposes of paragraph 3 of special condition B1 (Restriction of distribution charges: demand use of system charges), PT<sub>t</sub> is derived from the following formula:

$$PT_t = LF_t + RB_t - HB_t + MPT_t + UNC_t$$

where:

LF<sub>t</sub> means an amount (whether positive or negative), as derived from the formula set out in paragraph 3, representing a licence fee adjustment.

RB<sub>t</sub> means an amount (whether positive or negative), as derived from the formula set out in paragraph 4, representing a business rates adjustment.

HB<sub>t</sub> means the amount received by the licensee, arising from any direction given by the Secretary of State in accordance with section 184 of the Energy Act 2004 in relation to assistance for high-cost distributors.

MPT<sub>t</sub> means an amount (whether positive or negative), as derived from the formula set out in paragraph 5, representing an adjustment for other pass-through items.

UNC<sub>t</sub> means an amount in the relevant year t representing a relevant adjustment to the charge restriction conditions arising from the application of special condition A3 (Arrangements for the recovery of uncertain costs).

### **Formula for the licence fee adjustment (LF<sub>t</sub>)**

3. For the purposes of paragraph 2, LF<sub>t</sub> is an amount calculated in accordance with the following formula:

$$LF_t = LP_t - LA_t$$

where:

LP<sub>t</sub> is an amount in respect of licence fee payments, and means the amount equal to the payments made by the licensee, in the relevant year t, in accordance with its obligations set out in standard condition 3 (Payments by Licensee to the Authority).



$LA_t$  is the amount of the licence fee payments allowance, and is derived from the following formula:

$$LA_t = PF \times PIAB_t$$

where:

PF is the amount of the licence fees payments allowance in 2002/03 prices, and is represented by the amount given in the table appearing under that term in the part of Annex A that applies to the licensee.

$PIAB_t$  is the price index adjustment, and in the relevant year commencing 1 April 2002 shall take the value of 1 and in each subsequent relevant year shall be derived from the following formula:

$$PIAB_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAB_{t-1}$$

where  $RPI_t$  is determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

#### **Formula for the business rates adjustment ( $RB_t$ )**

4. For the purposes of paragraph 2,  $RB_t$  is calculated in accordance with the following formula:

$$RB_t = RP_t - RA_t$$

where:

$RP_t$  is the amount payable by the licensee in respect of business rates.

$RA_t$  is the business rates allowance, and is derived from the following formula:

$$RA_t = RV_t \times PIAB_t$$

where:

$RV_t$  is the business rates allowance in 2002/03 prices, and is represented by the amount set against that term for each relevant year in the part of Annex B that applies to the licensee.

$PIAB_t$  shall in the relevant year commencing 1 April 2002 take the value of 1 and in each subsequent relevant year shall be derived from the formula set out in paragraph 3.

### Formula for the other pass-through items (MPT<sub>t</sub>)

5. For the purposes of paragraph 2, MPT<sub>t</sub> is calculated in accordance with the following formula:

$$MPT_t = MPC_t + MPA_t$$

where:

MPC<sub>t</sub> is the amount payable by the licensee in respect of costs incurred by the licensee in the relevant year t for items which the licensee considers should be treated as miscellaneous pass-through items not reflected in the term MPA<sub>t</sub> and which have been directed by the Authority to be so treated following consultation with the licensee.

MPA<sub>t</sub> is the amount of allowed pass-through relating to settlement run-off costs and Shetland balancing costs, and is derived from the following formula:

$$MPA_t = SRS_t + SA_t$$

where:

SRS<sub>t</sub> means the allowance for settlement run-off costs in relation to the transition to BETTA and in the relevant year commencing 1 April 2005 shall be calculated in accordance with the following formula, and in each subsequent relevant year thereafter takes the value of zero:

$$SRS_t = (1998 \text{ costs} + SOC) \times PIAS_t$$

where:

1998 costs means an amount in respect of unrecovered 1998-related settlement costs, being that amount which:

- (i) subject to the BETTA go-live date being 1 April 2005, is the amount set against the licensee's name in Part 1 of Annex C; or
- (ii) where the BETTA go-live date is after 1 April 2005, such an amount, not being more than the amount set against the licensee's name in Part 1 of Annex C, as may be directed by the Authority following consultation with the licensee.

SOC means the ongoing operating expenditure associated with settlement run-off costs in respect of the Settlement Agreement for Scotland, and in the relevant year commencing 1 April 2005 shall be the amount set against the licensee's name in Part 1 of Annex C.

$PIAS_t$  is the price index adjustment, and in the relevant year commencing 1 April 2004 shall take the value of 1 and in each subsequent relevant year shall be derived from the following formula:

$$PIAS_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAS_{t-1}$$

$SA_t$  means the allowance for Shetland balancing costs, and is the amount derived under the formula for that term set out in Part 2 of Annex C that applies to the licensee.

### Annex A: Values for PF by licensee

<b>Licensee</b>	<b>PF (£m)</b>
Central Networks West plc	1.1
Central Networks East plc	1.1
United Utilities Electricity plc	1.1
Northern Electric Distribution Limited	0.7
Yorkshire Electricity Distribution plc	1.0
Western Power Distribution (South West) plc	0.7
Western Power Distribution (South Wales) plc	0.5
EDF Energy Networks (LPN) plc	1.0
EDF Energy Networks (SPN) plc	1.0
EDF Energy Networks (EPN) plc	1.6
SP Distribution Limited	0.9
SP Manweb plc	0.7
Scottish Hydro-Electric Power Distribution Limited	0.3
Southern Electric Power Distribution plc	1.3

## **Annex B: Values for $RV_t$ by licensee**

### **Central Networks West plc**

**$RV_t$  (£m)**

1 April 2005	22.2
1 April 2006	21.1
1 April 2007	20.5
1 April 2008	20.5
1 April 2009	20.5

thereafter 20.5

### **Central Networks East plc**

**$RV_t$  (£m)**

1 April 2005	21.8
1 April 2006	25.6
1 April 2007	27.4
1 April 2008	27.4
1 April 2009	27.4

thereafter 27.4

### **United Utilities Electricity plc**

**$RV_t$  (£m)**

1 April 2005	18.3
1 April 2006	17.4
1 April 2007	17.3
1 April 2008	17.3
1 April 2009	17.3

thereafter 17.3

### **Northern Electric Distribution Limited**

**$RV_t$  (£m)**

1 April 2005	11.9
1 April 2006	13.7
1 April 2007	13.7
1 April 2008	13.7
1 April 2009	13.7

thereafter 13.7

### **Yorkshire Electricity Distribution plc**

**RV<sub>t</sub>** (£m)

1 April 2005	20.5
1 April 2006	19.5
1 April 2007	18.5
1 April 2008	18.4
1 April 2009	18.4

thereafter 18.4

### **Western Power Distribution (South West) plc**

**RV<sub>t</sub>** (£m)

1 April 2005	14.4
1 April 2006	16.9
1 April 2007	18.2
1 April 2008	18.2
1 April 2009	18.2

thereafter 18.2

### **Western Power Distribution (South Wales) plc**

**RV<sub>t</sub>** (£m)

1 April 2005	10.9
1 April 2006	12.8
1 April 2007	13.9
1 April 2008	13.9
1 April 2009	13.9

thereafter 13.9

### **EDF Energy Networks (LPN) plc**

**RV<sub>t</sub>** (£m)

1 April 2005	18.1
1 April 2006	21.2
1 April 2007	23.3
1 April 2008	23.3
1 April 2009	23.3

thereafter 23.3

### **EDF Energy Networks (SPN) plc**

**RV<sub>t</sub>** (£m)

1 April 2005	14.2
1 April 2006	13.4
1 April 2007	12.8
1 April 2008	10.9
1 April 2009	7.0

thereafter 7.0

### **EDF Energy Networks (EPN) plc**

**RV<sub>t</sub>** (£m)

1 April 2005	24.5
1 April 2006	25.9
1 April 2007	25.9
1 April 2008	25.9
1 April 2009	25.9

thereafter 25.9

### **SP Distribution Limited**

**RV<sub>t</sub>** (£m)

1 April 2005	28.4
1 April 2006	33.4
1 April 2007	33.4
1 April 2008	33.4
1 April 2009	33.4

thereafter 33.4

### **SP Manweb plc**

**RV<sub>t</sub>** (£m)

1 April 2005	14.3
1 April 2006	13.5
1 April 2007	12.9
1 April 2008	11.7
1 April 2009	11.7

thereafter 11.7

### **Scottish Hydro-Electric Power Distribution Limited**

**RV<sub>t</sub>** (£m)

1 April 2005	9.5
1 April 2006	11.2
1 April 2007	13.2
1 April 2008	14.7
1 April 2009	14.7

thereafter 14.7

### **Southern Electric Power Distribution plc**

**RV<sub>t</sub>** (£m)

1 April 2005	30.2
1 April 2006	35.5
1 April 2007	38.0
1 April 2008	38.0
1 April 2009	38.0

thereafter 38.0



## Annex C: Values in relation to MPA:

### Part 1

<b>Licensee</b>	<b>1998 costs (£m)</b>	<b>SOC (£m)</b>
Central Networks West plc	0.00	0.000
Central Networks East plc	0.00	0.000
United Utilities Electricity plc	0.00	0.000
Northern Electric Distribution Limited	0.00	0.000
Yorkshire Electricity Distribution plc	0.00	0.000
Western Power Distribution (South West) plc	0.00	0.000
Western Power Distribution (South Wales) plc	0.00	0.000
EDF Energy Networks (LPN) plc	0.00	0.000
EDF Energy Networks (SPN) plc	0.00	0.000
EDF Energy Networks (EPN) plc	0.00	0.000
SP Distribution Limited	2.76	0.345
SP Manweb plc	0.00	0.000
Scottish Hydro-Electric Power Distribution Limited	1.24	0.155
Southern Electric Power Distribution plc	0.00	0.000

## Part 2

1. This Part 2 of Annex C applies solely to Scottish Hydro-Electric Power Distribution Limited.

$$SA_t = TPC_t + LPSF_t + LPSC_t + EP_t - SH_t - SHB_t$$

where:

TPC<sub>t</sub> means the amount representing the annual cost of contracts with third party generators for supplying demand customers in Shetland for the relevant year t.

LPSF<sub>t</sub> means the amount representing the cost of fuel purchased for use by Lerwick Power Station (LPS) in relevant year t.

LPSC<sub>t</sub> means the capital and operating cost allowance for LPS in relevant year t calculated as follows:

$$LPSC_t = LPSA \times PIAH_t$$

where:

LPSA is the capital and operating cost allowance for LPS in respect of each relevant year and takes the value of £5.2 million.

PIAH<sub>t</sub> is the price index adjustment term in the relevant year t, which in the relevant year commencing 1 April 2002 has the value of 1 and thereafter is given by the following formula:

$$PIAH_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAH_{t-1}$$

EP<sub>t</sub> means the cost of environmental permits in respect of generation on Shetland in relevant year t.

SH<sub>t</sub> means the income from units purchased by suppliers in respect of generation on Shetland for the relevant year t.

SHB<sub>t</sub> means the amount of the allowance assumed in setting PU and PE in special condition B1 (Restriction of distribution charges: demand use of system charges), which is derived from the following formula:

$$SHB_t = SHA \times PIAH_t$$

where:

SHA is the allowance assumed in setting PU and PE in 2002/03 prices and takes the value of £7 million.

## ***SPECIAL CONDITION B3 – Restriction of distribution charges: total incentive revenue adjustment***

1. The purpose of this condition is to establish the total amount of incentive payment that adjusts allowed demand revenue to reflect the performance of the licensee with respect to the following incentive schemes:
  - (a) the distribution losses incentive scheme provided for under special condition C1 (Calculation of charge restriction adjustments arising from the distribution losses incentive scheme);
  - (b) the quality of service incentive scheme established pursuant to standard condition 49 (Quality of Service Incentive Scheme and Associated Information), also taking account of other aspects of quality of service performance provided for under special condition C2 (Calculation of charge restriction adjustments arising from performance in respect of quality of service); and
  - (c) the innovation funding incentive scheme established pursuant to standard condition 51 (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones).

### **Formula for incentive revenue ( $IP_t$ )**

2. For the purposes of paragraph 3 of special condition B1 (Restriction of distribution charges: demand use of system charges),  $IP_t$  is derived in accordance with the following formula:

$$IP_t = IL_t + IQ_t + IFI_t$$

where:

- $IL_t$  is the distribution losses incentive adjustment, and in the relevant year  $t$  is derived in accordance with the formula set out in paragraph 2 of special condition C1 (Calculation of charge restriction adjustments arising from the distribution losses incentive scheme).
- $IQ_t$  is the quality of service incentive adjustment and in the relevant year  $t$  is derived from the formula set out in paragraph 2 of special condition C2 (Calculation of charge restriction adjustments arising from performance in respect of quality of service).
- $IFI_t$  is the innovation funding incentive adjustment and in the relevant year  $t$  is derived from the formula set out in paragraph 2 of special condition C3 (Calculation of charge restriction adjustments arising from the innovation funding incentive scheme).

***SPECIAL CONDITION C1 – Calculation of charge restriction adjustments arising from the distribution losses incentive scheme***

1. The purpose of this condition is to establish the amount of incentive that adjusts allowed revenues so as to reflect the performance of the licensee under the scheme set out below in respect of distribution losses.

**Formula for the losses incentive adjustment (IL<sub>t</sub>)**

2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment), IL<sub>t</sub> is calculated in accordance with the following formula:

$$IL_t = [LR \times PIAL_t \times (AL_t - L_t)] + \left[ PLR \times PIAL_t \times \left( 1 + \frac{ALP}{100} \right) \times PVL_t \right]$$

where:

LR is the distribution losses incentive rate and takes the value of £48/MWh for units physically distributed on or after 1 April 2005.

PLR is the previous distribution losses incentive rate and takes the value of £32.24/MWh for units physically distributed before 1 April 2005.

PIAL<sub>t</sub> is the price index adjustment, which in the relevant year commencing 1 April 2004 takes the value of 1, and in each subsequent relevant year is derived from the following formula:

$$PIAL_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAL_{t-1}$$

L<sub>t</sub> means, in respect of the relevant year t, the adjusted distribution losses calculated in accordance with the methodological basis set out in paragraphs 3 to 5.

AL<sub>t</sub> means an amount representing the benchmark level of distribution losses in the relevant year t calculated, subject to paragraphs 6 to 8 below, in accordance with the following formula:

$$AL_t = \frac{ALP}{100} \times AUD_t$$

where:

ALP is the allowed loss percentage and shall, unless the Authority has directed otherwise in accordance with paragraph 7, take the value set against the licensee's name in Annex A.

AUD<sub>t</sub> means, in respect of the relevant year t, the adjusted units distributed as defined in paragraph 5.

PVL<sub>t</sub> means the number of units distributed recorded by the licensee, in respect of the relevant year t, that were physically delivered before 1 April 2005, and may be positive or negative.

RPI<sub>t</sub> is determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

**Basis of calculation of adjusted distribution losses (L<sub>t</sub>)**

3. Adjusted distribution losses shall be deemed to be the difference between adjusted system entry volumes and adjusted units distributed.
4. Adjusted system entry volumes shall be equal to the sum of:
  - (a) all units metered on entering the licensee's distribution system;
  - (b) all units deemed to be entering the licensee's distribution system by entry points that are unmetered; and
  - (c) an amount (in units) representing the excess adverse effect on losses (DGA<sub>t</sub>) of units entering the system at entry points (other than entry points which are connected to an onshore transmission network) where the loss adjustment factor applied for settlement purposes is less than 0.997, as calculated by the following formula:

$$DGA_t = \sum (LAF_{it} - 0.997) \times DGV_{it}$$

where:

$$LAF_{it} = \min(LAG_{it}, 0.997)$$

DGV<sub>it</sub> is the total number of units, in respect of the relevant year t, entering the distribution system at entry point *i*; and

LAG<sub>it</sub> is the value, in the relevant year t, of the loss adjustment factor applicable to entry point *i*.

5. Adjusted units distributed shall be equal to:
  - (a) the sum of:
    - (i) all units distributed by the licensee metered at exit points on leaving the licensee's distribution system; and
    - (ii) all units deemed to be leaving the licensee's distribution system at exit points that are unmetered;
  - (b) but excluding:

- (i) the units recorded as distributed by the licensee, metered or unmetered, that were physically delivered before 1 April 2005; and
  - (ii) in respect of Scottish Hydro-Electric Power Distribution Limited, also those units deemed to be leaving the licensee's distribution system at shared unmetered exit points.
- .
- 6. Subject to paragraph 7, the value of ALP set against the licensee's name in Annex A shall apply so long as this condition continues in force.
- 7. The Authority, having due regard to the purpose of this condition, and being satisfied, following consultation with the licensee, that there has been a material change (whether an improvement or a deterioration) in the quality of the information used to derive the adjusted system entry volumes or adjusted units distributed, may, with the licensee's consent (which shall not be unreasonably withheld), direct the licensee to change the value of ALP, to which paragraph 6 refers, to a different value specified by the Authority.
- 8. A change to the value of ALP in accordance with paragraph 7 may be directed by the Authority at any time during the year but shall not take effect before the beginning of the relevant year commencing immediately after the date of the direction.
- 9. The licensee shall, unless otherwise agreed by the Authority, calculate each component of adjusted distribution losses for the relevant year  $t$  on the same basis as that used within the calculation of adjusted distribution losses in respect of the relevant year commencing 1 April 2002, pursuant to paragraph 7 of special condition D of the licence in force on 31 March 2005.

### Annex A: Value for ALP by licensee

<b>Licensee</b>	<b>ALP</b>
Central Networks West plc	4.96
Central Networks East plc	5.69
United Utilities Electricity plc	5.68
Northern Electric Distribution Limited	5.20
Yorkshire Electricity Distribution plc	5.90
Western Power Distribution (South West) plc	6.96
Western Power Distribution (South Wales) plc	4.94
EDF Energy Networks (LPN) plc	6.54
EDF Energy Networks (SPN) plc	6.54
EDF Energy Networks (EPN) plc	6.32
SP Distribution Limited	6.45
SP Manweb plc	7.52
Scottish Hydro-Electric Power Distribution Limited	8.73
Southern Electric Power Distribution plc	6.74

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Central Networks West plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:



$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year  $t$  and is derived from the following formula:

$$PIA_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year  $t$  in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 3 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year  $t$  in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs

$CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year  $t$  in relation to the targets for the speed and quality of telephone response in that year.

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year  $t$ , if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the

standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year  $t$ , and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year  $t$  may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year  $t$  and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year  $t$  and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.
16. In this condition:
- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
  - (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
  - (c) words and expressions defined for any purposes of:
    - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
    - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
  - (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Central Networks West plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	109.4	107.8	106.2	104.6	103.0
IRA <sub>t</sub> (£ million 2002/03 prices)	0.10	0.11	0.11	0.11	0.11
TB <sub>t</sub>	102.3	98.5	94.7	91.0	87.2
IRB <sub>t</sub> (£ million 2002/03 prices)	0.14	0.15	0.15	0.16	0.17



## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set out against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

### **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

### **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Central Networks East plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year  $t$  in relation to the targets for the speed and quality of telephone response in that year.

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year  $t$ , if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:



$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year t,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max \left[ \left( SWPD_t - \frac{RLE}{100} \times BR_t \right), 0 \right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the

level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.
16. In this condition:
- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
  - (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
  - (c) words and expressions defined for any purposes of:
    - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
    - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
  - (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Central Networks East plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	77.9	77.5	77.1	76.7	76.3
IRA <sub>t</sub> (£ million 2002/03 prices)	0.15	0.15	0.15	0.15	0.16
TB <sub>t</sub>	80.1	76.7	73.4	70.0	66.7
IRB <sub>t</sub> (£ million 2002/03 prices)	0.18	0.19	0.20	0.21	0.23

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge  
restriction adjustments arising from performance in respect  
of quality of service - United Utilities Electricity plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{PICI}{15} \times \frac{RLOPA}{100} \times BPCR_t, 0 \right) \right), \frac{RLOPA}{100} \times BPCR_t \right]$$



where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- CMLE<sub>t</sub> is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- IRB<sub>t</sub> means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- PIA<sub>t</sub> is defined as set out in paragraph 4 above.
- TRL means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of IQ<sub>t</sub> for the relevant year t and has the value 4.
- RLB means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- SWE<sub>t</sub> is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

qc<sub>t</sub> means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

qd<sub>t</sub> means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.5, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.1 and less than 4.5, qd<sub>t</sub> shall take the value of zero.

In relevant year t, if APTR<sub>t</sub> is less than 4.1, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.

- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
- (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
- shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: United Utilities Electricity plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	57.2	57.1	57.1	57.1	57.1
IRA <sub>t</sub> (£ million 2002/03 prices)	0.18	0.18	0.18	0.19	0.19
TB <sub>t</sub>	59.8	58.1	56.4	54.7	53.0
IRB <sub>t</sub> (£ million 2002/03 prices)	0.22	0.23	0.23	0.24	0.25



## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

Licensee	CI threshold amount	CML threshold amount
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Northern Electric Distribution Limited***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year  $t$  in relation to the targets for the speed and quality of telephone response in that year.

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year  $t$ , if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:



$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year t,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min \left[ (SWPM_t - SWPD_t), 0 \right] + \max \left[ \left( SWPD_t - \frac{RLE}{100} \times BR_t \right), 0 \right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would

have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and

circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.
16. In this condition:
- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
  - (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
  - (c) words and expressions defined for any purposes of:
    - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
    - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
  - (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Northern Electric Distribution Limited**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	74.5	74.5	74.5	74.5	74.5
IRA <sub>t</sub> (£ million 2002/03 prices)	0.10	0.10	0.10	0.10	0.10
TB <sub>t</sub>	71.4	70.4	69.4	68.4	67.4
IRB <sub>t</sub> (£ million 2002/03 prices)	0.13	0.13	0.14	0.14	0.14

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Yorkshire Electricity Distribution plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year, subject to the amendment that  $CMLIS_t$  for that year shall be calculated using the following formula:

$$CMLIS_t = CMLA_t + CMLB_t + (c \times CMLC_t) + CMLD_t + (d \times CMLE_t) - 3$$

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .



