

Statement by the Gas and Electricity Markets Authority, following an investigation into compliance by Eastern Power Networks and London Power Networks with regulatory obligations, including under section 9(1)(a) of the Electricity Act 1989 and Standard Licence Condition 5 of its Electricity Distribution Licence.

14 February 2005

Background

- 1 The Gas and Electricity Markets Authority (the Authority) grants licences for the distribution of electricity. It has a duty to keep under review activities in the areas to which electricity licences apply. It also has a duty to take enforcement action where it is satisfied that a licence obligation is being, or is likely to be, contravened and may impose a financial penalty in respect of a past or continuing contravention.

- 2 EDF Energy Networks (EPN) Plc (EPN) and EDF Energy Networks (LPN) plc (LPN) are two electricity distribution networks owned by the Electricite de France Group (EDF).

The Investigation Remit

- 3 Ofgem has conducted an investigation which focused on matters affecting security of the supply of electricity to customers served by EPN and LPN. Security of electricity supply is regulated through statutory obligations and several licence conditions which specify distributors' duties in relation to the planning and operation of a distribution network.

- 4 The technical investigation focused on the following four specific areas, all of which potentially impact on the security of supply experienced by customers:
 - Security of Supply – compliance with Engineering Recommendation P2/5;
 - Fluid-filled cables – the management of the repair, maintenance and renewal of this class of distribution asset and the resultant reliability performance;

- Operational restrictions – the identification, operational management and removal of operational restrictions on distribution plant and equipment; and
- Low voltage fuse failures – the number and impact of cascade low voltage fuse failures on the security of supply (this matter was specific to LPN).

The Investigation

- 5 A formal request for information pursuant to Section 28 of the Act was served on EDF Energy Networks in respect of EPN and LPN on 8 September 2004.
- 6 A formal request for information pursuant to Section 28 of the Act was also served on the National Grid Company on 15 September 2003. This was necessary in order to assess the operation of the EPN and LPN networks at Grid Supply Points when it is necessary for decisions to be made jointly between the distributors (EPN and LPN) and the transmission (NGC) licensees.
- 7 On 15 and 16 September 2004 informal requests for information were made to a number of other companies. In all cases the information was requested in a questionnaire format and related to the period from 2000 onwards. The information received was passed to Sinclair Knight Merz, Ofgem’s technical consultant in this case. The Consultant’s report considered the legal framework and technical areas as set out above, however the conclusions drawn were purely technical.

Conclusions

- 8 Having taken full account of all relevant evidence and technical advice, the Authority considers that there is insufficient evidence to show either EPN or LPN were acting in breach of their licences or statutory obligations during the relevant period. Accordingly, no enforcement action will be taken at this time. However, Ofgem has raised concerns with EDF Energy Networks (EPN and LPN) regarding ongoing technical issues.

- 9 This investigation has also highlighted matters that will be followed up regarding the clarity of Engineering Recommendation P2/5 and further guidance on the circumstances in which derogations should be sought.