

The Company Secretary:  
Yorkshire Electricity Distribution plc  
(Company Number 04112320)  
Lloyds Court  
78 Grey Street  
Newcastle upon Tyne  
NE1 6AF

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

The Gas and Electricity Markets Authority ('the Authority') hereby gives notice pursuant to section 11 of the Electricity Act 1989 ('the Act') as follows:

1. The Authority proposes to modify the distribution licence ('the licence') treated as granted under section 6(1)(c) of the Act to Yorkshire Electricity Distribution plc ('the licensee') by inserting into paragraph 3 of Special Condition C2 (Calculation of charge restriction adjustments arising from performance in respect of quality of service) an additional formula to determine the value of the quality of service adjustment term ( $IQ_t$ ) for the relevant year commencing 1 April 2007, such that the existing formula in paragraph 3 shall still be used to determine the value of  $IQ_t$  in the relevant year commencing 1 April 2008 and in each subsequent relevant year, as set out in bold text in Annex 1 to this notice.
2. The reasons why the Authority proposes to make the modification and its effect are set out in the 6 June 2007 statement (the 'statement') by the Authority, following its investigation into compliance by the licensee (and Northern Electric Distribution Ltd) with standard condition 49 (Quality of Service Incentive Scheme and Associated Information) of the licence (the 'statement'), which is available (free of charge) from the Ofgem library, 9 Millbank, London SW1P 3GE (020 7901 7003) or the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)) and in summary, the Authority proposes to make the modification in order to:
  - a. ensure that customers are no worse off than had the licence breaches referred to in the statement not occurred; and
  - b. reduce the licensee's allowed demand revenue as agreed with the licensee.
3. The effect of the modification will be to reduce the amount of quality of service incentive (other than any adjustments in respect of performance for supply restoration and before application of the existing interest rate factor) for the relevant year commencing 1 April 2007 from £0.3m (which the licensee would otherwise have achieved for that relevant year) to £-1.24m. This is the result of two adjustments: a reduction of £1.2m, being the adjustment referred to in paragraph 8 (and note <sup>2</sup> thereto) of the statement and a reduction of £0.34m to correct unresolved adjustments from 2004/05 as noted in paragraph 16 of the statement.

4. Any representations or objections to the proposed licence modifications must be made in writing on or before 10 July 2007 and should be addressed to Paul Darby, Regulatory Reporting Manager, Electricity Distribution, Ofgem, 9 Millbank, London SW1P 3GE (020 7901 7072) or [paul.darby@ofgem.gov.uk](mailto:paul.darby@ofgem.gov.uk).



**Martin Crouch**

Director – Electricity Distribution

Authorised on behalf of the Gas and Electricity Markets Authority

6 June 2007

## **Annex 1 to Notice under section 11 of the Electricity Act 1989**

Paragraph 3 of Special Condition C2 showing proposed modification (insertion) in bold type:

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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 **only** ~~and in each subsequent relevant year t~~,  $IQ_t$  shall be the amount derived from the following formula:

$$IQ_t = \pounds - 1.24m \times \left[ \left( 1 + \frac{I_t}{100} \right) \times \left( 1 + \frac{I_{t-1}}{100} \right) \right] + qf_t + qg_t$$

**In the relevant year commencing on 1 April 2008 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.

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