3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in

the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and for the relevant year commencing 1 April 2005 is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times (CMLB_t + 3.2)) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

For each subsequent relevant year  $CMLIS_t$  is derived from the following formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year t and has the value of 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year t, if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year t,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply

restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.
12. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner or the Authority has verified the impact of the event on performance; and
  - (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner has reported to the Authority in respect of such event and its effect;
  - (d) the licensee has provided such further information, if any, as the Authority may require; and
  - (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
  - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Yorkshire Electricity Distribution plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	68.7	68.6	68.5	68.5	68.4
IRA <sub>t</sub> (£ million 2002/03 prices)	0.13	0.14	0.14	0.14	0.14
TB <sub>t</sub>	68.5	66.8	65.1	63.4	61.7
IRB <sub>t</sub> (£ million 2002/03 prices)	0.17	0.18	0.18	0.19	0.20



## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

Licensee	CI threshold amount	CML threshold amount
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Western Power Distribution (South West) plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{\text{PICML}}{20} \times \frac{\text{RLOPB}}{100} \times \text{BPCR}_t, 0 \right) \right), \frac{\text{RLOPB}}{100} \times \text{BPCR}_t \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (\text{TA}_t - \text{CIIS}_t) \times \text{PIA}_t \times \text{IRA}_t, \frac{\text{RLA}}{100} \times \text{BR}_t \right) \right), -\frac{\text{RLA}}{100} \times \text{BR}_t \right]$$

where:

$\text{TA}_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

RLA means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

qb<sub>t</sub> means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case, qb<sub>t</sub> shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

TB<sub>t</sub> means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

CMLIS<sub>t</sub> means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

CMLA<sub>t</sub> is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:



$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year t, if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year  $t$ , and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year  $t$  may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year  $t$  and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year  $t$  and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and

- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

- 14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

- 15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

- 16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
- (b) where the terms "max" and "min" are used in any formula, for any two given amounts X and Y, "min (X,Y)" means X if X-Y is negative and otherwise Y, and "max (X,Y)" means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
  - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Western Power Distribution (South West) plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	84.5	84.5	84.5	84.5	84.5
IRA <sub>t</sub> (£ million 2002/03 prices)	0.10	0.10	0.10	0.10	0.11
TB <sub>t</sub>	62.2	62.2	62.2	62.2	62.2
IRB <sub>t</sub> (£ million 2002/03 prices)	0.17	0.17	0.17	0.18	0.18

**Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Western Power Distribution (South Wales) plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{PICML}{20} \times \frac{RLOPB}{100} \times BPCR_t, 0 \right) \right), \frac{RLOPB}{100} \times BPCR_t \right]$$



where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- CMLE<sub>t</sub> is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- IRB<sub>t</sub> means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- PIA<sub>t</sub> is defined as set out in paragraph 4 above.
- TRL means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of IQ<sub>t</sub> for the relevant year t and has the value 4.
- RLB means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- SWE<sub>t</sub> is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

qc<sub>t</sub> means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

qd<sub>t</sub> means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.5, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.1 and less than 4.5, qd<sub>t</sub> shall take the value of zero.

In relevant year t, if APTR<sub>t</sub> is less than 4.1, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee;

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.

- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
- (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
- shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Western Power Distribution (South Wales) plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	99.7	98.2	96.8	95.3	93.9
IRA <sub>t</sub> (£ million 2002/03 prices)	0.07	0.07	0.07	0.08	0.08
TB <sub>t</sub>	72.2	72.2	72.2	72.2	72.2
IRB <sub>t</sub> (£ million 2002/03 prices)	0.12	0.12	0.12	0.12	0.13



## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) “distribution higher voltage” means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) “incidents” are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

Licensee	CI threshold amount	CML threshold amount
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - EDF Energy Networks (LPN) plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{\text{PICI}}{15} \times \frac{\text{RLOPA}}{100} \times \text{BPCR}_{t,0} \right), \frac{\text{RLOPA}}{100} \times \text{BPCR}_t \right) \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - \text{CIIS}_t) \times \text{PIA}_t \times \text{IRA}_t, \frac{\text{RLA}}{100} \times \text{BR}_t \right) \right), -\frac{\text{RLA}}{100} \times \text{BR}_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

RLA means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

qb<sub>t</sub> means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case, qb<sub>t</sub> shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

TB<sub>t</sub> means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

CMLIS<sub>t</sub> means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

CMLA<sub>t</sub> is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:



$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year t, if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year  $t$ , and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year  $t$  may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year  $t$  and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year  $t$  and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which

customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.
12. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner or the Authority has verified the impact of the event on performance; and
  - (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner has reported to the Authority in respect of such event and its effect;
  - (d) the licensee has provided such further information, if any, as the Authority may require; and
  - (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:
  - (a) setting out the terms of the proposed direction;
  - (b) stating the reasons why it proposes to issue the direction; and
  - (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,and has considered any such representations or objections and given reasons for its decision.
15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.
16. In this condition:
  - (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
  - (b) where the terms "max" and "min" are used in any formula, for any two given amounts X and Y, "min (X,Y)" means X if X-Y is negative and otherwise Y, and "max (X,Y)" means Y if X-Y is negative and otherwise X.
  - (c) words and expressions defined for any purposes of:
    - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
    - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),shall have the same meaning when used in this condition.
  - (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

## Annex A: Targets and incentive rates for interruptions: EDF Energy Networks (LPN) plc

Relevant year commencing:	1 April 2005	1 April 2006	1 April 2007	1 April 2008	1 April 2009
TA <sub>t</sub>	36.2	36.2	36.2	36.2	36.2
IRA <sub>t</sub> (£ million 2002/03 prices)	0.29	0.30	0.30	0.31	0.31
TB <sub>t</sub>	40.2	40.1	40.1	40.1	40.0
IRB <sub>t</sub> (£ million 2002/03 prices)	0.33	0.33	0.34	0.35	0.35

## Annex B: Exceptionality requirement for severe weather events

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- "incidents" are as defined in the quality of service rigs.

Licensee	Severe weather exceptionality threshold
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge  
restriction adjustments arising from performance in respect  
of quality of service - EDF Energy Networks (SPN) plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$



In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year  $t$  and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year  $t$  in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year  $t$  in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.

$PIA_t$  is defined as set out in paragraph 4 above.

$TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.

$RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year t, if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

**RLD** means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

**BR<sub>t</sub>** means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

**qe<sub>t</sub>** means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

**qf<sub>t</sub>** means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year t, qf<sub>t</sub> shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

**SWPD<sub>t</sub>** is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

**SWPM<sub>t</sub>** is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating SWPM<sub>t</sub> a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

**RLE** means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

**SWE<sub>t</sub>** means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
- (b) where the terms "max" and "min" are used in any formula, for any two given amounts X and Y, "min (X,Y)" means X if X-Y is negative and otherwise Y, and "max (X,Y)" means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
  - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

## **Annex A: Targets and incentive rates for interruptions: EDF Energy Networks (SPN) plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	90.5	88.5	86.5	84.5	82.5
IRA <sub>t</sub> (£ million 2002/03 prices)	0.09	0.09	0.09	0.10	0.10
TB <sub>t</sub>	81.4	77.0	72.6	68.2	63.8
IRB <sub>t</sub> (£ million 2002/03 prices)	0.12	0.13	0.14	0.15	0.16

### **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62



### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

### **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and

- (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

### **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electric Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge  
restriction adjustments arising from performance in respect  
of quality of service - EDF Energy Networks (EPN plc)***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall take each the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{PICML}{20} \times \frac{RLOPB}{100} \times BPCR_t, 0 \right) \right), \frac{RLOPB}{100} \times BPCR_t \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- CMLE<sub>t</sub> is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- IRB<sub>t</sub> means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- PIA<sub>t</sub> is defined as set out in paragraph 4 above.
- TRL means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of IQ<sub>t</sub> for the relevant year t and has the value 4.
- RLB means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- SWE<sub>t</sub> is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

qc<sub>t</sub> means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

qd<sub>t</sub> means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.5, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.1 and less than 4.5, qd<sub>t</sub> shall take the value of zero.

In relevant year t, if APTR<sub>t</sub> is less than 4.1, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.



$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

$RLE$  means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.

- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
- (i) in special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
- shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: EDF Energy Networks (EPN) plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	90.3	88.8	87.2	85.7	84.2
IRA <sub>t</sub> (£ million 2002/03 prices)	0.15	0.15	0.16	0.16	0.17
TB <sub>t</sub>	73.7	72.2	70.6	69.1	67.6
IRB <sub>t</sub> (£ million 2002/03 prices)	0.23	0.24	0.25	0.25	0.26

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

### **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and

- (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

**Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - SP Distribution Limited***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition J (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year  $t$ .

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission companies in the



relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), - \frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year  $t$  specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year  $t$  and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

$d$  takes the value 0.5 and  $e$  and  $f$  each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission companies in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.

$IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.

$PIA_t$  is defined as set out in paragraph 4 above.

$TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.

$RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year  $t$  in relation to the targets for the speed and quality of telephone response in that year.

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year  $t$ , if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of

quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year  $t$  in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed

on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

**RLE** means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

**$SWE_t$**  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

**$qg_t$**  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

**$NCPD_t$**  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

**$NCPM_t$**  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that

condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
  - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
 shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: SP Distribution Limited**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	60.9	60.8	60.8	60.8	60.8
IRA <sub>t</sub> (£ million 2002/03 prices)	0.23	0.23	0.23	0.23	0.23
TB <sub>t</sub>	64.9	61.2	57.6	54.0	50.4
IRB <sub>t</sub> (£ million 2002/03 prices)	0.27	0.28	0.30	0.33	0.35

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to but excluding 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62



### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge  
restriction adjustments arising from performance in respect  
of quality of service - SP Manweb plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
  
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{PICI}{15} \times \frac{RLOPA}{100} \times BPCR_t, 0 \right) \right), \frac{RLOPA}{100} \times BPCR_t \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- CMLE<sub>t</sub> is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- IRB<sub>t</sub> means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- PIA<sub>t</sub> is defined as set out in paragraph 4 above.
- TRL means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of IQ<sub>t</sub> for the relevant year t and has the value 4.
- RLB means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- SWE<sub>t</sub> is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

qc<sub>t</sub> means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

qd<sub>t</sub> means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.5, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.1 and less than 4.5, qd<sub>t</sub> shall take the value of zero.

In relevant year t, if APTR<sub>t</sub> is less than 4.1, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.



$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.

- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
- (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
- shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: SP Manweb plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	46.7	46.7	46.7	46.7	46.7
IRA <sub>t</sub> (£ million 2002/03 prices)	0.18	0.18	0.18	0.18	0.18
TB <sub>t</sub>	51.8	49.9	48.0	46.1	44.2
IRB <sub>t</sub> (£ million 2002/03 prices)	0.20	0.21	0.22	0.23	0.24

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	$Q_{t-3}$	$Q_{t-2}$
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Scottish Hydro-Electric Power Distribution Limited***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration and the standard for supply restoration for the Highlands and Islands.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t + qh_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition J (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{\text{PICI}}{15} \times \frac{\text{RLOPA}}{100} \times \text{BPCR}_t, 0 \right) \right), \frac{\text{RLOPA}}{100} \times \text{BPCR}_t \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition J (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

qf<sub>t</sub> is defined as set out in paragraph 9.

qg<sub>t</sub> is defined as set out in paragraph 10.

qh<sub>t</sub> is defined as set out in paragraph 10A.

I<sub>t</sub> means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006, IQ<sub>t</sub> shall be the amount derived from the following formula:

$$\text{IQ}_t = \text{qf}_t + \text{qg}_t + \text{qh}_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t, IQ<sub>t</sub> shall be the amount derived from the following formula:

$$\text{IQ}_t = [\text{qa}_{t-2} + \text{qb}_{t-2} + \text{qc}_{t-2} + \text{qd}_{t-2} + \text{qe}_{t-2}] \times \left[ \left( 1 + \frac{\text{I}_t}{100} \right) \times \left( 1 + \frac{\text{I}_{t-1}}{100} \right) \right] + \text{qf}_t + \text{qg}_t + \text{qh}_t$$

where:

I<sub>t</sub> means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

qa<sub>t</sub> means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$\text{qa}_t = \max \left[ \left( \min \left( (\text{TA}_t - \text{CIIS}_t) \times \text{PIA}_t \times \text{IRA}_t, \frac{\text{RLA}}{100} \times \text{BR}_t \right) \right), -\frac{\text{RLA}}{100} \times \text{BR}_t \right]$$

where:

TA<sub>t</sub> means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.



CIIS<sub>t</sub> means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$\text{CIIS}_t = \text{CIA}_t + (a \times \text{CIB}_t) + (b \times \text{CIC}_t) + \text{CID}_t + (c \times \text{CIE}_t)$$

where:

a takes the value 0.5 and b and c are zero.

CIA<sub>t</sub> is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

CIB<sub>t</sub> is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

CIC<sub>t</sub> is the number of customers interrupted per year arising from incidents on the systems of the transmission companies in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

CID<sub>t</sub> is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

CIE<sub>t</sub> is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

PIA<sub>t</sub> means the price index adjuster in relevant year t and is derived from the following formula:

$$\text{PIA}_t = \left( 1 + \frac{\text{RPI}_t}{100} \right) \times \text{PIA}_{t-1}$$

where, for the relevant year commencing 1 April 2002, PIA<sub>t</sub> = 1 and RPI<sub>t</sub> is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

IRA<sub>t</sub> means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

RLA means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission companies in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- $CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $CMLE_t$  is the duration of interruptions arising from incidents on any other connected systems in the relevant year  $t$  and is derived from the formula in Appendix 2 of the quality of service rigs.
- $IRB_t$  means the incentive rate for the duration of customer interruptions specified for the relevant year  $t$  in the table in Annex A expressed in £ million in 2002/03 prices.
- $PIA_t$  is defined as set out in paragraph 4 above.
- $TRL$  means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of  $IQ_t$  for the relevant year  $t$  and has the value 4.
- $RLB$  means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- $BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- $SWE_t$  is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

$qc_t$  means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year  $t$  and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

$qd_t$  means the adjustment to revenue in respect of overall surveyed performance in relevant year  $t$  in relation to the targets for the speed and quality of telephone response in that year.

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.5,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year  $t$ , if  $APTR_t$  is greater than or equal to 4.1 and less than 4.5,  $qd_t$  shall take the value of zero.

In relevant year t, if  $APTR_t$  is less than 4.1,  $qd_t$  shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year t, based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year t for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year t,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max \left[ \left( SWPD_t - \frac{RLE}{100} \times BR_t \right), 0 \right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

10A. For the purposes of paragraphs 2 and 3:

$qh_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 7 and shall be the amount derived from the following formula:

$$qh_t = \min[(HIPM_t - HIPD_t), 0]$$

where:

$HIPD_t$  is the total amount of the payments in relevant year  $r$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration for the Highlands and Islands imposed on the licensee under regulation 7.

$HIPM_t$  is the total amount of the payments that the licensee has made in relevant year  $t$  to customers in respect of failure to meet the standard of performance for supply restoration for the Highlands and Islands imposed on the licensee under regulation 7 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.
12. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner or the Authority has verified the impact of the event on performance; and
  - (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:
  - (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
  - (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
  - (c) the examiner has reported to the Authority in respect of such event and its effect;
  - (d) the licensee has provided such further information, if any, as the Authority may require; and
  - (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.
- (b) where the terms "max" and "min" are used in any formula, for any two given amounts X and Y, "min (X,Y)" means X if X-Y is negative and otherwise Y, and "max (X,Y)" means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
  - (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Scottish Hydro-Electric Power Distribution Limited**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	96.2	95.8	95.5	95.2	94.9
IRA <sub>t</sub> (£ million 2002/03 prices)	0.08	0.08	0.08	0.09	0.09
TB <sub>t</sub>	95.9	94.9	93.9	93.0	92.0
IRB <sub>t</sub> (£ million 2002/03 prices)	0.10	0.11	0.11	0.11	0.11

**Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to but excluding 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service rigs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62



### Annex C: Exceptionality requirements for other events

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

***SPECIAL CONDITION C2 – Calculation of charge restriction adjustments arising from performance in respect of quality of service - Southern Electric Power Distribution plc***

1. The purposes of this condition are to establish:
  - (a) a mechanism to provide for adjustments to the charge restriction conditions to reflect the performance of the licensee in achieving targets for quality of supply;
  - (b) a mechanism to reward best practice by electricity distributors; and
  - (c) a mechanism to make adjustments to revenue in relation to the normal and severe weather standards for supply restoration.
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2005,  $IQ_t$  is the amount derived from the following formula:

$$IQ_t = \left[ \left( 1 + \frac{I_t}{100} \right) \times (Q_{t-1} + Y + za + zb) \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) Q_{t-2} \right] + \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \times \left( 1 + \frac{I_{t-2}}{100} \right) \times Q_{t-3} \right] + qf_t + qg_t$$

where:

$Q_{t-2}$  and  $Q_{t-3}$  shall each take the value of the respective term set against the licensee's name in Annex E.

$Q_{t-1}$ ,  $za$  and  $zb$  are the adjustments to revenue to reflect the licensee's performance in the relevant year commencing 1 April 2004 and shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) in place for that relevant year.

$Y$  is an additional reward for outperformance where the licensee has failed to meet one of its interruption targets for the relevant year commencing 1 April 2004.

If, for the relevant year commencing 1 April 2004,  $CIIS_t$  is less than or equal to  $TA_t$  and  $CMLIS_t$  is less than or equal to  $TB_t$ , then  $Y$  shall be equal to zero.

If, for the relevant year commencing 1 April 2004, either  $CIIS_t$  is more than  $TA_t$  or  $CMLIS_t$  is more than  $TB_t$ , then  $Y$  shall be the amount derived from the following formula:

$$Y = \min \left[ \left( \max \left( \frac{PICML}{20} \times \frac{RLOPB}{100} \times BPCR_t, 0 \right) \right), \frac{RLOPB}{100} \times BPCR_t \right]$$

where each of the terms and other items in the formula shall be calculated from the application of the provisions of special condition G (Incentive scheme: calculation of charge restriction adjustment) of this licence in the form in which it was in force for that year.

$qf_t$  is defined as set out in paragraph 9.

$qg_t$  is defined as set out in paragraph 10.

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

3. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive revenue adjustment) in the relevant year commencing on 1 April 2006,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = qf_t + qg_t + qh_t$$

In the relevant year commencing on 1 April 2007 and in each subsequent relevant year t,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = [qa_{t-2} + qb_{t-2} + qc_{t-2} + qd_{t-2} + qe_{t-2}] \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t + qh_t$$

where:

$I_t$  means the average specified rate (which is defined under those words in special condition A1 (Definitions and interpretation)) in relevant year t.

4. For the purposes of paragraphs 3 and 5, and subject to paragraphs 11, 12 and 13:

$qa_t$  means the adjustment to revenue in respect of performance in relevant year t in relation to the target for the number of customers interrupted per 100 customers in that year and shall be derived from the following formula:

$$qa_t = \max \left[ \left( \min \left( (TA_t - CIIS_t) \times PIA_t \times IRA_t, \frac{RLA}{100} \times BR_t \right) \right), -\frac{RLA}{100} \times BR_t \right]$$

where:

$TA_t$  means the target for the number of customers interrupted for the relevant year t specified in the table in Annex A.

$CIIS_t$  means the performance in respect of the number of customers interrupted in relevant year t and is derived from the formula:

$$CIIS_t = CIA_t + (a \times CIB_t) + (b \times CIC_t) + CID_t + (c \times CIE_t)$$

where:

a takes the value 0.5 and b and c are zero.

$CIA_t$  is the number of customers interrupted per year arising from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIB_t$  is the number of customers interrupted per year arising from pre-arranged incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIC_t$  is the number of customers interrupted per year arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CID_t$  is the number of customers interrupted per year arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CIE_t$  is the number of customers interrupted per year arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$PIA_t$  means the price index adjuster in relevant year t and is derived from the following formula:

$$PIA_t = \left(1 + \frac{RPI_t}{100}\right) \times PIA_{t-1}$$

where, for the relevant year commencing 1 April 2002,  $PIA_t = 1$  and  $RPI_t$  is as determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

$IRA_t$  means the incentive rate for the number of customers interrupted specified for the relevant year t in the table in Annex A, expressed in £ million in 2002/03 prices.

$RLA$  means the maximum percentage of base demand revenue exposed to the number of customers interrupted and has the value 1.2.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

5. For the purposes of paragraph 3, and subject to paragraphs 11, 12 and 13:

$qb_t$  means the adjustment to allowed demand revenue in respect of performance in relevant year t in relation to the target for the duration of customer interruptions in that year and shall be derived from the following formula:

$$qb_t = \max \left[ \left( \min \left( (TB_t - CMLIS_t) \times PIA_t \times IRB_t, \frac{RLB}{100} \times BR_t \right) \right), -\frac{RLB}{100} \times BR_t \right]$$

provided that:

$$(qa_t + qb_t + qc_t + qd_t + SWE_t) \geq -\frac{TRL}{100} \times BR_t$$

and, where that is not the case,  $qb_t$  shall be determined by the following formula:

$$qb_t = -\frac{TRL}{100} \times BR_t - (qa_t + qc_t + qd_t + SWE_t)$$

where:

$TB_t$  means the target for the duration of customer interruptions for the relevant year t specified in the table in Annex A.

$CMLIS_t$  means the performance in respect of the duration of customer interruptions in relevant year t and is derived from the formula:

$$CMLIS_t = CMLA_t + (d \times CMLB_t) + (e \times CMLC_t) + CMLD_t + (f \times CMLE_t)$$

where:

d takes the value 0.5 and e and f each have the value of 0.10.

$CMLA_t$  is the duration of interruptions from unplanned incidents on the licensee's distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLB_t$  is the duration of interruptions from pre-arranged incidents on the distribution system in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLC_t$  is the duration of interruptions arising from incidents on the systems of the transmission company in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

$CMLD_t$  is the duration of interruptions arising from incidents on the systems of distributed generators in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.

- CMLE<sub>t</sub> is the duration of interruptions arising from incidents on any other connected systems in the relevant year t and is derived from the formula in Appendix 2 of the quality of service rigs.
- IRB<sub>t</sub> means the incentive rate for the duration of customer interruptions specified for the relevant year t in the table in Annex A expressed in £ million in 2002/03 prices.
- PIA<sub>t</sub> is defined as set out in paragraph 4 above.
- TRL means the maximum percentage of base demand revenue exposed to penalties under the relevant elements of IQ<sub>t</sub> for the relevant year t and has the value 4.
- RLB means the maximum percentage of base demand revenue exposed to the duration of customer interruptions and has the value 1.8.
- BR<sub>t</sub> means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).
- SWE<sub>t</sub> is defined as set out in paragraph 9.

6. For the purposes of paragraphs 3 and 5:

qc<sub>t</sub> means the adjustment to revenue in respect of the severe weather telephony incentive in relevant year t and shall be derived from the following formula:

$$qc_t = 0$$

7. For the purposes of paragraphs 3 and 5:

qd<sub>t</sub> means the adjustment to revenue in respect of overall surveyed performance in relevant year t in relation to the targets for the speed and quality of telephone response in that year.

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.5, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = 0.0005 \times BR_t$$

In relevant year t, if APTR<sub>t</sub> is greater than or equal to 4.1 and less than 4.5, qd<sub>t</sub> shall take the value of zero.

In relevant year t, if APTR<sub>t</sub> is less than 4.1, qd<sub>t</sub> shall be the amount derived from the following formula:

$$qd_t = \max \left[ (APTR_t - 4.1) \times IRC_t, -\frac{RLD}{100} \times BR_t \right]$$

where:

$APTR_t$  is the actual overall performance score for the licensee in relevant year  $t$ , based on all assessed attributes in the survey of quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

$IRC_t$  means the penalty rate in the relevant year  $t$  for performance in respect of the speed and quality of telephone response and is derived from the following formula:

$$IRC_t = \frac{2 \times RLD}{100} \times BR_t$$

where:

$RLD$  means the maximum percentage of base demand revenue exposed to penalties under the incentives for the quality and speed of telephone response and takes the value 0.25.

$BR_t$  means base demand revenue and is as defined in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

8. For the purpose of paragraph 3:

$qe_t$  means such positive adjustment (if any) to revenue in respect of the discretionary reward scheme for best practice in relation to priority customers, communication, and corporate social responsibility as may be determined by the Authority.

9. For the purposes of paragraphs 2, 3 and 5:

$qf_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.

In relevant year  $t$ ,  $qf_t$  shall be the amount derived from the following formula:

$$qf_t = \min[(SWPM_t - SWPD_t), 0] + \max\left[\left(SWPD_t - \frac{RLE}{100} \times BR_t\right), 0\right]$$

where:

$SWPD_t$  is the total amount of the payments in relevant year  $t$  which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under regulation 6.



$SWPM_t$  is the total amount of payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under regulation 6 or that has been paid to customers in the form of ex gratia payments for a severe weather event in relevant year t, and in calculating  $SWPM_t$  a maximum of £200 of payments per customer for any given event in relevant year t may be taken into account.

RLE means the maximum percentage of base demand revenue exposed to the severe weather arrangements for relevant year t and has the value of 2.

$SWE_t$  means the licensee's total exposure to the severe weather arrangements in relevant year t and shall be derived from the following formula:

$$SWE_t = qf_t - \min(SWPM_t, SWPD_t)$$

10. For the purposes of paragraphs 2 and 3:

$qg_t$  means the adjustment to revenue in respect of the standard of performance for supply restoration imposed on the licensee under regulation 5 and shall be the amount derived from the following formula:

$$qg_t = \min[(NCPM_t - NCPD_t), 0]$$

where:

$NCPD_t$  is the total amount of the payments in relevant year t which either have been paid to customers or, where not paid, which customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5.

$NCPM_t$  is the total amount of the payments that the licensee has made formally to customers in relevant year t in respect of failure to meet the standard of performance for supply restoration imposed on the licensee under regulation 5 or that has been paid to customers in the form of ex gratia payments in respect of such failure.

11. Where the report of an examiner specifies that the level of accuracy of any specified information used for the purpose of any formula in this condition is less than the level of accuracy specified for such information in the quality of service rigs, the Authority may, after consulting the licensee and having regard to all relevant information and circumstances, and so as to mitigate any distortion arising from that inaccuracy, by notice to the licensee direct which data shall be used in substitution for that information for the purposes of that formula.

12. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Annex B;

- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner or the Authority has verified the impact of the event on performance; and
- (d) the Authority is satisfied that the severe weather event meets the relevant exceptionality requirement defined in Annex B,

the licensee's performance used for calculating  $CIIS_t$  or  $CMLIS_t$  shall be adjusted so as to exclude the full verified impact of the event as directed by the Authority.

13. Where:

- (a) the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  has been affected by an event which does not meet the exceptionality requirement defined in Annex B but does meet the exceptionality requirements defined in Annex C;
- (b) the licensee has notified the Authority of such event within 14 days of the date upon which the licensee considers that such effect has ceased or within 14 days of the end of the relevant year (whichever is the earlier);
- (c) the examiner has reported to the Authority in respect of such event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority is satisfied that the event meets the exceptionality requirements defined in Annex C,

the Authority may, having regard to whether the licensee has met the criteria for mitigating actions set out in Annex D, by notice to the licensee direct that, for the purpose of calculating  $CIIS_t$  or  $CMLIS_t$ , or both, all or part of the impact of the event which is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased shall be excluded from the relevant year's performance of the licensee.

14. A direction under paragraph 11, 12 or 13 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

- (a) setting out the terms of the proposed direction;
- (b) stating the reasons why it proposes to issue the direction; and
- (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

and has considered any such representations or objections and given reasons for its decision.

15. A notice under paragraph 11 of standard condition 49 (Quality of Service Incentive Scheme and Associated Information) in relation to Appendix 2 of the quality of service rigs may not specify a date for the purposes of paragraph 11(a) of that condition which is other than a price control review date unless all distribution services providers have agreed that date.

16. In this condition:

- (a) any reference to a numbered regulation is a reference to the regulation bearing that number in the Electricity (Standards of Performance) Regulations 2005.

- (b) where the terms “max” and “min” are used in any formula, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative and otherwise Y, and “max (X,Y)” means Y if X-Y is negative and otherwise X.
- (c) words and expressions defined for any purposes of:
- (i) special condition B1 (Restriction of distribution charges: demand use of system charges); and
  - (ii) standard condition 49 (Quality of Service Incentive Scheme and Associated Information),
- shall have the same meaning when used in this condition.
- (d) words and expressions defined in the quality of service rigs which are used in this condition shall have the same meaning as in that document.

**Annex A: Targets and incentive rates for interruptions: Southern Electric Power Distribution plc**

<b>Relevant year commencing:</b>	<b>1 April 2005</b>	<b>1 April 2006</b>	<b>1 April 2007</b>	<b>1 April 2008</b>	<b>1 April 2009</b>
TA <sub>t</sub>	91.0	90.1	89.2	88.3	87.4
IRA <sub>t</sub> (£ million 2002/03 prices)	0.18	0.18	0.18	0.19	0.19
TB <sub>t</sub>	82.0	80.5	78.9	77.4	75.8
IRB <sub>t</sub> (£ million 2002/03 prices)	0.24	0.25	0.26	0.27	0.28

## **Annex B: Exceptionality requirement for severe weather events**

The relevant requirement for a severe weather event to be treated as exceptional for the purposes of paragraph 12 is that the number of incidents caused by the event at distribution higher voltage in any 24-hour period is equal to or greater than the severe weather exceptionality threshold:

where, for the purposes of this condition:

- (a) the severe weather exceptionality threshold is equal to the number of incidents set against the name of the licensee in the table below;
- (b) "distribution higher voltage" means nominal voltages of more than 1000 volts up to and including 132 kilovolts; and
- (c) "incidents" are as defined in the quality of service regs.

<b>Licensee</b>	<b>Severe weather exceptionality threshold</b>
Central Networks West plc	63
Central Networks East plc	58
United Utilities Electricity plc	47
Northern Electric Distribution Limited	36
Yorkshire Electricity Distribution plc	35
Western Power Distribution (South West) plc	54
Western Power Distribution (South Wales) plc	46
EDF Energy Networks (LPN) plc	10
EDF Energy Networks (SPN) plc	46
EDF Energy Networks (EPN) plc	72
SP Distribution Limited	79
SP Manweb plc	61
Scottish Hydro-Electric Power Distribution Limited	61
Southern Electric Power Distribution plc	62

### **Annex C: Exceptionality requirements for other events**

For the purposes of paragraph 13, the exceptionality requirements for other events are:

- (a) that the occurrence of the event (including, without limitation, an event arising from an incident on a transmission network or other connected network, or from terrorism or vandalism) is outside the control of the licensee and is a consequence of an external cause; and
- (b) that the event contributes more than the relevant threshold amount to  $CIIS_t$  or  $CMLIS_t$  in a three-month period,

where, in paragraph (b), the relevant threshold amounts for  $CIIS_t$  and  $CMLIS_t$  respectively are as set against the name of the licensee in the table below.

<b>Licensee</b>	<b>CI threshold amount</b>	<b>CML threshold amount</b>
Central Networks West plc	1.1	0.9
Central Networks East plc	1.0	0.8
United Utilities Electricity plc	1.1	0.9
Northern Electric Distribution Limited	1.6	1.3
Yorkshire Electricity Distribution plc	1.2	0.9
Western Power Distribution (South West) plc	1.7	1.4
Western Power Distribution (South Wales) plc	2.3	1.9
EDF Energy Networks (LPN) plc	1.1	0.9
EDF Energy Networks (SPN) plc	1.2	0.9
EDF Energy Networks (EPN) plc	0.7	0.6
SP Distribution Limited	1.3	1.0
SP Manweb plc	1.7	1.4
Scottish Hydro-Electric Power Distribution Limited	3.7	2.9
Southern Electric Power Distribution plc	0.9	0.7

## **Annex D: Criteria for mitigating actions**

For the purposes of paragraph 13, the criteria for mitigating actions are:

- (a) that the licensee's actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) that the licensee took all appropriate steps within its power:
  - (i) to limit the number of customers interrupted by the event, and
  - (ii) to restore customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

## **Annex E: Values for Q by licensee**

For the purpose of calculating  $IQ_t$  for the relevant year commencing 1 April 2005,  $Q_{t-2}$  and  $Q_{t-3}$  for each licensee are as set out in the table below.

<b>Licensee</b>	<b><math>Q_{t-3}</math></b>	<b><math>Q_{t-2}</math></b>
Central Networks West plc	-£42,523	£54,025
Central Networks East plc	£78,531	-£249,159
United Utilities Electricity plc	-£530,583	£34,910
Northern Electric Distribution Limited	£128,076	£138,097
Yorkshire Electricity Distribution plc	£102,352	£96,044
Western Power Distribution (South West) plc	£113,704	£142,162
Western Power Distribution (South Wales) plc	£48,633	£91,263
EDF Energy Networks (LPN) plc	-£225,240	-£282,750
EDF Energy Networks (SPN) plc	-£16,002	-£55,071
EDF Energy Networks (EPN) plc	-£148,927	-£221,721
SP Distribution Limited	£49,620	£72,480
SP Manweb plc	£29,875	-£381,372
Scottish Hydro-Electric Power Distribution Limited	£157,222	£197,028
Southern Electric Power Distribution plc	£171,883	£202,806

**SPECIAL CONDITION C3 – Calculation of charge restriction adjustments arising from the innovation funding incentive scheme**

1. The purpose of this condition is to provide for adjustments to allowed demand revenue to reflect the performance of the licensee in relation to its investment in innovation under the innovation funding incentive (IFI) scheme established pursuant to standard condition 51 (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones).
2. For the purposes of paragraph 2 of special condition B3 (Restriction of distribution charges: total incentive adjustment),  $IFI_t$  is derived for the relevant year t from the formula:

$$IFI_t = ptri_t \times (\min(IFIE_t, ((0.005 \times CBR_t) + KIFI_t)))$$

where:

$IFIE_t$  means the eligible IFI expenditure for the relevant year t as reported in the IFI annual report for that year (provided that any such expenditure incurred between 1 October 2004 and 31 March 2005 inclusive shall be treated as if incurred in the relevant year commencing 1 April 2005).

$CBR_t$  means combined distribution network revenue in the relevant year t as defined in special condition A1 (Definitions and interpretation).

$ptri_t$  is the pass-through factor applicable for the relevant year t as specified below:

Relevant year	2005/06	2006/07	2007/08	2008/09	2009/10
$ptri_t$	0.9	0.85	0.8	0.75	0.7

$KIFI_t$  is the IFI carry-forward in relation to the incentive scheme as set out in the IFI annual report for relevant year t-1, and is calculated from the following formula:

$$KIFI_t = \begin{cases} 0.5 \times 0.005 \times CBR_{t-1}, & \text{if } IFIE_{t-1} \leq (0.5 \times 0.005 \times CBR_{t-1}), \\ (0.005 \times CBR_{t-1}) - IFIE_{t-1}, & \text{if } IFIE_{t-1} > (0.5 \times 0.005 \times CBR_{t-1}) \text{ and } IFIE_{t-1} \leq (0.005 \times CBR_{t-1}), \\ 0, & \text{if } IFIE_{t-1} > (0.005 \times CBR_{t-1}); \end{cases}$$

where, for the year commencing 1 April 2005,  $KIFI_t$  shall be zero.

3. For the purposes of the incentive scheme, the eligible IFI internal expenditure that qualifies as eligible IFI expenditure in the relevant year t ( $IFIIE_t$ ) shall not exceed the amount determined by the following formula:

$$IFIE_t \leq z \times IFIE_t$$

where:

$IFIE_t$  is the eligible IFI internal expenditure that qualifies as eligible IFI expenditure for the relevant year t.

z shall take the value, except insofar as the Authority consents otherwise, of 0.15.

4. For the purposes of this condition;

“eligible IFI internal expenditure”	means that amount of eligible IFI expenditure spent or accrued on the internal resources of the licensee;
“eligible IFI expenditure”	means the amount of expenditure spent or accrued by the licensee in respect of eligible IFI projects; and
“eligible IFI projects”	means those projects that meet the requirements described for such projects,

in each case above, all as more fully set out in the regulatory instructions and guidance for the time being in force under standard condition 51 (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones) in relation to the incentive schemes established under that condition.



## ***SPECIAL CONDITION D1 - Restriction of distribution charges: generation use of system charges***

1. The purposes of this condition are to establish the charge restrictions that determine the level of allowed network generation revenue that may be recovered from generation use of system charges by the licensee and to set out the obligation of the licensee in respect of those restrictions.

### Formula for allowed network generation revenue ( $AG_t$ )

2. The licensee, in setting its generation use of system charges, shall take all appropriate steps within its power to ensure that in the relevant year  $t$ , network generation revenue does not exceed allowed network generation revenue calculated in accordance with the following formula:

$$AG_t = IG_t + RPZ_t - KG_t$$

where:

$AG_t$  means allowed network generation revenue in the relevant year  $t$ .

$IG_t$  is the incentive revenue for distributed generation, and in the relevant year  $t$  is derived from the formula in paragraph 2 of special condition D2 (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones).

$RPZ_t$  is the incentive revenue for registered power zones, and in the relevant year  $t$  is derived from the formula in paragraph 9 of special condition D2 (Calculation of charge restriction adjustments arising from the incentive schemes for distributed generation and registered power zones).

$KG_t$  means the correction factor in relevant year  $t$ , whether of a positive or negative value, calculated in accordance with the formula given in paragraph 3.

### Formula for the correction factor ( $KG_t$ )

3. For the purpose of paragraph 2,  $KG_t$  is derived from the following formula:

$$KG_t = (RG_{t-1} - AG_{t-1}) \times \left[ 1 + \frac{(I_t + PR_t)}{100} \right]$$

where:

$RG_{t-1}$  means the network generation revenue in the year preceding the relevant year  $t$  except in the relevant year commencing 1 April 2005 where  $RG_{t-1}$  shall take the value of zero.

$AG_{t-1}$  means allowed network generation revenue in the year preceding the relevant year  $t$ , except in the relevant year commencing 1 April 2005 where  $AG_{t-1}$  shall take the value of zero.

- $I_t$  means the average specified rate (as defined under those words in special condition A1 (Definitions and interpretation)) in the relevant year  $t$ .
- $PR_t$  means the rate of interest that is applicable in accordance with paragraph 2 of special condition E1 (Charge restriction conditions: supplementary restrictions).

***SPECIAL CONDITION D2 - Calculation of charge  
restriction adjustments arising from the incentive schemes  
for distributed generation and registered power zones***

1. The purposes of this condition are to provide for adjustments to allowed network generation revenue so as to reflect the performance of the licensee in relation to the incentive schemes for distributed generation and registered power zones established pursuant to standard condition 51 (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones).

2. For the purposes of paragraph 2 of special condition D1 (Restriction of distribution charges: generation use of system charges),  $IG_t$  is the amount derived from the following formula:

$$IG_t = GI_t + GP_t + GO_t$$

3. For the purposes of paragraph 2,  $GI_t$  means the total incentive payment in the relevant year  $t$ , as derived from the following formula:

$$GI_t = PIAG_t \times gir \times gc_t$$

where:

$PIAG_t$  is the price index adjuster relating to DG, and is as set out in paragraph 6.

$gir$  is the incentive rate for the scheme, which takes the value of £1500 per MW of incentivised DG capacity, except in relation to Scottish Hydro-Electric Power Distribution Limited where it shall take the value of £2000 per MW.

$gc_t$  is the total incentivised capacity of relevant DG that is directly or indirectly connected to the licensee's distribution system as at 31 March of the relevant year  $t$ , expressed in MW.

4. For the purposes of paragraph 2,  $GP_t$  means an amount representing the pass-through revenue in respect of the connection of distributed generation in the relevant year  $t$ , and is calculated in accordance with the following formula:

$$GP_t = PIAG_t \times \sum_{j=\max(y,t-P)}^{t-1} \left[ \frac{1}{PIAG_j} \times \left( \frac{r}{1 - \frac{1}{(1+r)^P}} \right) \times (gp_j - gt_j) \right]$$

where:

$PIAG_t$  is the price index adjuster relating to DG, and is as set out in paragraph 6.

- r* is the allowed pre-tax cost of capital, expressed in real terms, which, for the purposes of this condition, shall take the value of 6.9%.
- y* is the value of *t* for the relevant year commencing 1 April 2005.
- P* means the number of complete relevant years over which use of system capex is remunerated, which for the purposes of this condition takes the value of 15.
- gp<sub>j</sub>* means the amount of total use of system capex that is subject to the pass-through arrangement of the incentive scheme in the relevant year *j* and is derived from the following formula:

$$gp_j = ptrg \times (gps_j + gpc_j) - gpc_j$$

where:

*ptrg* is the pass-through rate and shall take the value of 0.8.

*gps<sub>j</sub>* is the amount, expressed in pounds sterling, of use of system capex for DG for relevant year *j*.

*gpc<sub>j</sub>* is the amount, expressed in pounds sterling, of shared connection capex for DG for relevant year *j*.

*gt<sub>j</sub>* is the amount of capex that is excluded from this calculation to reflect the transfer of capex from the DG incentive scheme in accordance with paragraph 8.

5. For the purpose of paragraph 2, *GO<sub>t</sub>* is the adjustment to allowed network generation revenue in respect of the operational and maintenance costs of total capex for DG for relevant year *t*, and is derived from the following formula:

$$GO_t = PIAG_t \times gor \times gc_t,$$

where:

*PIAG<sub>t</sub>* is the price index adjuster relating to DG, and is as set out in paragraph 6.

*gc<sub>t</sub>* is as defined in paragraph 3.

*gor* is the allowed operational and maintenance rate for all relevant DG, and has a value of £1000 per MW of incentivised DG capacity.

6. For the purposes of this condition, *PIAG<sub>t</sub>* is the price index adjustment in relevant year *t* as derived from the following formula:

$$PIAG_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIAG_{t-1},$$

where, for the relevant year commencing 1 April 2005,  $PIAG_t = 1$ .

$RPI_t$  is as defined as in paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

7. For the purposes of this condition, the incentive rate for the scheme,  $gir$ , shall take the value set out in paragraph 3 for each and every relevant year up to and including the relevant year commencing 1 April 2024 insofar as it is applied to incentivised DG capacity relevant to the licensee's distribution system during the period from 1 April 2005 to 31 March 2010.
8. For the purpose of determining  $gt_i$  in paragraph 4, the licensee, with the consent of the Authority, may exclude capex in respect of those assets which have been initially treated as use of system capex for DG but in respect of which:
  - (a) the incentivised DG capacity utilising those assets has fallen because the owner or operator of a relevant DG, or any agent thereof, has terminated its agreements for generator use of system (or such parts of any other use of system agreements as may apply) and connection to an authorised distributor's distribution system, or has otherwise reduced the capacity required; and
  - (b) those assets have a value that has not been fully depreciated through generation use of system charges for 15 complete relevant years in accordance with paragraph 4.
9. For the purposes of paragraph 2 of special condition D1 (Restriction of distribution charges: generation use of system charges),  $RPZ_t$  (the registered power zones revenue) in relevant year  $t$  is derived from the formula:

$$RPZ_t = PIAG_t \times \min(RPZM, giz \times gcz_t)$$

where:

$PIAG_t$  is the price index adjuster relating to DG, and is as set out in paragraph 6.

$RPZM$  means the cap on RPZ revenue and takes the value of £500,000.

$giz$  means the incremental incentive rate for connecting a relevant DG  $i$  within that area registered by the Authority as a registered power zone, and shall take a value of £3000 per MW of RPZ DG capacity.

$gcz_t$  is the amount of RPZ DG capacity, expressed in MW, connected to the licensee's distribution system in the relevant year  $t$  within that area registered by the Authority as a registered power zone for the purposes of this condition.

10. For the purposes of this condition:

"incentivised DG capacity"	in relation to any relevant year, means the highest active electrical power that can be generated (or the relevant incremental change in this amount in cases involving the expansion of existing distributed generation) by a relevant DG for that year, according to:
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	<p>(a) the connection and use of system agreements in force on 31 March of that relevant year in relation to the relevant plant or apparatus; or</p> <p>(b) in any case of generation covered by Engineering Recommendation G83/1 (or any authorised successor thereof), the notification received by the licensee on or before 31 March of that year,</p> <p>in each case as connected at 31 March of the relevant year.</p>
“relevant DG”	means distributed generation (except for distributed generation operating in parallel with the licensee’s distribution system for the purposes of standby) which has a connection start date on or after 1 April 2005 and is eligible for use of system charges (if any) in accordance with the licensee’s use of system charging methodology in place on or after 1 April 2005.
“RPZ DG capacity”	means the sum of incentivised DG capacity of all relevant DG with a connection point to that part of the licensee’s distribution system that forms a registered power zone.
“shared connection capex for DG”	means that part of the total capex for DG that is to be recovered from generation connection charges, but exclusive of all costs relating to sole-use assets and, where appropriate, exclusive also of the incremental costs in excess of the high-cost project threshold (as set out in the licensee’s connection charging methodology statement in place on or after 1 April 2005).
“total capex for DG”	means the sum of all costs directly incurred by the licensee in relation to the installation or reinforcement of electrical lines or electrical plant necessary for the connection of relevant DG or any proposed or expected relevant DG for subsequent relevant years and, for the avoidance of doubt, includes the increase in the present value of costs resulting from the advancement in time, to within the relevant year, of the reinforcement of assets so as to facilitate the connection of the relevant DG.
“total incentivised DG capacity”	means the sum for all relevant DG for the licensee’s distribution system, of the incentivised DG capacity.
“use of system capex for DG”	means that amount of total capex for DG that is not remunerated through connection charges.

in each case above, all as more fully set out in the regulatory instructions and guidance for the time being in force under standard condition 51 (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones) in relation to the incentive schemes established under that condition.

## ***SPECIAL CONDITION E1 - Charge restriction conditions: supplementary restrictions***

1. The purpose of this condition is to set out the supplementary restrictions on distribution charges levied by the licensee.

### Restrictions on over- and under-recoveries

2. For the purposes of paragraph 5 of special condition B1 (Restriction of distribution charges: demand use of system charges) and paragraph 3 of special condition D1 (Restriction of distribution charges: generation use of system charges), the interest rate adjustment  $PR_t$  shall be determined as follows:
  - (a) if, in respect of the relevant year  $t-1$ , the combined distribution network revenue exceeds the combined allowed distribution network revenue by more than 2 per cent  $PR_t$  shall take the value of 3; or
  - (b) if, in respect of the relevant year  $t-1$ , the combined distribution network revenue is less than the combined allowed distribution network revenue by more than 2 per cent  $PR_t$  shall take the value of zero;and otherwise:
  - (c)  $PR_t$  shall take the value of 1.5.

### Restrictions on demand charges

3. If, in respect of any relevant year, regulated demand revenue exceeds allowed demand revenue by more than 4 per cent, the licensee shall provide an explanation to the Authority and in the next following relevant year shall not, unless and insofar as the Authority consents, increase demand use of system charges.
4. If, in respect of each of two successive relevant years, regulated demand revenue is less than 90 per cent of allowed demand revenue, the Authority, after consultation with the licensee, may direct that in calculating  $KD_t$  for the purposes of paragraph 5 of special condition B1 (Restriction of distribution charges: demand use of system charges) in respect of the next following relevant year, there shall be substituted for the amount represented by  $RD_{t-1}$  in the formula at that paragraph such amount as the Authority may specify, being an amount not less than  $RD_{t-1}$  and not more than  $0.9 \times (AD_{t-1})$ .

### Restrictions on generation charges

5. If, in respect of any relevant year, network generation revenue exceeds allowed network generation revenue by more than 10 per cent, the licensee shall provide an explanation to the Authority and in the next following relevant year shall not, unless and insofar as the Authority consents, increase generation use of system charges.
6. If, in respect of each of two successive relevant years, network generation revenue is less than 75 per cent of allowed network generation revenue, the licensee shall provide an explanation to the Authority and in the next following relevant year shall not, unless the Authority consents, increase generation use of system charges by more than 20 per cent.

### Distribution unit categories

7. Not less than three months after the start of the relevant year commencing 1 April 2005, the licensee shall give the Authority a statement specifying separately those use of system charges in respect of which the licensee intends to treat the units distributed as falling within the definition of each of LV1 units and LV2 units and LV3 units respectively.
8. If the licensee introduces a category of use of system charges not identified in the statement provided to the Authority in accordance with paragraph 7, then the licensee shall provide a statement to the Authority specifying the distribution unit categories that units distributed, in respect of those use of system charges introduced by the licensee, are to be treated as falling within.
9. Where the Authority is satisfied that a use of system charge or charges in respect of which the licensee has treated the units as falling within one of the distribution unit categories *i* should not be so treated, the Authority shall after consultation with the licensee issue a direction specifying the category into which the units should fall and shall specify the date from which they should be so treated being a date not earlier than 1 April 2005.



## ***SPECIAL CONDITION F1 – Restriction of basic metering charges***

1. The purposes of this condition are to establish the restrictions on charges for basic meter asset provision and basic meter operation services provided by the licensee and to set out the obligations of the licensee in respect of those restrictions.

### **Part A: Basic meter asset provision**

2. The licensee shall, in setting charges for basic meter asset provision in accordance with standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services), ensure that those charges do not exceed the limits imposed by paragraphs 3 to 7.

#### Restraints on charges for single-phase single-rate credit meters

3. The licensee shall, in setting charges for the provision of a single-phase single-rate credit meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$SRCM_t = £1.12 \times PIT_t$$

where:

$SRCM_t$  is the maximum amount that the licensee may charge for the provision of a single-phase single-rate credit meter in the relevant year  $t$ .

$PIT_t$  shall be the value determined in accordance with paragraph 11.

#### Restraints on charges for single-rate token prepayment meters

4. The licensee shall, in setting charges for the provision of a single-rate token pre-payment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$TPPM_t = \left( \left[ \left( \frac{TPPMAV}{LT_t} \right) \times \left[ 1 + \left[ (1 + LTW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LTW_t}{LT_t} \right) \right] \right] \right] + £0.242 \right) \times PIT_t$$

where:

$TPPM_t$  is the maximum amount that the licensee may charge for the provision of a single-rate token prepayment meter in the relevant year  $t$ .

$TPPMAV$  means the modern equivalent asset value of a single-rate token pre-payment meter and shall take the value of £59.00.

$LT_t$  is the current expected life of a single-rate token pre-payment meter, as calculated using the following formula:

$$LT_t = 9.72 - LRTPPM_t$$

where:

LRTPPM<sub>t</sub> means the allowed reduction in the expected asset life of a single-rate token pre-payment meter since 1 April 2005 as determined in accordance with paragraph 17 to 21.

LTW<sub>t</sub> shall take the value of LT<sub>t</sub> rounded down to the nearest integer.

PIT<sub>t</sub> shall be the value determined in accordance with paragraph 11.

#### Restraints on charges for single-rate key prepayment meters

5. The licensee shall, in setting charges for the provision of a single-rate key prepayment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$KPPM_t = \left( \left[ \left( \frac{KPPMAV}{LK_t} \right) \times \left[ 1 + \left[ (1 + LKW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LKW_t}{LK_t} \right) \right] \right] \right] + \pounds 0.242 \right) \times PIT_t$$

where:

KPPM<sub>t</sub> is the maximum amount that the licensee may charge for the provision of a single-rate key prepayment meter in the relevant year t.

KPPMAV means the modern equivalent asset value of a single-rate key prepayment meter and shall take the value of £60.31.

LK<sub>t</sub> is the current expected life of a single-rate key prepayment meter, as calculated in accordance with the following formula:

$$LK_t = 9.34 - LRKPPM_t$$

where:

LRKPPM<sub>t</sub> means the allowed reduction in the expected asset life of a single-rate key prepayment meter since 1 April 2005 as determined in accordance with paragraphs 17 to 21.

LKW<sub>t</sub> shall take the value of LK<sub>t</sub> rounded down to the nearest integer.

PIT<sub>t</sub> shall be the value determined in accordance with paragraph 11.

#### Restraints on charges for single-rate smartcard prepayment meters

6. The licensee shall, in setting charges for the provision of a single-rate smartcard prepayment meter, ensure that the total charge is at no time greater than the value derived from the following formula:

$$SPPM_t = \left( \left[ \left( \frac{SPPMAV}{LS_t} \right) \times \left[ 1 + \left[ (1 + LSW_t) \times \left( \frac{6.9}{100} - \frac{6.9}{200} \times \frac{LSW_t}{LS_t} \right) \right] \right] + \pounds 0.242 \right] \right) \times PIT_t$$

where:

$SPPM_t$  is the maximum amount that the licensee may charge for the provision of a single-rate smartcard prepayment meter in the relevant year t.

$SPPMAV$  means the modern equivalent asset value of a single-rate smartcard prepayment meter and shall take the value of  $\pounds 62.77$ .

$LS_t$  is the current expected life of a single-rate smartcard prepayment meter, as calculated in accordance with the following formula:

$$LS_t = 7.00 - LRSPPM_t$$

where:

$LRSPPM_t$  means the allowed reduction in the expected asset life of a single-rate smartcard prepayment meter since 1 April 2005 as determined in accordance with paragraph 17 to 21.

$LSW_t$  shall take the value of  $LS_t$  rounded down to the nearest integer.

$PIT_t$  shall be the value determined in accordance with paragraph 11.

Restraints on charges for all other types of meter provided under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services)

7. The licensee shall, in setting charges for the provision of types of meter under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) other than those covered by paragraphs 3 to 6, ensure that the total charge for such provision is at no time greater than the value derived from the following formula:

$$MAPPC_t = \left[ \frac{MEAP_i}{ELA_i} + MEAP_i \times \frac{6.9}{200} + 0.242 \right] \times PIT_t$$

where:

$MAPPC$  is the maximum amount that the licensee may charge for the provision of types of meter other than those covered by paragraphs 3 to 6 in the relevant year t.

MEAP<sub>i</sub> is the modern equivalent asset purchase price of the meter type *i* as at 1 June 2003 or the nearest determinable date after 1 June 2003.

ELA<sub>i</sub> is the current expected economic life of the meter type *i*.

PIT<sub>t</sub> shall take the value determined in accordance with paragraph 11.

8. The following types of meter shall (without limitation and subject to the right of the licensee to sub-divide any such type in order to facilitate cost-reflective charging) constitute those which are covered by the provisions of paragraph 7:
- (a) multi-rate single-phase credit meters;
  - (b) multi-rate single-phase prepayment meters;
  - (c) poly-phase single-rate whole current meters;
  - (d) poly-phase multi-rate whole current meters; and
  - (e) non half-hourly current transformer meters.

### Part B: Basic meter operation services

9. The licensee shall in setting its charges for the services of basic meter operation, provided in accordance with standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services), take all appropriate steps within its power to ensure that basic meter operation revenue in the relevant year *t* does not exceed the amount represented by the term MOP<sub>t</sub> (being allowed meter operation revenue) calculated in accordance with the following formula:

$$MOP_t = MOPR_t - RMA_t$$

where:

MOPR<sub>t</sub> is the baseline meter operation revenue derived from the following formula:

$$MOPR_t = MRV \times PIT_t$$

where:

MRV is the baseline meter operation allowance in 2002/03 prices and shall take the value of that term set against the licensee's name in Annex A.

PIT<sub>t</sub> shall take the value determined in accordance with paragraph 11.

RMA<sub>t</sub> is the adjustment to the revenue associated with basic meter operation and is derived from the formula given in paragraph 10.

10. For the purposes of paragraph 9, RMA<sub>t</sub> is derived from the following formula:

$$RMA_t = SCA_t + PCA_t + CTCA_t$$

where:

$SCA_t$  is the revenue adjustment for changes in the level of single-phase metering chargeable activities and is calculated using the following formula:

$$SCA_t = (FSCA - SPCA_t) \times (21.37 \times PIT_t)$$

where:

$FSCA$  is the starting value for the single-phase metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.

$SPCA_t$  is the number of single-phase metering chargeable activities undertaken in the relevant year  $t$ .

$PIT_t$  shall be the value determined in accordance with paragraph 11.

$PCA_t$  is the revenue adjustment for changes in the level of poly-phase metering chargeable activities and is calculated in accordance with the following formula:

$$PCA_t = (FPCA - PPCA_t) \times (34.91 \times PIT_t)$$

where:

$FPCA$  is the starting value for the poly-phase metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.

$PPCA_t$  is the number of poly-phase metering chargeable activities undertaken in the relevant year  $t$ .

$PIT_t$  shall take the value determined in accordance with paragraph 11.

$CTCA_t$  is the revenue adjustment for changes in the level of current transformer metering chargeable activities and is calculated using the following formula:

$$CTCA_t = (FCTA - CCA_t) \times (106.67 \times PIT_t)$$

where:

$FCTA$  is the starting value for the current transformer metering chargeable activities and shall take the value of that term set against the licensee's name in Annex A.

$CCA_t$  is the number of current transformer metering chargeable activities undertaken in the relevant year  $t$ .

$PIT_t$  shall take the value determined in accordance with paragraph 11.

11. For the purposes of paragraphs 3 to 10, the price index adjustment (PIT) shall be calculated as follows:

$$PIT_t = \left( 1 + \frac{RPI_t}{100} \right) \times PIT_{t-1}$$

where:

PIT<sub>t</sub> in the relevant year commencing 1 April 2002 shall take the value of 1.

RPI<sub>t</sub> is determined in accordance with paragraph 4 of special condition B1 (Restriction of distribution charges: demand use of system charges).

### **Part C: Relief from onerous obligations**

12. This paragraph applies where the licensee considers:

- (a) that the selective appointment by a supplier (“the relevant supplier”) of a provider or providers other than the licensee of basic meter operation services has materially altered, or is likely so to alter, the average cost to the licensee of meeting its obligations pursuant to standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) in respect of the provision of basic meter operation services;
- (b) that as a consequence it is necessary for the licensee to depart from its published statement of charges prepared in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency) by increasing the charges to be levied on the relevant supplier for the continuing provision of basic meter operation services; and
- (c) that the increase in those charges required by the licensee would, in the absence of a derogation from the requirements of paragraph 9 above in respect of allowed meter operation revenue, have the effect in any relevant year of putting the licensee in breach of this condition.

13. Where paragraph 12 applies, the licensee may apply to the Authority for permission to increase the charges to be levied on the relevant supplier for the continuing provision of such of the basic meter operation services as are the subject of the licensee’s request, stating why such changes are considered to be required, setting out the nature of the change in respect of each of the services in question, and providing such other information to support its application as the Authority may require.

14. The licensee may, with effect from the date of the application made in accordance with paragraph 13, levy the charges specified in that application in respect of the relevant supplier if:

- (a) the Authority confirms that it consents to such charges with or without amendment and to such extent and on the basis of such terms and conditions as it may specify; or

- (b) the Authority has not, within 90 days after its receipt of the application, issued a direction requiring the licensee not to exceed the allowed meter operation revenue calculated in accordance with paragraph 9.

#### **Part D: Excluded metering services**

15. For the avoidance of doubt, a premium on those charges for the following enhanced appointment services may fall to chargeable under the provisions of special condition A2 (Scope of the charge restriction conditions):

- (a) out of hours service appointments in time zone 2;
- (b) out of hours service appointments in time zone 3;
- (c) two-hour time banded appointments;
- (d) same-day appointments; and
- (e) next-day appointments,

where time zone 2 covers any time on a working day from the end of contractual working hours until midnight from Monday to Saturday and time zone 3 covers:

- (i) any time on a working day from 11pm to the start of contractual working hours; and
- (ii) all day on Sunday or any other non-working day.

16. Those charges for the provision of services in relation to which paragraph 15 applies shall be set at a level which will allow the licensee to recover no more than its reasonable costs and a reasonable rate of return in providing those services.

#### **Part E: Determination of the reduction in asset life**

17. For the purposes of paragraphs 4 to 6, where the licensee considers that the expected asset life of:

- (a) a single-rate token prepayment meter;
- (b) a single-rate key prepayment meter; or
- (c) a single-rate smartcard prepayment meter;

has, as the result of supplier action fallen below the level assumed for the purposes of establishing the relevant charge restriction, the licensee may, by notice to the Authority, propose a relevant reduction in the asset life for the purposes of this condition.

18. A relevant reduction under paragraph 17 is one which in the opinion of the licensee, would if made, have the effect of enabling the licensee to recover the efficient costs incurred or likely to be incurred in relation to basic meter asset provision.

19. A notice served by the licensee in accordance with paragraph 17 must:

- (a) specify the restriction to which the notice relates;
- (b) set out the basis (including reference to the effects of supplier activity) on which the licensee has calculated the relevant reduction; and

- (c) state the date from which the licensee wishes the Authority to agree that the relevant reduction shall have effect (“the reduction date”).

20. Where the licensee serves a notice under paragraph 17, the Authority:

- (a) following consultation with the licensee; and  
 (b) having particular regard to the purposes of this condition;

may, within 28 days of receiving such notice, determine the relevant reduction in the expected asset life for the purposes of this condition in such manner as it considers appropriate.

21. If the Authority has not determined the relevant reduction within 28 days of receiving a notice from the licensee under paragraph 17, and such a notice has not been withdrawn, the licensee may apply the relevant reduction with effect from the reduction date for all relevant purposes of this condition.

22. For the purposes of this condition:

“current transformer metering chargeable activities”	means, with the exception of single-phase metering chargeable activities and poly-phase metering chargeable activities, those activities performed and charged for under contract as at 1 June 2003 in relation to current transformer meter types.
“modern equivalent asset purchase price”	in relation to any type of meter, means the purchase price of a new meter of the same functionality as that type of meter.
“poly-phase metering chargeable activities”	means, with the exception of single-phase metering activities and current transformer metering chargeable activities, those activities performed and charged for under contract as at 1 June 2003 in relation to poly-phase meter types.
“single-phase metering chargeable activities”	<p>means, with the exception of poly-phase metering chargeable activities and current transformer metering chargeable activities:</p> <p>(a) activities performed and charged for under contract as at 1 June 2003 in relation to single-phase meter types; and</p> <p>(b) the activities set out below:</p> <ul style="list-style-type: none"> <li>• resealing a meter</li> <li>• installing a timeswitch or teleswitch</li> <li>• reprogramming a meter where it is not part of a bulk reprogramming operation</li> <li>• de-energising or Re-energising a meter</li> <li>• making an abortive visit (not including a cancelled visits) to premises, and</li> </ul>



	<ul style="list-style-type: none"> <li>attending a visit by a DTI inspector</li> </ul> <p>in each case regardless of the type of meter on which the work is, or is to be, performed.</p>
“single-phase single-rate credit meter”	means an induction type (or electronic) alternating current single-phase two-wire single-rate credit meter.
“single-phase key prepayment meter”	means a meter which uses an essential element (the key) for transferring information from a point of sale for electricity credit to a unique prepayment meter or vice versa.
“single-phase smartcard prepayment meter”	means a meter which uses an essential element (the smartcard) for transferring information from a point of sale for electricity credit to a unique prepayment meter or vice versa.
“single-phase token prepayment meter”	means a meter which uses an essential element (the token) for transferring information from a point of sale for electricity credit to a unique prepayment meter.

**Annex A: Values for MRV, FSCA, FPCA, and FCTA by licensee**

<b>Licensee</b>	<b>MRV £million</b>	<b>FSCA</b>	<b>FPCA</b>	<b>FCTA</b>
Central Networks West plc	8.39	251,266	9,813	921
Central Networks East plc	8.74	275,625	14,095	967
United Utilities Electricity plc	6.20	191,806	7,491	703
Northern Electric Distribution Limited	7.52	273,618	3,418	1,111
Yorkshire Electricity Distribution plc	7.42	253,623	9,905	930
Western Power Distribution (South West) plc	6.06	211,362	6,883	674
Western Power Distribution (South Wales) plc	4.19	143,197	5,593	525
EDF Energy Networks (LPN) plc	7.95	221,137	10,165	3,891
EDF Energy Networks (SPN) plc	8.73	270,969	11,972	4,404
EDF Energy Networks (EPN) plc	10.78	377,151	13,390	1,009
SP Distribution Limited	4.66	146,912	3,459	129
SP Manweb plc	3.66	108,320	3,906	1,574
Scottish Hydro-Electric Power Distribution Limited	2.69	88,294	3,448	324
Southern Electric Power Distribution plc	9.09	310,974	12,145	1,140

## ***SPECIAL CONDITION G1 – Restriction of distribution charges outside the distribution services area***

1. The purpose of this condition is to establish the charge restrictions that apply to charges for demand use of system levied by the licensee in respect of its distribution business outside the distribution services area.
2. The licensee shall make available and continue to make available charges for the provision of use of system to any authorised supplier using the licensee's network to supply domestic customers.
3. The licensee's demand use of system charges in respect of the distribution of electricity to domestic customers may vary according to the distribution services area of the licensed distributor within which domestic premises are connected to the licensee's distribution system.
4. The licensee shall set those charges so that, except with the prior written consent of the Authority, the standing charge, unit rate and any other component thereof shall not exceed its demand use of system charges to equivalent domestic customers.
5. For the purposes of this condition, the demand use of system charges to equivalent domestic customers are the charges for demand use of system levied by that licensed distributor which is subject to a distribution services direction specifying the distribution services area in which the domestic premises connected to the licensee's system are located.
6. The Authority may specify, by direction, which of the charges for demand use of system levied by the licensed distributor with distribution services obligations for the distribution services area are relevant for the purposes of determining the demand use of system charges to equivalent domestic customers.
7. These charging arrangements shall have effect within this licence until such time and in such circumstances as are described in paragraphs 8 to 13.
8. This condition shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 9, or notice is given to the Authority by the licensee in accordance with either paragraph 12 or paragraph 13.
9. A disapplication request shall:
  - (a) be in writing addressed to the Authority;
  - (b) specify the paragraph or paragraphs of this condition to which the request relates; and
  - (c) state the date (being not earlier than the date specified in paragraph 11) from which the licensee wishes the Authority to agree that the specified paragraph or paragraphs shall cease to have effect ("the disapplication date").
10. The licensee may withdraw a disapplication request at any time.

11. Save where the Authority consents otherwise, no disapplication following delivery of a disapplication request pursuant to paragraph 9 shall have effect until a date being the later of:
- (a) not less than 18 months after delivery of the disapplication request; and
  - (b) 31 March 2007.
12. If the Authority has not made a reference to the Competition Commission under section 12 of the Act relating to the modification of this condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn the disapplication request, the licensee may deliver a written notice to the Authority terminating the application of this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or such earlier date to which the Authority has given its consent under paragraph 11.
13. If the Competition Commission's report on a reference made by the Authority relating to the modification of this condition or the part or parts thereof specified in the disapplication request does not include a conclusion that the cessation of such charge restrictions in this condition, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 13 of the Act deliver to the Authority notice terminating the application of this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date.

## ***Notice under section 11A of the Electricity Act 1989***

The Gas and Electricity Markets Authority ('the Authority') hereby gives notice pursuant to section 11A (3) & (4) of the Electricity Act 1989 ('the Act') as follows:

1. The Authority proposes to modify all of the distribution licences that are granted, or treated as granted, pursuant to Section 6(1) (c) of the Act, as detailed below:
  - (a) By altering the following standard conditions to be as set out in Annex 1 of the document "Electricity Distribution Price Control Review, Statutory consultation on the licence modifications", February 2005:
    - (i) Standard condition 1 (Definitions and interpretation)
    - (ii) Standard condition 20 (Payments in relation to standards of performance);
  - (b) By altering the following standard conditions:
    - (i) Standard condition 36 (Basis of charges for distributor metering and data services: Requirements for transparency);
    - (ii) Standard condition 36A (Non-discrimination in the provision of distributor metering and data services);
    - (iii) Standard condition 36B (Requirement to offer terms for the provision of electricity distributor metering and data services); and
    - (iv) Standard condition 36C (Functions of the Authority);to be as set out in amended standard conditions 36, 36A, 36B, 36C & 36D in Annex 2 of the document "Electricity Distribution Price Control Review, Statutory consultation on the licence modifications", February 2005.
  - (c) By altering the following standard conditions to be as set out in Annex 3 of the document "Electricity Distribution Price Control Review, Statutory consultation on the licence modifications", February 2005:
    - (i) Standard condition 42 (Regulatory accounts);
    - (ii) Standard condition 42A (Change of financial year);
    - (iii) Standard condition 43 (Restriction on activity and financial ring fencing);
    - (iv) Standard condition 44 (Availability of resources);
    - (v) Standard condition 46 (Credit rating of the licensee);
    - (vi) Standard condition 47 (Indebtedness); and
    - (vii) Standard condition 49 (Quality of service incentive scheme and associated information)
  - (d) By adding and including the following new standard conditions as set out in Annex 4 of the document "Electricity Distribution Price Control Review, Statutory consultation on the licence modifications", February 2005:
    - (i) Standard condition 50 (Price control revenue reporting and associated information);
    - (ii) Standard condition 51 (Distributed generation, innovation funding incentive, and RPZ incentive schemes and associated information); and
    - (iii) Standard condition 52 (Price Control Review Information)

- (e) By making any necessary incidental or consequential modifications to standard conditions 4, 4B, 4D, 40 and any standard condition or amended standard condition for the accurate and correct numbering and referencing of any such condition, as set out in Annex 5 of the document "Electricity Distribution Price Control Review, Statutory consultation on the licence modifications", February 2005.
2. "Relevant licence holders" for the purpose of giving notice of objection to the modification proposals in:
  - (a) sub-paragraph 1(a) are all distribution licence holders;
  - (b) sub-paragraph 1(b) are all distribution licence holders who at the expiration of this notice have a distribution services area described or specified in their licence;
  - (c) sub-paragraph 1(c) are all distribution licence holders who at the expiration of this notice have a distribution services area described or specified in their licence; and
  - (d) sub-paragraph 1(d) are all distribution licence holders.
3. The reasons why the Authority proposes make these licence modifications and their effect are set out in the following documents published by the Authority:
  - (i). Electricity Distribution Price Control Review, Appendix – structure and scope of price control licence modifications, June 2004;
  - (ii). Electricity Distribution Price Control Review, Final Proposals, November 2004;
  - (iii). Electricity Distribution Price Control Review, Appendix – draft price control licence modifications, December 2004; and
  - (iv). Electricity Distribution Price Control Review, Statutory consultation on the licence modifications, February 2005.
4. In summary, the purpose and effect of these licence modifications is to implement those changes to the regulatory framework consulted upon as part of, or in conjunction with, the Electricity Distribution Price Control Review. In particular, those changes required to:
  - (a) introduce enhanced reporting obligations in support of the revised price controls to be implemented from 1 April 2005;
  - (b) make amendments that are consequential to the implementation of revised standards of performance regulations consulted upon by the Authority; and
  - (c) strengthen the financial ring fencing provisions of the licence.
5. Copies of the proposed licence modifications, together with the other documents referred to in paragraph 3 of this Notice, are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations or objections to the proposed modifications must be made in writing on or before **21 March 2005** to Colin Green, Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE or via email to [colin.green@ofgem.gov.uk](mailto:colin.green@ofgem.gov.uk) .
7. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this notice.

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Martin Crouch, Director – Distribution  
Authorised on behalf of the Authority

# ***Annex 1 to notice under Section 11A of the Electricity Act 1989***

## ***Standard Condition 1. Definitions and Interpretation***

1. In these standard conditions, unless the context otherwise requires:

the “Act”	means the Electricity Act 1989.
“affiliate”	in relation to the licensee, means any holding company of the licensee, any subsidiary of the licensee or any subsidiary of a holding company of the licensee, in each case within the meaning of sections 736, 736A and 736B of the Companies Act 1985.
“Application Regulations”	means the Electricity (Applications for Licences and Extensions and Restrictions of Licences) Regulations 2004, or any amendment or replacement thereof for the time being in force pursuant to section 6A of the Act.
“appropriate auditor”	for the purposes of Section C only, has the meaning given in paragraph 8 of standard condition 42 (Regulatory Accounts)
“appropriate time”	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
“auditors”	means the licensee’s auditors for the time being holding office in accordance with the requirements of the Companies Act 1985.
“authorised”	in relation to any business or activity, means authorised by licence granted or treated as granted under section 6 of the Act, or by exemption granted under section 5 thereof.
“authorised electricity operator”	means any person (other than the licensee) who is authorised to generate, participate in the transmission of, distribute, or supply electricity and includes any person who has made an application to be so authorised which has not been refused and any person transferring electricity to or from or across an interconnector or Scottish interconnection or who has made an application for use of an interconnector or Scottish interconnection which has not been refused.



the "Authority"	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
"basic meter asset provision"	for the purposes of Section C only, has the meaning given in paragraph 3(a) of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services).
"basic meter operation"	for the purposes of Section C only, has the meaning given in paragraph 3(b) of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services).
"BETTA"	means the British electricity trading and transmission arrangements, being those arrangements which are provided for in Chapter 1 of Part 3 of the Energy Act 2004.
"BETTA go-live date"	means the date which the Secretary of State indicates in a direction shall be the BETTA go-live date.
"British Grid Systems Agreement"	for the purposes of standard condition 30B only (BETTA Run-off Arrangements Scheme), has the meaning given in that condition.
"BSC"	for the purposes of Section B only, has the meaning given in standard condition 10 (Balancing and Settlement Code and NETA Implementation).
" BSC Framework Agreement"	for the purposes of standard condition 10 only (Balancing and Settlement Code and NETA Implementation), has the meaning given in that condition.
"bilateral agreement"	for the purposes of standard condition 26 only (Compliance with CUSC), has the meaning given in that condition.
"charge restriction conditions"	has the same meaning as in special condition A1 (Definitions and interpretation).
"competent authority"	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
"confidential information"	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
"connection charges"	means charges made or levied, or to be made or levied, by the licensee for the provision of connections

	or the modification or retention of existing connections to the licensee's distribution system at entry or exit points, whether or not such charges or any part of them are annualised, and may include, as appropriate, costs relating to any of the matters that are mentioned in paragraph 5 of standard condition 4B (Connection Charging Methodology).
"connection charging methodology"	means the principles on which and the methods by which, for the purposes of achieving the objectives referred to in paragraph 3 of standard condition 4B (Connection Charging Methodology), connection charges are determined.
"construction agreement"	for the purposes of standard condition 26 only (Compliance with CUSC), has the meaning given in that condition.
"Consumer Council"	means the Gas and Electricity Consumer Council established under section 2 of the Utilities Act 2000.
"convenience customers"	means customers supplied or requiring to be supplied at any premises which are directly connected to the licensee's distribution system but are situated within the distribution services area of a distribution services provider other than the licensee.
"core industry documents"	for the purposes of standard conditions 10 (Balancing and Settlement Code and NETA Implementation) and 11 (Change Co-ordination for NETA) only, has the meaning given in standard condition 10; and for the purposes of standard condition 26 only (Compliance with CUSC), has the meaning given in that condition.
"cross-default obligation"	for the purposes of standard condition 47 only (Indebtedness), has the meaning given in that condition.
"CUSC"	for the purposes of standard condition 26 only (Compliance with CUSC), has the meaning given in that condition.
"CUSC Framework Agreement"	for the purposes of standard condition 26 only (Compliance with CUSC), has the meaning given in that condition.
"customer"	means any person supplied or requiring to be supplied with electricity at any premises in Great Britain, but does not include any authorised electricity operator in its capacity as such.
"data aggregation"	has the meaning given in standard condition 36A (Requirement to Offer Terms for the Provision of Data

	Services).
“data processing”	has the meaning given in standard condition 36A (Requirement to Offer Terms for the Provision of Data Services).
“data retrieval”	has the meaning given in standard condition 36A (Requirement to Offer Terms for the Provision of Data Services).
“data services”	for the purposes of Section C only, has the meaning given in standard condition 36A (Requirement to Offer Terms for the Provision of Data Services).
“data transfer service”	for the purposes of Section C only, has the meaning given in standard condition 32 (Interpretation of Section C (Distribution Services Obligations)).
“declared net capacity”	means, in relation to generation plant, the highest generation of electricity at the main alternator terminals which can be maintained for an indefinite period of time without causing damage to the plant, less so much of that capacity as is consumed by the plant.
“de minimis business”	for the purposes of Section C only, has the meaning given in sub-paragraph 4(a) of standard condition 43 (Restriction on Activity and Financial Ring Fencing)
“DG”	for the purposes of standard condition 51 only (Incentive schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones), has the same meaning as in special condition A1 (Definition and interpretation).
“DG rigs”	for the purposes of standard condition 51 only (Incentive schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones), means the regulatory instructions and guidance for the time being in force in relation to the incentive schemes established under that condition.
“directly connected”	in relation to any premises, means so connected to the licensee’s distribution system that the final connection to the premises is from that system (and “indirectly connected” means other than directly connected).
“disposal”	for the purposes of standard condition 29 only (Disposal of Relevant Assets), has the meaning given in that condition.

“distribution arrangements”	has the meaning given in standard condition 25 (Long Term Development Statement).
“distribution business”	<p>means a business of the licensee or of any affiliate or related undertaking of the licensee, which (except to the extent otherwise specified by the Authority in a direction to the licensee) undertakes any of the following activities:</p> <ul style="list-style-type: none"> <li>(a) the distribution of electricity through the licensee’s distribution system, including any business in providing connections to such system; or</li> <li>(b) the provision of the services specified in paragraph 3 of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services); or</li> <li>(c) the provision of the services specified in paragraphs 2(a) and 2(b) of standard condition 36A (Requirement to Offer Terms for the Provision of Data Services),</li> </ul> <p>and in any of the above cases includes any business ancillary thereto.</p>
“distribution business activities”	<p>means those activities undertaken by the licensee which comprise the following:</p> <ul style="list-style-type: none"> <li>(a) those distribution services, (excluding metering services);</li> <li>(b) metering services;</li> <li>(c) de minimis business; and</li> <li>(d) excluded services.</li> </ul>
“Distribution Code”	means a distribution code required to be prepared by a licensed distributor pursuant to standard condition 9 (Distribution Code) and approved by the Authority as revised from time to time with the approval of the Authority.
“distribution licence”	means a licence granted or treated as granted under section 6(1)(c) of the Act.
“distribution services”	means all services provided by the licensee as part of its distribution business other than excluded services.
“distribution services area”	has the meaning given at paragraph 5(b) of standard condition 2 (Application of Section C (Distribution

	Services Obligations)).
“Distribution Services Direction”	has the meaning given in standard condition 2 (Application of Section C (Distribution Services Obligations)).
“distribution services provider”	means a licensed distributor in whose licence Section C has effect.
“distribution system”	means the system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor and used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to customers or authorised electricity operators or any transmission licensee within Great Britain in its capacity as operator of a transmission system, and includes any remote transmission assets (owned by a transmission licensee within England and Wales) operated by such distributor and any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but does not include any part of a transmission system.
“domestic customer”	means a customer supplied or requiring to be supplied with electricity at domestic premises (but excluding such customer insofar as he is supplied or requires to be supplied at premises other than domestic premises).
“domestic premises”	means premises at which a supply is taken wholly or mainly for domestic purposes.
“Electricity Arbitration Association”	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
“electricity supplier”	means any person authorised to supply electricity.
“estimated costs”	for the purposes of standard condition 3 only (Payments by the Licensee to the Authority), has the meaning given in that condition.
“excluded services”	means those services provided by the licensee as part of its distribution business which in accordance with special condition A2 (Scope of the charge restriction conditions) fall to be treated as excluded services.
“existing connection”	means, in relation to any premises, an existing connection to the licensee’s distribution system which does not require modification, or a new or modified

	connection to such system in respect of which all works have been completed, such that in either case electricity is able to be supplied to the premises in accordance with the terms of the relevant supply agreement.
“external distribution activities”	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
“financial year”	subject to standard condition 42A (Change of Financial Year) (where applicable), means a period of 12 months beginning on 1 April of each year and ending on 31 March of the following calendar year.
“Fuel Security Code”	for the purposes of Section B only, has the meaning given in standard condition 16 (Security Arrangements).
“generation set”	means any plant or apparatus for the production of electricity and where appropriate includes a generating station comprising more than one generation set.
“Grid Code”	means a Grid Code which a transmission licensee is required to have in place pursuant to its transmission licence.
“grid supply point”	means any point at which electricity is delivered from a transmission system to any distribution system.
“holding company”	means a company within the meaning of sections 736, 736A and 736B of the Companies Act 1985.
“indebtedness”	for the purposes of standard condition 47 only (Indebtedness), has the meaning given in that condition.
“information”	means information (other than information that is subject to legal privilege) in any form or medium whatsoever and of any description specified by the Authority, and includes any documents, accounts, estimates, returns, records or reports and data of any kind whether or not prepared specifically at the request of the Authority.
“interconnection”	means:  the 275 kV and 400 kV circuits between and including the associated switchgear at Harker sub-station in Cumbria and the associated switchgear at

Strathaven sub-station in Lanarkshire;

the 275 kV transmission circuit between and including the associated switchgear at Cockenzie in East Lothian and the associated switchgear at Stella in Tyne and Wear; and

the 400 kV transmission circuit between and including the associated switchgear at Torness in East Lothian and the associated switchgear at Stella in Tyne and Wear,

all as existing at the date on which the transmission licence comes into force as from time to time maintained, repaired or renewed, together with any alteration, modification or addition (other than for the purposes of maintenance, repair or renewal) which is primarily designed to effect a permanent increase in one or more particular interconnection capacities as they exist immediately prior to such alteration, modification or addition and as from time to time maintained, repaired or renewed; and

the 132 kV transmission circuit between and including (and directly connecting) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria; and

the 132 kV transmission circuit between and including (and connecting, via Junction V) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria,

all as existing at the date on which the transmission licence comes into force and as from time to time maintained, repaired or renewed.

“interconnector”

means the electric lines and electrical plant and meters owned or operated by a transmission licensee solely for the transfer of electricity to or from a transmission system into or out of England and Wales.

“investment”

for the purposes of Section C only, has the meaning given in standard condition 43 (Restriction on Activity and Financial Ring Fencing).

“investment grade issuer credit rating”

for the purposes of Section C only, has the meaning given in standard condition 46 (Credit Rating of Licensee).

“issuer credit rating”

for the purposes of Section C only, has the meaning given in standard condition 46 (Credit Rating of

	Licensee)
“licensed distributor”	means any holder of a distribution licence.
“licensee’s Distribution Code”	means the distribution code required to be prepared by the licensee pursuant to standard condition 9 (Distribution Code) and approved by the Authority as revised from time to time with the approval of the Authority.
“licensee’s distribution system”	means the distribution system owned or operated by the licensee.
“Master Registration Agreement”	means the agreement of that title referred to and comprising such matters as are set out in standard condition 14 (Provision of the Metering Point Administration Service and Compliance with the Master Registration Agreement) and standard condition 37 (The Metering Point Administration Service and the Master Registration Agreement).
“metering equipment”	includes any electricity meter and any associated equipment which materially affects the operation of that meter.
“Metering Point Administration Service”	means the service to be established, operated and maintained by the licensee in accordance with standard condition 14 (Provision of the Metering Point Administration Service and Compliance with the Master Registration Agreement).
“metering point administration services”	means the services of the Metering Point Administration Service established in accordance with standard condition 14 (Provision of the Metering Point Administration Service and Compliance with the Master Registration Agreement) or, where the context requires, in accordance with standard condition 37 (The Metering Point Administration Service and the Master Registration Agreement).
“Metering Point Administration Service operator”	has the meaning given in standard condition 38 (Establishment of a Data Transfer Service).
“metering services”	means services relating to the provision, operation, and maintenance of metering equipment.
“non-domestic customer”	means a customer who is not a domestic customer.
“non-GB trading and transmission arrangements”	for the purposes of standard condition 30B only (BETTA Run-off Arrangements Scheme), has the meaning given in that condition.
“other Distribution Codes”	means the distribution codes which the holders of a



	distribution licence (other than the licensee) are required to draw up and have approved by the Authority pursuant to standard condition 9 (Distribution Code) of their distribution licence, as from time to time revised with the approval of the Authority.
“owned”	in relation to an electricity meter or other property, includes leased and cognate expressions shall be construed accordingly.
“participating interest”	has the meaning given by section 260 of the Companies Act 1985 as amended by section 22 of the Companies Act 1989.
“permitted purpose”	for the purposes of Section C only, has the meaning given in standard condition 32 (Interpretation of Section C (Distribution Services Obligations)).
“price control review information”	for the purposes of standard condition 52 only (Price Control Review Information), has the meaning given in that condition.
“quality of service rigs”	for the purposes of standard condition 49 only (Quality of Service Incentive Scheme and Associated Information), means the regulatory instructions and guidance established under that condition.
“regulatory instructions and guidance”	for the purposes of Section C only, means any instructions and guidance issued by the Authority in relation to the collection and reporting of specified information.
“related undertaking”	in relation to the licensee, means any undertaking in which the licensee has a participating interest.
“relevant asset”	means any asset for the time being forming part of the licensee’s distribution system, any control centre for use in conjunction therewith, and any legal or beneficial interest in land upon which any of the foregoing is situate (which, for the purposes of property located in Scotland, means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use such property and any contractual or personal rights relating to such property or the acquisition thereof).
“relevant documents”	for the purposes of standard condition 30B only (BETTA Run-off Arrangements Scheme), has the meaning given in that condition.

“relevant duties”	for the purposes of standard condition 40 only (Appointment of a Compliance Officer), has the meaning given in that condition.
“relevant proportion”	for the purposes of standard condition 3 only (Payments by Licensee to the Authority), has the meaning given in that condition.
“relevant year”	for the purposes of: <ul style="list-style-type: none"> <li>(i) standard condition 3 only (Payments by the Licensee to the Authority), has the meaning given in that condition;</li> <li>(ii) standard condition 48 only (Last Resort Supply: Payment Claims), has the meaning given in that condition; and</li> <li>(iii) standard condition 50 only (Price Control Revenue Reporting and Associated Information), has the meaning given in that condition.</li> </ul>
“relinquishment of operational control”	for the purposes of standard condition 29 only (Disposal of Relevant Assets), has the meaning given in that condition.
“remote transmission assets”	means any electric lines, electrical plant or meters in England and Wales owned by a transmission licensee (“the owner transmission licensee”) which: <ul style="list-style-type: none"> <li>(a) are embedded in the licensee’s distribution system or the distribution system of any authorised distributor and are not directly connected by lines or plant owned by the owner transmission licensee to a sub-station owned by the owner transmission licensee; and</li> <li>(b) are by agreement between the owner transmission licensee and the licensee or such authorised distributor operated under the direction and control of the licensee or such authorised distributor.</li> </ul>
“revenue reporting rigs”	for the purposes of standard condition 50 only (Price Control Revenue Reporting and Associated Information) means the regulatory instructions and guidance for the time being in force under that condition.
“running-off”	for the purposes of standard condition 30B only (BETTA Run-off Arrangements Scheme), has the

	meaning given in that condition.
“Scottish Grid Code”	means any grid code which any transmission licensee other than the system operator is obliged to maintain pursuant to its licence.
“Scottish interconnection”	means such part of the interconnection as is situated in Scotland.
“Secretary of State’s costs”	for the purposes of standard condition 3 only (Payments by Licensee to the Authority), has the meaning given in that condition.
“Section C (system operator standard conditions) Direction”	means a direction issued by the Authority or (where appropriate) the Secretary of State in accordance with standard condition A2 (Application of Section C) of the standard conditions for transmission licences.
“separate business”	for the purposes of standard condition 39 only (Restriction on Use of Certain Information and Independence of the Distribution Business), has the meaning given in that condition.
“Settlement Agreement for Scotland”	has the meaning given in standard condition 12 (Settlement Agreement for Scotland).
“settlement purposes”	means for the purposes of settlement as set out in the Balancing and Settlement Code or the Settlement Agreement for Scotland.
“specified information”	for the purposes of: <ul style="list-style-type: none"> <li>(a) standard condition 49 only (Quality of Service Incentive Scheme and Associated Information), has the meaning given in that condition;</li> <li>(b) standard condition 50 only (Price Control Revenue Reporting Requirements and Associated Information), has the meaning given in that condition; and</li> <li>(c) standard condition 51 only (Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones), has the meaning given in that condition.</li> </ul>
“standby”	means the periodic or intermittent supply or sale of electricity: <ul style="list-style-type: none"> <li>(a) to an authorised electricity operator to make good any shortfall in the availability of electricity to that operator for the purposes of its supply of electricity to persons seeking such supply; or</li> </ul>

	(b) to a customer of the licensee to make good any shortfall between the customer's total supply requirements and those met either by its own generation or by electricity supplied by an electricity supplier.
"statutory accounts"	means the accounts that the licensee prepares under the Companies Act 1985 (as amended by the Companies Act 1989).
"subsidiary"	means a subsidiary within the meanings of sections 736, 736A and 736B of the Companies Act 1985.
"supply licence"	means a licence granted or treated as granted under section 6(1)(d) of the Act.
"system operator"	means the holder for the time being of a transmission licence in relation to which licence the Authority or (where appropriate) the Secretary of State has issued a Section C (system operator standard conditions) Direction and in which Section C remains in effect (whether or not subject to any terms included in that direction or to any subsequent variation of its terms to which the transmission licensee may be subject).
"system operator agreement"	for the purposes of standard condition 30B only (BETTA Run-off Arrangements Scheme), has the meaning given in that condition.
"top-up"	means the supply or sale of electricity on a continuing or regular basis: <ul style="list-style-type: none"> <li>(a) to an authorised electricity operator to make good any shortfall in the availability of electricity to that operator for the purposes of its supply of electricity to persons seeking such supply; or</li> <li>(b) to a customer of the licensee to make good any shortfall between the customer's total supply requirements and those met either by its own generation or by electricity supplied by an electricity supplier other than the licensee.</li> </ul>
"trading code"	for the purposes of Section B only, has the meaning given in standard condition 12A (Compliance with Trading Code in Scotland).
"transmission company"	means a transmission licensee.
"transmission licence"	means a licence granted or treated as granted under section 6(1)(b) of the Act.

“transmission licensee”	means the holder for the time being of a transmission licence.
“transmission system”	means a system consisting (wholly or mainly) of high voltage electric lines owned or operated by a transmission company and used for the transmission of electricity from one generating station to a sub-station or to another generating station, or between sub-stations or to or from any interconnector or Scottish interconnection in question and in relation to Scotland including any interconnector and Scottish interconnection, and includes any electrical plant and meters owned or operated by the transmission company in connection with the transmission of electricity but does not include any remote transmission assets.
“ultimate controller”	<p>means:</p> <ul style="list-style-type: none"> <li>(a) a holding company of the licensee which is not itself a subsidiary of another company; and</li> <li>(b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or of any holding company of the licensee by virtue of: <ul style="list-style-type: none"> <li>(i) rights under contractual arrangements to which he is a party or of which he is a beneficiary, or</li> <li>(ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary,</li> </ul> <p style="margin-left: 40px;">but excluding any director or employee of a corporate body in his capacity as such;</p> </li> </ul> <p>and for the purposes of sub-paragraph (b), a person is connected with another person if he is party to any arrangement regarding the exercise of any such rights as are described in that paragraph.</p>
“undertaking”	has the meaning given by section 259 of the Companies Act 1985.
“unmetered supply”	means a supply of electricity to premises which is not, for the purpose of calculating the charges for electricity supplied to the customer at such premises,

measured by metering equipment.

“use of system”

means use of the licensee’s distribution system for the distribution of electricity by the licensee on behalf of any person.

“use of system charges”

means charges made or levied, or to be made or levied, by the licensee for the provision of services as part of the distribution business to any person, all as more fully described in standard condition 4 (Use of System Charging Methodology) and 4A (Charges for Use of System), but does not include connection charges.

“use of system charging methodology”

means the principles on which and the methods by which, for the purposes of achieving the objectives referred to in paragraph 3 of standard condition 4 (Use of System Charging Methodology), use of system charges are determined.

2. Any words or expressions used in Part 1 of the Act, the Utilities Act 2000, or the Energy Act 2004 shall, unless the contrary intention appears, have the same meanings when used in the standard conditions.
3. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or schedule is a reference to the standard condition (with or without a letter) or schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the standard condition or schedule in which the reference occurs, and any reference to a section is a reference to that section in these standard conditions.
4. These standard conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words “it”, “its” and “which” there were substituted the words “he”, “him”, “his”, “who” and “whom”, and cognate expressions shall be construed accordingly.
5. Except where the context otherwise requires, a reference in a standard condition to a paragraph is a reference to a paragraph of that standard condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
6. Any reference in these standard conditions to:
  - (a) a provision thereof;
  - (b) a provision of the standard conditions of electricity supply licences;
  - (c) a provision of the standard conditions of electricity generation licences; or
  - (d) a provision of the standard conditions of electricity transmission licences,shall, if these standard conditions or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the

corresponding provision of these standard conditions or of the other standard conditions in question as modified.

7. In construing these standard conditions, the heading or title of any standard condition or paragraph shall be disregarded.
8. Any reference in a standard condition to the purposes of that condition generally is a reference to the purposes of that standard condition as incorporated in this licence and as incorporated in each other licence under section 6(1)(c) of the Act (whenever granted) which incorporates it.
9. Where any obligation of the licence is required to be performed by a specified date or time, or within a specified period, and the licensee has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or time, or after the expiry of the specified period (but without prejudice to all the rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or time, or within that period).
10. Anything required by or under these standard conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case:
  - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first-class post as soon as is reasonably practicable; and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.
11. The definitions set out in this condition may include some definitions which are not used or not used exclusively in sections A and B (which sections are incorporated in all distribution licences). Accordingly:
  - (a) where any definition is not used in sections A and B, that definition shall, for the purposes of this licence, be treated:
    - (i) as part of the standard condition or conditions (and the section) in which it is used; and
    - (ii) as not having effect in the licence until such time as the standard condition in which the definition is used has effect within the licence in pursuance of standard condition 2 (Application of Section C (Distribution Services Obligations));and:
    - (b) where any definition which is used in sections A and B is also used in one or more other sections:
      - (i) that definition shall only be modifiable in accordance with the modification process applicable to each of the standard conditions in which it is used; and

- (ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.



## ***Standard Condition 20. Payments in Relation to Standards of Performance***

1. With effect from 1 April 2005, the licensee shall not enter into any use of system agreement with an electricity supplier which does not contain appropriate provisions requiring the licensee, where it has not made payments directly to a customer in respect of its own performance or that of another electricity distributor in relation to a distribution system within the distribution services area of the licensee pursuant to any provision of regulations made under section 39A of the Act (“the regulations”), to make payments in respect of its own or that other electricity distributor’s performance to the electricity supplier for the benefit of any customer of that electricity supplier equivalent to such sums as would have been paid pursuant to any provision of the regulations.
2. The licensee shall take all appropriate steps within its power to ensure that any existing use of system agreement it has with an electricity supplier is so amended with effect from 1 April 2005, or as soon as may be thereafter, that the agreement is compliant in all material respects with the requirements of paragraph 1.
3. The licensee shall not enter into or allow to continue any agreement, either for connection to or use of the distribution system, with any other electricity distributor (“the other distributor”) that does not provide:
  - (a) for the licensee to make payments in respect of its performance pursuant to any provision of the regulations to the other distributor for onward transmission to a customer whose premises are directly connected to the other distributor’s distribution system;
  - (b) for the licensee and the other distributor to agree the extent of responsibility of each licensee (where relevant) in relation to any failure to meet a prescribed level of performance pursuant to any provision of the regulations;
  - (c) for the other distributor, where he is liable to make payments pursuant to any provision of regulation 5, 6, 7 or 9, and that liability arises wholly or partly from the failure, act or omission on the part of the licensee, to recover from the licensee all or (as appropriate) part of the cost of those payments (including financing costs where any such payments have already been made to the customer or a supplier for onward transmission to the customer);
  - (d) for the Authority, on the application of either licensee, to settle any dispute in such a manner as appears to the Authority to be reasonable where:
    - (i) the licensee has failed to agree with the other distributor the extent of the responsibility of each licensee (where relevant) in relation to any failure to meet a prescribed level of performance pursuant to any provision of the regulations, as provided for in paragraph 3(b), or
    - (ii) the other distributor has been unable to recover from the licensee the costs that it considers are due under paragraph 3(c);

and

- (e) for the licensee to pay to the other distributor such costs (including, where appropriate, financing costs) as may be determined under paragraph 3(d) as soon as is reasonably practicable.

## ***Annex 2 to notice under Section 11A of the Electricity Act 1989***

### ***Standard Condition 36. Requirement to Offer Terms for the Provision of Basic Metering Services***

1. This condition has effect on and after 1 April 2005.
2. Without prejudice to the provisions of paragraph 12, this condition sets out the obligations of the licensee relating to the provision of the services of basic meter asset provision and basic meter operation (collectively, the "basic metering services").
3. For the purposes of this condition:
  - (a) the service of basic meter asset provision comprises the provision (in accordance with the requirements of paragraph 4(a)) of metering equipment (which, at the discretion of the licensee, may be metering equipment which is owned by him or by any person other than the person making the application under paragraph 6); and
  - (b) the services of basic meter operation comprise the installation, commissioning, testing, repair, maintenance, removal, and replacement (in each case in accordance with the requirements of paragraph 4(b)) of metering equipment.
4. In relation to the licensee's discharge of its obligations under conditions 36 to 36D of this licence:
  - (a) the service of basic meter asset provision provided pursuant to paragraph 3(a) shall be of the same functionality as that of the service provided pursuant to paragraph 1(a) of condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services) of this licence in the form in which it was in force on 1 June 2003; and
  - (b) the services of basic meter operation provided pursuant to paragraph 3(b) shall be of the same standard of performance, quality, and timeliness as that of the services provided pursuant to paragraph 1(b) of condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services) of this licence in the form in which it was in force on 1 June 2003.
5. For the purposes of paragraph 4, what is meant in any particular case by "the same functionality" or "the same standard of performance, quality, and timeliness" shall be a question of fact.
6. On application made by any person, the licensee shall (subject to paragraph 9):

- (a) where the person making the application is able to establish to the reasonable satisfaction of the licensee that the meters in question are required for use in relation to metering points within the distribution services area of the licensee, offer to enter into an agreement for providing the service described in paragraph 3(a);
  - (b) offer to enter into an agreement for providing within its distribution services area such of the services described in paragraph 3(b) as may be required.
7. In making an offer pursuant to this condition to enter into any agreement, the licensee shall set out:
- (a) the date by which the services required will be provided (time being of the essence, unless otherwise agreed between the parties);
  - (b) the charges to be paid in respect of the services required, such charges (unless manifestly inappropriate) being:
    - (i) presented in such a way as to be referable to the statements prepared in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency) or any revision thereof; and
    - (ii) set in conformity with the requirements of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency); and
  - (c) such other detailed terms in respect of each of the services required as are or may be appropriate for the purposes of the agreement.
8. The licensee shall offer terms for agreements in accordance with paragraph 6 as soon as practicable and (except where the Authority consents to a longer period) in any event not more than 28 days after receipt by the licensee (or its agent) from any person of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.
9. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into any agreement if to do so would be likely to involve the licensee in being:
- (a) in breach of its duties under section 9 of the Act;
  - (b) in breach either of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards that is applicable in respect of the distribution business;
  - (c) in breach of any Grid Code or Distribution Code; or
  - (d) in breach of the conditions.
10. The licensee shall undertake each of the services referred to in paragraph 3 in the most efficient and economic manner practicable having regard to the alternatives available and the other requirements of the licence and of the Act insofar as they relate to the provision of those services.

11. In providing any of the services referred to in paragraph 3, the licensee shall not restrict, distort or prevent competition in the supply of electricity.
12. Where, in relation to any metering point within the licensee's distribution services area, a person (including, if that person is a company, an affiliate or a related undertaking of the company) who is party to an agreement with the licensee for the provision of the services of basic meter asset provision and basic meter operation pursuant to this condition appoints, in accordance with the provisions of the Master Registration Agreement, a provider other than the licensee of:
  - (a) the service described at paragraph 3(a); or
  - (b) the services described at paragraph 3(b),

then, notwithstanding anything in this condition, the licensee shall be under no obligation thereafter to offer to enter into any such agreement with that person for the provision of that service or (as the case may be) those services in relation to that metering point.

13. An appointment made in accordance with the provisions of the Master Registration Agreement, after 28 June 2004 and before this condition takes effect, of a provider other than the licensee of any of the services provided pursuant to paragraph 1(a) or (b) of condition 36B (Requirement to Offer Terms for the Provision of Distributor Metering and Data Services) of this licence in the form in which it was in force on 1 June 2003 shall be treated, for the purposes of paragraph 12 of this condition, as an appointment which did not have effect until 1 April 2005.
14. For the avoidance of doubt, nothing in this condition:
  - (a) affects the continuing obligations of the licensee in respect of the provision of the services of basic meter asset provision and/or basic meter operation for each and every metering point within its distribution services area at which the circumstances specified in paragraph 12 do not apply; or
  - (b) prevents the licensee from offering to enter into and entering into an agreement with any person, whether on the application of that person under paragraph 6 or otherwise, for the provision of the service of basic meter asset provision or the services of basic meter operation of a functionality or (as the case may be) standard of performance, quality and timeliness higher than that provided previously within the meaning of paragraph 4.
15. The obligations of the licensee in relation to the provision of:
  - (a) the service of basic meter asset provision (except for meters provided prior to 31 March 2007); and
  - (b) the services of basic meter operation,

pursuant to this condition shall cease to have effect on 31 March 2007 unless the Authority issues a direction for the purposes of this condition not less than six months before that date that it considers that the cessation of those obligations would be likely to be detrimental to the interests of consumers.

16. For the avoidance of doubt, references to “meter” in this condition and conditions 36A to 36D do not include references to any meter or metering equipment that is configured to record the quantity of electricity supplied to premises during each half-hour period of supply.

## ***Standard Condition 36A. Requirement to Offer Terms for the Provision of Data Services***

1. The purpose of this condition is to set out the obligations of the licensee relating to the provision of data services.
2. For the purposes of this condition, data services comprise:
  - (a) metering point administration services pursuant to and in accordance with the provisions of the Master Registration Agreement; and
  - (b) data transfer services.
3. On application made by any person, the licensee shall (subject to paragraph 7) offer to enter into an agreement for the provision within its distribution services area of metering point administration services pursuant to and in accordance with the provisions of the Master Registration Agreement.
4. On application made by any person, the licensee shall (subject to paragraph 7) offer to enter into an agreement for the provision of data transfer services.
5. In making an offer pursuant to this condition to enter into any agreement, the licensee shall set out:
  - (a) the date by which the services required shall be provided (time being of the essence, unless otherwise agreed between the parties);
  - (b) the charges to be paid in respect of the services required, such charges (unless manifestly inappropriate) being:
    - (i) presented in such a way as to be referable to the statements prepared in accordance with paragraph 1 of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency) or any revision thereof, and
    - (ii) set in conformity with the requirements of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency); and
  - (c) such other detailed terms in respect of each of the services required as are or may be appropriate for the purposes of the agreement.
6. The licensee shall offer terms for agreements in accordance with paragraph 3 and 4 as soon as practicable and (except where the Authority consents to a longer period) in any event not more than 28 days after receipt by the licensee (or its agent) from any person of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.

7. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into any agreement if to do so would be likely to involve the licensee in being:
  - (a) in breach of its duties under section 9 of the Act;
  - (b) in breach either of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the distribution business;
  - (c) in breach of any Grid Code or Distribution Code; or
  - (d) in breach of the conditions.
8. The licensee shall undertake each of the services referred to in paragraph 2 in the most efficient and economic manner practicable having regard to the alternatives available and the other requirements of the licence and of the Act insofar as they relate to the provision of those services.
9. In the provision of any of the services referred to in paragraph 2, the licensee shall not restrict, distort or prevent competition in the supply of electricity.
10. The services referred to in paragraph 2 shall collectively be referred to as the data services. For the avoidance of doubt, data services as referred to in this licence exclude the services of data aggregation, data processing and data retrieval.
11. In this condition:
 

“data aggregation”	means services comprising any or all of the following: the collation and summation of meter reading data (whether actual or estimated) and of data in respect of the consumption of electricity at premises which receive an unmetered supply, and the delivery of such data to any person for settlement purposes.
“data processing”	means services comprising any or all of the following: the processing, validation and estimation of meter reading data, and the creation, processing and validation of data in respect of the consumption of electricity at premises which receive an unmetered supply, and the delivery of such data to any person for the purpose of data aggregation.
“data retrieval”	means services comprising any or all of the following: the retrieval and verification of meter reading data from electricity meters and the delivery of such data to any person for the purpose of data processing.



***Standard Condition 36B. Non-Discrimination in the Provision of Basic Metering Services and Data Services***

1. In providing any of the basic metering services and data services, the licensee shall not discriminate between any persons or class or classes of person.
2. Without prejudice to paragraph 1, and subject to the provisions of standard condition 36C (Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency), the licensee shall not make charges for providing any of the basic metering services and data services to any person or class or classes of person which differ from the charges for such provision to any other person or class or classes of person except insofar as such differences reasonably reflect differences in the costs associated with such provision.

***Standard Condition 36C. Basis of Charges for Basic Metering Services and Data Services: Requirements for Transparency***

1. The licensee shall as soon as practicable prepare statements in a form approved by the Authority setting out the basis upon which charges will be made for the provision of each of the basic metering services and data services, in each case in such form and with such detail as shall be necessary to enable any person to make a reasonable estimate of the charges which the person would become liable to pay for the provision of such services and of the other terms, likely to have a material impact on the conduct of the person's business, upon which the service would be provided and (without prejudice to the foregoing) including the information required under paragraph 2.
2. The statements referred to at paragraph 1 shall include a schedule of charges for each of the basic metering services and data services, together with an explanation of the methods by which and the principles on which such charges will be calculated.
3. The Authority may, upon the written request of the licensee, issue a direction relieving the licensee of its obligations under paragraph 1 to such extent and subject to such terms and conditions as the Authority may specify in that direction.
4. The licensee shall not in setting its charges for, or in setting the other terms that will apply to, the provision of any of the basic metering services and data services, restrict, distort or prevent competition in the generation, distribution or supply of electricity or in the provision of meter equipment, meter maintenance or data retrieval services.
5. The licensee:
  - (a) shall, at least once in every year, review the information set out in the statements prepared in accordance with paragraph 1 in order to ensure that the information set out in them continues to be accurate in all material respects; and
  - (b) may, with the approval of the Authority, from time to time alter the form of such statements.
6. The licensee shall send a copy of any statement prepared in accordance with paragraph 1, and of each revision of such statement, to the Authority.
7. The licensee shall give or send a copy of any statement prepared in accordance with paragraph 1, or (as the case may be) of the latest revision of such statement, to any person who requests a copy.
8. The licensee may make a charge for any statement given or sent pursuant to paragraph 7 of an amount which shall not exceed the amount specified in directions

issued by the Authority for the purposes of this condition based on the Authority's estimate of the licensee's reasonable costs of providing such statement.

## ***Standard Condition 36D. Functions of the Authority***

1. If, after a period which appears to the Authority to be reasonable for the purpose, the licensee has failed to enter into an agreement with any person entitled or claiming to be entitled thereto pursuant to a request under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) and standard condition 36A (Requirement to Offer Terms for the Provision of Data Services), the Authority may, on the application of such person or the licensee, settle any terms of the agreement in dispute between the licensee and that person in such manner as appears to the Authority to be reasonable, having (insofar as relevant) regard in particular to the following considerations:
  - (a) that the performance by the licensee of its obligations under the agreement should not cause it to be in breach of those provisions referred to at paragraph 9 of standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) and paragraph 6 of standard condition 36A (Requirement to Offer Terms for the Provision of Data Services); and
  - (b) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) and standard condition 36A (Requirement to Offer Terms for the Provision of Data Services) should be in as similar a form as is practicable.
2. Insofar as any person entitled or claiming to be entitled to an offer under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) and condition 36A (Requirement to Offer Terms for the Provision of Data Services) wishes to proceed on the basis of the agreement as settled by the Authority pursuant to paragraph 1, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.
3. If either party to such agreement proposes to vary the contractual terms of any agreement for the provision of any of the basic metering services or data services entered into pursuant to standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) or standard condition 36A (Requirement to Offer Terms for the Provision of Data Services) or this condition in any manner provided for under such agreement, the Authority may, at the request of that party, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.
4. The Authority may (following consultation with the licensee) issue a direction relieving the licensee of its obligations under standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services) or standard condition 36A (Requirement to Offer Terms for the Provision of Data Services) relating to basic metering services or data

services in respect of such parts of that condition and to such extent as may be specified in the direction.

## ***Annex 3 to Notice under section 11A of the Electricity Act 1989***

### ***Standard Condition 42. Regulatory Accounts***

#### **Part A: Application and purpose**

1. This condition applies for the purposes of ensuring:
  - (a) that the licensee prepares and publishes regulatory accounts within the meaning of paragraph 3(b); and
  - (b) that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to comply with that obligation.

#### **Part B: Preparation of accounts**

2. For the purposes of this condition, but without prejudice to paragraph 4, the licensee must prepare regulatory accounts for each financial year ending on 31 March.
3. Unless the Authority otherwise consents, the licensee must:
  - (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to, each of the distribution business activities of the licensee are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee); and
  - (b) prepare, on a consistent basis from such accounting records in respect of each financial year, regulatory accounts of the licensee comprising:
    - (i) a profit and loss account (or, as appropriate, an income statement);
    - (ii) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense);
    - (iii) a balance sheet;
    - (iv) a cash flow statement;
    - (v) a corporate governance statement;

- (vi) a directors' report; and
- (vii) an operating and financial review,

together with notes thereto and statements of the accounting policies adopted.

4. Regulatory accounts in respect of a financial year prepared under paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under sections 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, if the regulatory accounts have been prepared under section 226B of the Companies Act 1985, by the International Accounting Standards Board.

### **Part C: Audit and delivery of accounts**

5. Unless the Authority otherwise consents, the licensee must:
  - (a) procure, in relation to its regulatory accounts:
    - (i) an audit by an appropriate auditor of such parts of those accounts and the directors' report and operating and financial review as are specified in the Companies Act 1985 as being required to be so audited as if the licensee were a quoted company and they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March, and
    - (ii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance and cash flows of the licensee in accordance with the requirements of this condition; and
  - (b) deliver to the Authority those accounts and the auditor's reports referred to in sub-paragraph (a)(ii) and paragraph 6 as soon as is reasonably practicable, and in any event prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.
6. The licensee shall take all appropriate steps within its power to procure, in relation to its regulatory accounts:
  - (a) that the audit referred to in sub-paragraph 5(a)(i) verifies whether the obligation to avoid discrimination and cross-subsidies specified in Article 19 of Directive 2003/54/EC of the European Parliament and of the European Council of 26 June 2003 has been respected by the licensee; and

- (b) that the appropriate auditor reports separately on that matter from his report under paragraph 5(a)(ii) addressed to the Authority.
- 7. For the purposes of paragraphs 5 and 6, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the regulatory accounts of the licensee must be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with either section 226A or 226B of the Companies Act 1985.
- 8. In this Part C, “appropriate auditor” means:
  - (a) in the case of a licensee which is a company within the meaning of section 735 of the Companies Act 1985, a person appointed as auditor under Chapter V of Part XI of that Act;
  - (b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter V of Part XI of that Act, a person so appointed; and
  - (c) in any other case, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989.

**Part D: Publication of regulatory accounts**

- 9. Unless the Authority otherwise directs, after consulting the licensee, the licensee must publish its regulatory accounts:
  - (a) as a stand-alone document in accordance with this condition;
  - (b) by 31 July following the end of the financial year to which the accounts relate;
  - (c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and
  - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
- 10. A copy of the regulatory accounts must be provided free of charge:
  - (a) to the Consumer Council no later than the date on which the accounts are published; and
  - (b) to any person requesting a copy.



## Part E: Interpretation

11. References in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989, and if such provisions of the Companies Act 1989 are not in force at the date on which this condition takes effect, it must be construed as if such provisions were in force at such date.
12. A consent under paragraph 3, 4, or 5 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
13. In this condition:
  - (a) “corporate governance statement” means a statement describing how the principles of good corporate governance have been applied to the licensee and which a quoted company is required to prepare pursuant to the Combined Code on Corporate Governance issued under the Financial Services Authority’s listing rules and interpretations on corporate governance (and, for the purposes of this condition, the requirement for a quoted company to prepare such a statement is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
  - (b) “directors’ report” means a report having the coverage and content of the directors’ report which a quoted company is required to prepare pursuant to sections 234, 234ZZA and 234ZZB of the Companies Act 1985 (and, for the purposes of this condition, the requirement for a quoted company to prepare such a report is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
  - (c) “operating and financial review” means a review having the coverage and content of the operating and financial review which a quoted company is required to prepare pursuant to section 234AA of the Companies Act 1985 and in accordance with Schedule 7ZA thereof (and, for the purposes of this condition, the requirement for a quoted company to prepare such a review is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
  - (d) “quoted company” has the meaning attributed to it by the Companies Act 1985.

## ***Standard Condition 42A. Change of Financial Year***

1. The definition of “financial year” in standard condition 1 (Definitions and Interpretation) shall, for the purpose only of the statutory accounts of the licensee, cease to apply to the licensee from the date at which the licensee sends a notice to the Authority for that purpose.
2. Such notice shall:
  - (a) specify the date from which, for the purpose set out at paragraph 1, the current and subsequent financial years of the licensee shall run; and
  - (b) continue in effect until revoked by the licensee issuing a further notice.
3. The licensee may, for the purpose only of its statutory accounts, change its financial year from that previously notified by sending to the Authority a new notice pursuant to paragraph 1 which specifies the licensee’s new financial year-end.
4. Where the licensee sends the Authority a new notice, the previous notice shall be revoked, as provided by paragraph 2(b), and the licensee’s financial year-end shall change with effect from the date specified in the new notice.
5. The provisions of this condition shall not:
  - (a) apply to the financial year of the licensee as defined in standard condition 1 (Definitions and Interpretation) for the purpose of accounts or other information produced in compliance with standard conditions 42 (Regulatory Accounts), 50 (Price Control Revenue Reporting and Associated Information) and 52 (Price Control Review Information); or
  - (b) affect the licensee’s obligations in respect of the payment of licence fees under standard condition 3 (Payments by Licensee to the Authority).

## ***Standard Condition 43. Restriction on Activity and Financial Ring Fencing***

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the distribution business.
2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
  - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;
  - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the distribution business; or
  - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:
  - (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
  - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
  - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
  - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.
4. Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "relevant associate") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:
  - (a) For the purpose of this paragraph, "de minimis business" means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
    - (i) the distribution business; and

- (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
- (b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:
  - (i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the distribution business as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition 42 (Regulatory Accounts); and
  - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in this licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition 42 (Regulatory Accounts) then available.
- (c) For the purpose of sub-paragraph (b) above, “investment” means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
- (d) At any relevant time, the amount of an investment shall be the sum of:
  - (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to 1 October 2001 (or, where the investment was not so included, zero);
  - (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and
  - (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect

of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

5. For the purposes of paragraph 4, “equity share”, in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

## ***Standard Condition 44. Availability of Resources***

1. The licensee shall at all times act in a manner calculated to secure that it has available to itself such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
  - (a) to properly and efficiently carry on the distribution business; and
  - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the distribution business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity distribution.
2. The licensee shall by 31 July of each year submit to the Authority a certificate, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, in one of the following forms:
  - (a) "After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the distribution business for a period of 12 months from the date of this certificate."
  - (b) "After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the distribution business for a period of 12 months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the licensee to carry on the distribution business."
  - (c) "In the opinion of the directors of the licensee, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the distribution business for a period of 12 months from the date of this certificate."
3. The licensee shall submit to the Authority with that certificate a statement of the main factors which the directors of the licensee have taken into account in giving the certificate, together with a confirmation of the availability of financial facilities and a working capital statement in the format required by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.
4. The statement submitted to the Authority in accordance with paragraph 3 shall be approved by a resolution of the board of directors of the licensee and must be signed by a director of the licensee pursuant to that resolution.

5. The licensee shall inform the Authority in writing immediately if the directors of the licensee become aware of any circumstance which causes them no longer to have the reasonable expectation expressed in the most recent certificate given under paragraph 2.
6. The licensee shall require that each certificate, provided for in paragraph 2, is accompanied by a report prepared by its auditors and addressed to the Authority stating whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any information which they obtained during their audit work on the regulatory accounts of the licensee prepared pursuant to standard condition 42 (Regulatory Accounts).
7. The directors of the licensee shall not declare or recommend a dividend, nor shall the licensee make any other form of distribution within the meaning of section 263 of the Companies Act 1985, nor redeem or repurchase any share capital of the licensee unless prior to the declaration, recommendation or making of the distribution (as the case may be) the licensee has issued to the Authority a certificate complying with the following requirements of this paragraph:
  - (a) The certificate shall be in the following form:

“After making enquiries, the directors of the licensee are satisfied:

    - (i) that the licensee is in compliance in all material respects with all obligations imposed on it by standard condition 24 (Provision of Information to the Authority), standard condition 43 (Restriction on Activity and Financial Ring Fencing), standard condition 44 (Availability of Resources), standard condition 45 (Undertaking from Ultimate Controller), standard condition 46 (Credit Rating of the Licensee) and standard condition 47 (Indebtedness) of its licence; and
    - (ii) that the making of a distribution of [ ] on [ ] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”
  - (b) The certificate shall be signed by a director of the licensee and must have been approved by a resolution of the board of directors of the licensee passed not more than 14 days before the date on which the declaration, recommendation or payment will be made.
  - (c) Where the certificate has been issued in respect of the declaration or recommendation of a dividend, the licensee shall be under no obligation to issue a further certificate prior to payment of that dividend, provided that such payment is made within six months of the issuing of that certificate.

## ***Standard Condition 46. Credit Rating of the Licensee***

1. The licensee shall take all appropriate steps to ensure that the licensee maintains at all times an investment grade issuer credit rating.
2. In this condition:

“issuer credit rating” means:

- (a) an issuer rating by Standard & Poor’s Ratings Group or any of its subsidiaries;
- (b) an issuer rating by Moody’s Investors Service Inc. or any of its subsidiaries;
- (c) an issuer senior unsecured debt rating by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

In relation to any issuer credit rating, “investment grade” means:

- (a) unless sub-paragraph (b) below applies:
  - (i) an issuer rating of not less than BBB- by Standard & Poor’s Ratings Group or any of its subsidiaries;
  - (ii) an issuer rating of not less than Baa3 by Moody’s Investors Service Inc. or any of its subsidiaries;
  - (iii) an issuer senior unsecured debt rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
  - (iv) an equivalent rating from any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America;
- (b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.



## ***Standard Condition 47. Indebtedness***

1. In addition to the requirements of standard condition 29 (Disposal of Relevant Assets), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
  - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
    - (i) on an arm's length basis;
    - (ii) on normal commercial terms;
    - (iii) for a permitted purpose; and
    - (iv) (if the transaction is within the ambit of standard condition 29 (Disposal of Relevant Assets)) in accordance with that condition;
  - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the licensee otherwise than by way of:
    - (i) a dividend or other distribution out of distributable reserves;
    - (ii) repayment of capital;
    - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
    - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;
    - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
    - (vi) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received; or
    - (vii) an acquisition of shares or other investments in conformity with paragraph 2 of standard condition 43 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,  
  
provided, however that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;
  - (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or

- (d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at 1 October 2001, save that the licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous,

provided however that the provisions of sub-paragraphs (c) and (d) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

- 2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:

- (a) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating, or
- (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.

- 3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 4, if:

- (a) the licensee does not hold an investment grade issuer credit rating;
- (b) where the licensee holds more than one issuer credit rating, one or more of the ratings so held is not investment grade; or
- (c) any issuer credit rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. (or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade credit rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition 46 (Credit Rating of the Licensee) and:
  - (i) is on review for possible downgrade; or
  - (ii) is on Credit Watch or Rating Watch with a negative designation;or, where neither (i) nor (ii) applies:
  - (iii) the rating outlook of the licensee as specified by any credit rating agency referred to in sub-paragraph (c) which at the relevant time has assigned the lower or lowest investment grade issuer

credit rating held by the licensee has been changed from stable or positive to negative.

4. Where paragraph 3 applies, the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, licence or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the licensee as described or referred to in paragraph 1(b), otherwise than by way of:
- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the circumstances described in paragraph 3 arise, and which are provided on an arm's length basis and on normal commercial terms;
  - (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
  - (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the circumstances in paragraph 3 arise, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and
  - (d) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

5. In this condition:

“cross-default obligation”

means a term of any agreement or arrangement whereby the licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, of increasing or of being accelerated by reason of a default (howsoever such default may be described or defined) by any person other than the licensee, unless:

(i) that liability can arise only as the result of a default by a subsidiary of the licensee;

(ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors; and

(iii) that subsidiary carries on business only for a purpose within paragraph (a) of the definition of permitted purpose set out in standard condition 32 (Interpretation of Section C (Distribution

Services Obligations)).

“indebtedness”	means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
“investment grade”	has the meaning given in paragraph 2 of standard condition 46 (Credit Rating of the Licensee).
“issuer credit rating”	has the meaning given in paragraph 2 of standard condition 46 (Credit Rating of the Licensee).

## ***Standard Condition 49. Quality of Service Incentive Scheme and Associated Information***

### **Part A: General**

1. The purposes of this condition are to secure the collection of information on a common basis, and to an appropriate degree of accuracy, by the licensee so as:
  - (a) to facilitate the establishment and operation of an incentive scheme (“the scheme”) to improve the quality of service performance of the licensee;
  - (b) to monitor the quality of service performance of the licensee; and
  - (c) to monitor any unintended consequences arising from the operation of the scheme and the charge restriction conditions.
2. The licensee shall establish and maintain appropriate systems, processes and procedures to measure and record specified information from the dates specified in paragraph 4 and in accordance with the regulatory instructions and guidance (including any associated information specified therein) for the time being in force pursuant to this condition (“the quality of service rigs”)

### **Part B: Quality of service rigs and specified information.**

3. For the purposes of this condition:

“charge restriction conditions” shall have the same meaning as set out in special condition A1 (Definitions and interpretation).

“quality of service rigs” means the regulatory instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by direction under paragraph 10 and, subject to paragraphs 13 and 14, may include:

- (a) instructions and guidance as to the establishment of different systems, processes, procedures and manners for providing and recording information and of standards for different classes of information;
- (b) a timetable for the development of the systems, processes and procedures required to achieve the appropriate standards of accuracy and reliability with which specified information shall be recorded;
- (c) provisions with respect to the meaning of words and phrases used in defining specified information;
- (d) requirements for the recording of information associated with specified information which are reasonably necessary to enable an examiner to determine the accuracy and reliability of specified information;

- (e) requirements as to the form and manner in which specified information shall be provided to the Authority;
- (f) requirements as to the form and manner in which specified information shall be recorded and the standards of accuracy and reliability with which it shall be recorded; and
- (g) a statement as to whether and to what extent each category of specified information is required for the purposes of the scheme,

“specified information” means:

- (a) the number of interruptions in the supply of electricity through the licensee’s distribution system which occur in each period of 12 months commencing on 1 April in each calendar year and have a duration of:
  - (i) less than three minutes, together (in respect of each such interruption) with the number of customers whose supply was interrupted and the cause of that interruption; and
  - (ii) three minutes or more, together (in respect of each such interruption) with:
    - (aa) the number of customers whose supply of electricity was interrupted and the duration of the interruption;
    - (bb) the source, voltage level and HV circuit; and
    - (cc) the aggregate number of re-interruptions;
- (b) in relation to telephone calls made to the enquiry service operated under paragraph 1 of standard condition 6 (Safety and Security of Supplies Enquiry Service):
  - (i) the speed of response for answering each call; and
  - (ii) in the case of each call answered by a human operator:
    - (aa) the telephone number of the caller;
    - (bb) the time of the call; and
    - (cc) if known, the name of the caller and whether the caller is or is not a domestic customer;
- (c)
  - (i) the aggregate number and cause of faults occurring in specified classes or types of electrical plant or electric lines;
  - (ii) a statement setting out the asset management strategy of the licensee in respect of the licensee’s distribution system; and
  - (iii) a statement of the reasons for any material increase or decrease in the number and cause of faults referred to in sub-paragraph (i) having regard to equivalent data held in respect of previous years; and

- (d) such other information as may from time to time be specified by the Authority by direction to the licensee in accordance with paragraph 10.
4. The licensee shall collect specified information:
- (a) in respect of the matters specified in sub-paragraphs (a), (b) and (c) of the definition of specified information set out in paragraph 3, from and including 1 April 2001; and
  - (b) in respect of any matter specified under sub-paragraph (d) of that definition, from the date specified in the direction given in accordance with paragraph 10.

**Part C: Information to be provided to the Authority**

5. The licensee shall provide to the Authority:
- (a) the information referred to in sub-paragraph (b)(ii) of the definition of specified information set out in paragraph 3 for each week within four days of the end of that week;
  - (b) the information referred to in sub-paragraphs (a), (b)(i) and (c) of that definition on or before 31 May 2002 and 30 April in each succeeding year (or such later date as the Authority may by notice specify) in respect of the period of 12 months expiring on the preceding 31 March; and
  - (c) the information referred to in sub-paragraph (d) of that definition in respect of such period and by such date as are specified in the direction given under paragraph 10.

**Part D: Audit requirements**

6. The licensee shall permit a person or persons nominated by the Authority (in each case “an examiner”) to examine:
- (a) the systems, processes and procedures referred to in paragraph 2 and their operation;
  - (b) the specified information collected by the licensee; and
  - (c) the extent to which each complies and is in accordance with the quality of service rigs.
7. The licensee shall (and shall procure, insofar as it is able to do so, that any affiliate or related undertaking of the licensee, any person by whom it procures the performance of the obligation in paragraph 2 and any auditor of such person, or of the licensee or any affiliate or related undertaking of the licensee, shall) co-operate fully with an examiner so as to enable him to carry out, complete and report to the Authority on any examination carried out in accordance with paragraph 6.
8. The licensee’s obligation under paragraph 7 to co-operate or procure co-operation with an examiner shall include, without limitation and insofar as may

be necessary or expedient for such purpose, in each case subject to reasonable prior notice to the licensee:

- (a) providing access to management, employees, agents or independent contractors of the licensee sufficient to enable the examiner to make any enquiries and to discuss any matters which he reasonably considers to be relevant to the carrying out of the examination;
  - (b) giving to the examiner access at reasonable hours to any premises occupied by the licensee or any other person in performing the obligations set out in this condition; and
  - (c) allowing the examiner at reasonable hours:
    - (i) to inspect and make copies of, and take extracts from, any documents and records of the licensee maintained in relation to specified information (other than information which is subject to legal privilege);
    - (ii) to carry out inspections, measurements and tests on or in relation to any systems maintained and operated for or in relation to the requirements of this condition; and
    - (iii) to take onto such premises or onto or into any assets used for the purposes of the licensee such other persons and such equipment as may be necessary or expedient for the purpose of carrying out the examination.
9. The licensee's performance of its obligations under this Part D is conditional on the examiner having entered into an agreement with the licensee to maintain confidentiality on reasonable terms.

#### **Part E: Modification of the quality of service rigs**

10. Where the Authority considers that the quality of service rigs should be modified to:
- (a) improve the presentation or style of the requirements of those rigs;
  - (b) remove or reduce inconsistencies between distribution services providers in the application or interpretation of such requirements;
  - (c) further clarify the meaning of words and phrases used within such requirements to define the information to be provided;
  - (d) improve the form or manner in which such information is to be provided under such requirements; or
  - (e) introduce additional categories of specified information or enlarge existing categories of specified information,



in such ways as the Authority may reasonably require so as more effectively to achieve the purpose of this condition, the Authority may, subject to paragraphs 11 to 14 below and to paragraph 15 of special condition C2 (Calculation of charge restriction adjustments arising from performance in respect of quality of service), modify the quality of service rigs by issuing a direction for that purpose to all distribution services providers.

11. Before issuing a direction under paragraph 10, the Authority, by notice given to all distribution services providers, must:
  - (a) state that it proposes to make a modification and set out the date on which it proposes that this should take effect;
  - (b) set out the text of the modification, the purpose and effect of the modification, and the reasons for proposing it; and
  - (c) specify the time (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made,

and must consider any representations or objections which have been duly made and not withdrawn, and give reasons for its decision.

12. Where any proposed modification of the quality of service rigs relates:
  - (a) to a requirement under those rigs to provide specified information to a greater level of accuracy; or
  - (b) to the introduction into those rigs of an additional category of specified information which is or is intended to be required for the purposes of the scheme;

the Authority may not make that modification except in accordance with the procedure under section 11A of the Act which would apply to the modification as if it were a modification of this condition.

13. Any modification of the quality of service rigs under paragraph 10 to introduce an additional category of specified information or to enlarge an existing category of information may not exceed what may reasonably requested from the licensee by the Authority under paragraph 1 of standard condition 24 (Provision of Information to the Authority), excluding any reference to paragraph 8 of that condition.
14. The provisions of the quality of service rigs may not exceed what is reasonably required to achieve the purposes of this condition or purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

## ***Annex 4 to Notice under section 11A of the Electricity Act 1989***

### ***Standard Condition 50. Price Control Revenue Reporting and Associated Information***

#### **Part A: General**

1. The purposes of this condition are to secure the collection of specified information on a common basis, and to an appropriate degree of accuracy, by the licensee so as to enable the Authority to effectively monitor the compliance of the licensee with the charge restriction conditions.
2. The licensee shall establish and maintain appropriate systems, processes and procedures to measure and record specified information from the dates specified in paragraph 4 and in accordance with the regulatory instructions and guidance (including any associated information specified therein) for the time being in force pursuant to this condition (the “revenue reporting rigs”).

#### **Part B: Revenue reporting rigs and specified information**

3. For the purposes of this condition:
  - (a) “charge restriction conditions” shall have the same meaning as set out in special condition A1 (Definitions and interpretation).
  - (b) “revenue reporting rigs” means the instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by a direction under paragraph 10 and, subject to paragraphs 13 and 14, may include:
    - (i) provisions with respect to the meaning of words and phrases used in defining specified information;
    - (ii) requirements for the recording of specified information which are reasonably necessary to enable an appropriate auditor to determine the accuracy and reliability of specified information;
    - (iii) requirements as to the form and manner in which specified information shall be provided to the Authority (including templates for doing so); and
    - (iv) requirements as to the form and manner in which specified information shall be recorded and the standards of accuracy and reliability with which it shall be recorded.
  - (d) “relevant year t” shall have the same meaning as in special condition A1 (Definitions and interpretation).

- (e) “specified information” means such items referred to in special licence conditions A1 to F1 as the Authority considers are necessary to monitor, to an appropriate degree of accuracy, compliance with the charge restriction conditions, which shall include:
- (i) in relation to the restriction on demand use of system charges:
    - (aa) regulated demand revenue;
    - (bb) units distributed;
    - (cc) distribution losses; and
    - (dd) allowed demand revenue and its associated terms as set out in special conditions B1 to C3;
  - (ii) in relation to the restriction on generation use of system charges:
    - (aa) network generation revenue; and
    - (bb) allowed network generation revenue and its associated terms as set out in special conditions D1 to D2;
  - (iii) in relation to the restriction on basic metering charges:
    - (aa) charges for the service basic meter asset provision;
    - (bb) basic meter operation revenue; and
    - (cc) allowed meter operation revenue and its associated terms as set out in special condition F1 (Restriction of basic metering charges);
  - (iv) a breakdown of revenue that falls under the category of excluded services;
  - (v) details of the licensee’s de minimis business and associated income; and
  - (vi) such other information as is specified in the revenue reporting rigs, or as may from time to time may be specified by the Authority, in a direction issued in accordance with paragraph 10.

4. The licensee shall collect specified information:

- (a) in respect of the matters specified in paragraphs 3(d)(i) to (v) from and including 1 April 2005; and
- (b) in respect of any matter specified under paragraph 3(d)(vi):
  - (i) where such information is specified as a requirement of the revenue reporting rigs in force on 1 April 2005, from and including 1 April 2005; and

- (ii) where such information is specified by the Authority, in a direction issued in accordance with paragraph 10, from the date specified in that direction.

### **Part C: Information to be provided to the Authority**

- 5. The licensee shall provide to the Authority:
  - (a) the information specified in template A (“the detailed return”) of the revenue reporting rigs by no later than 31 July following the end of the relevant year t;
  - (b) the information specified in template B (“the forecast return”) of the revenue reporting rigs by no later than 1 April of relevant year t, being the licensee’s estimate of that information made on or before 1 April; and
  - (c) the information specified in template B (“the forecast return”) of the revenue reporting rigs by no later than 31 October of the relevant year t, being the licensee’s revised estimate of the specified items made after 31 July of that year.

### **Part D: Audit Requirements**

- 6. The information referred to in paragraph 5(a) shall be accompanied by a report addressed to the Authority from an appropriate auditor, as defined in standard licence condition 42 (Regulatory Accounts), stating whether in his opinion
  - (a) the information in relation to each of the items referred to in the statement has been properly prepared; and
  - (b) the amounts presented are in accordance with the licensee’s records which have been maintained in accordance with paragraph 2 of this condition.
- 7. The licensee shall require that the report from the appropriate auditor, referred to in paragraph 6, is accompanied by a letter from that auditor to the Authority detailing the procedures that the auditor has followed in reaching his opinion.
- 8. For the purposes of paragraph 6, the licensee shall at its own expense enter into a contract of appointment with the appropriate auditor which includes a term requiring that the audit be conducted in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate.
- 9. The licensee shall (and must procure, insofar as it is able to do so, that any affiliate or related undertaking of the licensee shall) co-operate fully with the appropriate auditor so as to enable him to complete and report to the Authority on any audit carried out in accordance with paragraph 6.

### **Part E: Modification of the revenue reporting rigs**

- 10. Where the Authority considers that the revenue reporting rigs should be modified to:

- (a) improve the presentation or style of the requirements of those rigs;
- (b) remove or reduce inconsistencies between distribution services providers in the application or interpretation of such requirements;
- (c) further clarify the meaning of words and phrases used within such requirements to define the information to be provided;
- (d) improve the form or manner in which such information is to be provided under such requirements; or
- (e) introduce additional categories of specified information or enlarge existing categories of specified information,

in such ways as are necessary to more effectively achieve the purposes of this condition, the Authority may, subject to paragraphs 11 to 14, modify the revenue reporting rigs by issuing a direction for that purpose to all distribution services providers.

11. Before issuing a direction under paragraph 10, the Authority, by notice given to all distribution services providers, must:
- (a) state that it proposes to make a modification, and set out the date on which it proposes that this should take effect;
  - (b) set out the text of the modification, the purpose and effect of the modification, and the reasons for proposing it; and
  - (c) specify the time (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made,

and consider any representations or objections which have been duly made and are not withdrawn, and give reasons for its decision.

12. Where any proposed modification of the revenue reporting rigs relates to a requirement to provide specified information to a greater level of accuracy than was required previously the Authority may not make that modification except in accordance with the procedure under section 11A of the Act which would apply to the modification as if it were a modification of this condition.
13. Any modification of the revenue reporting rigs under paragraph 10 to introduce an additional category of specified information or to enlarge an existing category of information shall not exceed what may reasonably be requested from the licensee by the Authority under paragraph 1 of standard condition 24 (Provision of Information to the Authority) excluding any reference to paragraph 8 of that condition.
14. The provisions of the revenue reporting rigs may not exceed what is necessary to achieve the purposes of this condition or purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

**Part F: Dealing with an event with a material impact on the consistency or accuracy of information**

15. Where the revenue reporting rigs do not provide adequate or sufficient guidance in relation to the collection and reporting of specified items following:
- (a) a change in industry processes or procedures on or after 1 April 2005 which has a significant effect on the calculation of one or more specified items; or
  - (b) a change in the processes or procedures of the licensee on or after 1 April 2005 which has a significant effect on the calculation of one or more specified items,

the licensee shall request guidance from the Authority in relation to the treatment of such items.

16. For the purposes of this condition, a “significant effect” is defined as a change to the calculation of one or more specified items such that:
- (a) its effect on the calculation of allowed demand revenue exceeds, or is likely to exceed, 1 per cent of base demand revenue; or
  - (b) its effect on the calculation of allowed network generation revenue exceeds, or is likely to exceed, an amount which is equal to 0.5 per cent of base demand revenue.

17. On receipt of a request for guidance in accordance with paragraph 15, the Authority may:
- (a) having regard to whether the change to the calculation of one or more specified items has material implications for other distribution services providers; and
  - (b) after consultation with the licensee and (where relevant, having regard to sub-paragraph (a)) other distribution services providers,
- by notice to the licensee and (where relevant) other distribution services providers direct how such specified items should be reported for the purposes of this condition.

**Part G: Restatement of information**

18. For the purposes of this condition, the licensee shall take all appropriate steps within its power to ensure that information provided to the Authority in respect of a given relevant year under paragraph 5(a) is not restated after the date on which that information has been so provided except where restatement is necessary in the opinion of the appropriate auditor referred to in paragraph 6.

## ***Standard Condition 51. Incentive Schemes and Associated Information for Distributed Generation, Innovation Funding, and Registered Power Zones***

### **Part A: General**

1. The purposes of this condition are to secure the collection of information on a common basis, and to an appropriate degree of accuracy, by the licensee so as:
  - (a) to facilitate the establishment and operation of:
    - (i) the distributed generation incentive scheme (“scheme A”) to incentivise the effective connection and utilisation of distributed generation by the licensee;
    - (ii) the innovation funding incentive scheme (“scheme B”) to incentivise effective expenditure on innovation by the licensee; and
    - (iii) the registered power zone incentive scheme (“scheme C”) to incentivise the development and implementation of innovative approaches to further enhance the effective connection and utilisation of distributed generation by the licensee;
  - (b) to monitor the performance of the licensee in respect of each of the above incentive schemes; and
  - (c) to monitor any unintended consequences that arise from the operation of the schemes and the charge restriction conditions.
  
2. The licensee shall establish and maintain appropriate systems, processes and procedures to measure and record the specified information from the dates specified in paragraph 4 and in accordance with the regulatory instructions and guidance (including any associated information specified therein) for the time being in force pursuant to this condition (the “DG rigs”).

### **Part B: DG rigs and specified information**

3. For the purposes of this condition:
  - (a) “charge restriction conditions” shall have the same meaning as set out in special condition A1 (Definitions and interpretation).
  - (b) “DG rigs” means the instructions and guidance issued by the Authority for the purposes of this condition as modified from time to time by a direction under paragraph 9 and, subject to paragraph 13, may include:

- (i) provisions with respect to the meaning of words and phrases used in defining specified information;
  - (ii) requirements for the recording of information associated with specified information which are reasonably necessary to enable an examiner to determine the accuracy and reliability of specified information;
  - (iii) requirements as to the form and manner in which specified information shall be provided to the Authority;
  - (iv) requirements as to the form and manner in which specified information shall be recorded and the standards of accuracy and reliability with which it shall be recorded; and
  - (v) a statement as to whether and to what extent each category of specified information is required for the purposes of the schemes referred to in paragraph 1 of this condition.
- (c) “specified information” means such items referred to in the “DG rigs” and shall include:
- (i) in relation to scheme A:
    - (aa) the total incentivised DG capacity;
    - (bb) disaggregated DG capacity;
    - (cc) total capex for DG;
    - (dd) use of system capex for DG;
    - (ee) shared connection capex for DG;
    - (ff) assets transferred out of DG capex to demand capex;
    - (gg) DG network unavailability;
    - (hh) DG network unavailability rebate payment; and
    - (ii) operational and maintenance costs for DG;
  - (ii) in relation to scheme B:
    - (aa) IFI carry-forward;
    - (bb) eligible IFI expenditure;
    - (cc) eligible IFI internal expenditure;
    - (dd) combined distribution network revenue; and
    - (ee) the IFI annual report;
  - (iii) in relation to scheme C:
    - (aa) a schedule of all RPZ projects, whether planned, committed, under construction, or in operation, detailing their starting year, generating capacity in MW, connection cost and a summary of the innovation content of the RPZ;
    - (bb) for RPZs in operation a report of the performance achieved in the reporting year; and



- (iv) such other information as may from time to time be specified by the Authority for the purposes of scheme A B or C by direction to the licensee in accordance with paragraph 9.
  - (d) “reporting year” means the twelve month period ending 31 March.
4. The licensee shall collect specified information in respect of:
- (a) in respect of the matters specified in paragraphs 3(c)(i) to (iii) from and including 1 April 2005; and
  - (b) in respect of any matter specified under paragraph 3(c)(iv) from the date specified in the relevant direction given in accordance with paragraph 9.

**Part C: Information to be provided to the Authority**

5. The licensee shall provide to the Authority:
- (a) subject to sub-paragraph (b), the information referred to in paragraphs 3(c)(i) to (iii) , in respect of the period of 12 months expiring on the preceding 31 March, on or before 31 July of each subsequent year (or such later date as the Authority may by notice specify);
  - (b) an estimate of the information referred to in sub-paragraph (aa) of paragraph 3(c)(ii) for each reporting year on or before 1 April for that year; and
  - (c) the information referred to in paragraph 3(c)(iv) in respect of such period and by such date as is specified in the relevant direction given in accordance with paragraph 9.

**Part D: Audit requirements**

6. The licensee shall permit a person or persons nominated by the Authority (in each case “an examiner”) to examine:
- (a) the systems, processes and procedures referred to in paragraph 2 and their operation;
  - (b) the specified information collected by the licensee; and
  - (c) the extent to which each complies, and is in accordance, with the provisions of the DG rigs.
7. The licensee shall (and must procure, insofar as it is able to do so, that any affiliate or related undertaking of the licensee, any person by whom it procures the performance of the obligation in paragraph 2 and any auditor of such person, or of the licensee or any affiliate or related undertaking of the licensee, shall) co-operate fully with an examiner so as to enable him to carry out, complete and report to the Authority on any examination carried out in accordance with paragraph 6.

8. The licensee's performance of its obligations under this Part D is conditional on the examiner having entered into an agreement with the licensee to maintain confidentiality on reasonable terms.

### **Part E: Modification of the DG rigs**

9. Where the Authority considers that the DG rigs should be modified to:
  - (a) improve the presentation or style of the requirements of those rigs;
  - (b) remove or reduce inconsistencies between distribution services providers in the application or interpretation of such requirements;
  - (c) further clarify the meaning of words and phrases used within such requirements to define the information to be provided;
  - (d) improve the form or manner in which such information is to be provided under such requirements; or
  - (e) introduce additional categories of specified information or enlarge existing categories of specified information,

in such ways as are reasonably required to more effectively achieve the purposes of this condition, the Authority may, subject to paragraphs 10 to 13, modify the DG rigs by issuing a direction for that purpose to all distribution services providers.

10. Before issuing a direction under paragraph 9, the Authority, by notice given to all distribution services providers, must:
  - (a) state that it proposes to make a modification, and set out the date on which it proposes that this should take effect;
  - (b) set out the text of the modification, the purpose and effect of the modification, and the reasons for proposing it; and
  - (c) specify the time (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made,

and must consider any representations or objections which have been duly made and not withdrawn, and give reasons for its decision.

11. Where any proposed modification of the DG rigs relates:
  - (a) to a requirement of those rigs to provide specified information to a greater level of accuracy than was required previously; or
  - (b) to the introduction into those rigs of an additional category of specified information which is or is intended to be required for the purposes of any of the schemes to which paragraph 1 refers,

the Authority may not make that modification except in accordance with the procedure under section 11A of the Act which would apply to the modification if it were a modification of this condition.

12. Any modification of the DG rigs under paragraph 9 to introduce an additional category of specified information or to enlarge an existing category of

information may not include information that could not be reasonably requested from the licensee by the Authority under paragraph 1 of standard condition 24 (Provision of Information to the Authority), excluding any reference to paragraph 8 of that condition.

13. The provisions of the DG rigs may not exceed what is reasonably required to achieve the purposes of this condition or purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

## ***Standard Condition 52. Price Control Review Information***

### **Part A: Application and purpose**

1. This condition takes effect on 1 April 2005 and applies in respect of the price control review information of the licensee relating to the financial year commencing 1 April 2005 and each succeeding financial year for the purposes set out in paragraph 2.
2. Those purposes are:
  - (a) to ensure that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to prepare price control review information for submission to the Authority in accordance with the requirements of this condition;
  - (b) to establish, by 1 April 2006, a common set of rules which are to apply to the collection and preparation of price control review information for submission to the Authority by the licensee and every other relevant electricity distributor (“the price control review reporting rules”);  
  
and thereby:
  - (c) to facilitate any review or modification by the Authority of the requirements of any of the charge restriction conditions of this licence (“a price control review”).

### **Part B: Preparation of price control review information**

3. Unless and insofar as the Authority otherwise consents, the licensee must:
  - (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary to ensure that the price control review information of, or reasonably attributable to, the distribution business is separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee); and
  - (b) prepare and submit to the Authority, on a consistent basis from such accounting records in respect of each financial year, price control review information for such aspects of the licensee’s distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and services to the licensee or forms part of the distribution business, either separately or consolidated, and in such manner and in respect of such financial year as may be required under the price control review reporting rules.

### **Part C: Delivery and review of price control review information**

4. Unless and insofar as the Authority otherwise consents, the licensee must deliver the price control review information to the Authority as soon as is reasonably practicable, and in any event not later than 31 July following the end of the financial year to which such information relates.
5. The Authority may, in addition to any audit of the regulatory accounts of the licensee carried out in accordance with standard condition 42 (Regulatory Accounts), review, or arrange for a person nominated by the Authority (“a reviewer”) to review, matters in the price control review information in respect of which the Authority requires clarification.
6. Subject to paragraph 7, the licensee, in relation to the purposes of any review carried out under paragraph 5:
  - (a) shall give the Authority or (as the case may be) the reviewer all such assistance as it or he may reasonably require; and
  - (b) shall (and must procure, insofar as it is able to do so, that any affiliate or related undertaking of the licensee, any person by whom it procures the performance of any obligation under this condition and any auditor of such person, or of the licensee or any affiliate or related undertaking of the licensee, shall) co-operate fully with the Authority or (as the case may be) with the reviewer so as to enable him to carry out and complete his review for the Authority.
7. Where a reviewer has been nominated in accordance with paragraph 5, the licensee’s performance of its obligations under paragraph 6 in relation to the reviewer is conditional on the reviewer having entered into an agreement with the licensee to maintain confidentiality on reasonable terms.

### **Part D: Establishment of the price control review reporting rules**

8. The price control review reporting rules shall be the rules of that name, issued by direction of the Authority in accordance with the provisions of paragraph 9 for the purposes of this condition generally, as from time to time modified by the Authority in accordance with the provisions of Part F of this condition, and with which the licensee and every other relevant electricity distributor shall be required to comply for the purposes of collecting and preparing price control review information for submission to the Authority.
9. Before issuing a direction under paragraph 8, the Authority must have:
  - (a) given notice to all relevant electricity distributors:
    - (i) stating that it intends to issue the price control review reporting rules,
    - (ii) setting out the contents of those rules and the date on which it is proposed that the direction should take effect, and

- (iii) specifying the period (not being less than 28 days from the date of the notice) within which representations or objections with respect to those rules may be made;
  - (b) considered any representations or objections which are duly made and not withdrawn; and
  - (c) given reasons for its decision.
- 10. The licensee shall take all appropriate steps within its power:
  - (a) in conjunction and co-operation with every other relevant electricity distributor; and
  - (b) in accordance with a programme of work and an associated timetable established and directed by the Authority in consultation with all relevant electricity distributors,

to develop the price control review reporting rules for implementation pursuant to this condition by 1 April 2006.

**Part E: Content of the price control review reporting regulatory instructions and guidance**

- 11. Subject to paragraphs 12 to 15, the price control review reporting rules may, in relation to any requirement of this condition in respect of the price control review information, specify:
  - (a) the meaning to be applied to words and phrases (other than those defined in this or any other condition of this licence) used in connection with such information;
  - (b) the methodology for calculating or deriving numbers comprising any part of such information;
  - (c) requirements as to the form and manner in which such information must be recorded;
  - (d) requirements as to the standards of accuracy and reliability with which such information must be recorded;
  - (e) requirements as to the form and the content of such information;
  - (f) requirements as to the manner in which such information must be provided to the Authority; and
  - (g) requirements as to those parts of such information which may fall to be considered by a reviewer and the nature of that consideration,

and (having particular regard to the provisions of section 105 of the Utilities Act 2000) may also specify which (if any) of the information provided under this condition is to be subject to publication by the Authority.

12. The price control review reporting rules may not:
  - (a) exceed what is necessary to achieve the purposes of this condition, having regard in particular to the materiality of the costs likely to be incurred by the licensee in complying therewith; or
  - (b) purport to have effect with respect to the interpretation of any other condition of this licence or the fulfilment by the licensee of any obligation imposed in respect of any matter which is the subject of any such condition.

**Part F: Modification of the price control review reporting rules**

13. The Authority may modify, in whole or in part, any price control review reporting rules established in accordance with Part D of this condition, in accordance with the following provisions of this Part F.
14. Subject to paragraph 15, where the Authority considers that it is necessary to modify the price control review reporting rules in order to provide more accurate, consistent, useful, or comparable information for the purposes of a price control review, it may do so by issuing a direction to that effect where it:
  - (a) has first given notice to all relevant electricity distributors:
    - (i) stating that it proposes to make the modification,
    - (ii) setting out the text of the modification, the purpose and effect of the modification and the date on which it is proposed to come into effect, and
    - (iii) specifying the period (not being less than 28 days from the date of the notice) within which representations or objections with respect to the proposed modification may be made;
  - (b) has considered any representations or objections which are duly made and not withdrawn; and
  - (c) has given reasons for its decisions.
15. Where a modification of the price control review reporting rules relates to the introduction into those rules of a requirement to provide:
  - (a) a new category of price control review information; or
  - (b) an existing category of price control review information to a greater level of detail,

and in either case such information has not previously been collected by the licensee (whether under the provisions of the price control review reporting rules or otherwise), it shall not be a breach of that requirement for the licensee to provide estimates in respect of that category, for the year in which the

modification is made and for any preceding year, derived from such other information available to the licensee as may be appropriate for that purpose.

**Part G: Interpretation**

16. A consent under paragraph 3 or 4 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.

17. For the purposes of this condition:

“price control review information” means the information required to be submitted by the licensee pursuant to this condition, and is to be interpreted in accordance with the price control review reporting rules; and

“relevant electricity distributor” means an electricity distributor in whose licence this condition has effect.



## ***Annex 5 to Notice under section 11A of the Electricity Act 1989***

1. In respect of:

- (a) paragraph 11(a) of standard condition 4 (Use of System Charging Methodology); and
- (b) paragraph 23(a) of standard condition 4B (Connection Charging Methodology),

replace the text:

“the application of any charge restriction conditions (within the meaning given in paragraph 3 of special condition A (Definitions and Interpretation) (England and Wales) or paragraph 2 of special condition B (Definitions) (Scotland) of the distribution licences as at 1 April 2004”

with:

“the application of any charge restriction conditions (within the meaning given in paragraph 4 of special condition A1 (Definitions and Interpretation) of the distribution licence.”

2. In respect of standard condition 4D (Requirement to Offer Terms for Use of System and Connection), replace references to:

“standard condition 36B – Requirement to Offer Terms for the Provision of Distributor Metering and Data Services”

with:

“standard condition 36 (Requirement to Offer Terms for the Provision of Basic Metering Services or standard condition 36A (Requirement to Offer Terms for the Provision of Data Services)”

3. In respect of standard condition 40, in paragraph 1 of that condition the reference to standard condition 36A should be replaced with a reference to standard condition 36B.

***Annex 6 to Notice under section 11A of the Electricity Act 1989***

**Proposed Modification of Standard Licence Condition(s) [insert number(s)] in [type of licence]**

In response to the statutory notice dated [ ] in respect of the above proposed modification(s), this notice constitutes a statutory objection to that proposal on behalf of [state full name of each relevant licence holder making the objection].

I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[signed]

Date: [ ]

[address for acknowledgement, preferably including email address]