

## **NOTICE UNDER SECTION 11(3) OF THE ELECTRICITY ACT 1989**

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

1. The Authority proposes to modify the individual electricity distribution licences held by:
  - a. Central Networks East plc ('CN East');
  - b. EDF Energy Networks (LPN) plc ('LPN');
  - c. EDF Energy Networks (SPN) plc ('SPN'); and
  - d. EDF Energy Networks (EPN) plc ('EPN'),

granted or treated as granted under section 6(1)(c) of the Act by amending the baseline numbers contained in the tables in Appendix 2 of Charge Restriction Condition 18 (Arrangements for the recovery of uncertain costs) in relation to High-Value Projects and Load-Related Costs in the manner set out in the Schedule to this Notice.

2. The Authority proposes to correct errors in the existing licence and make these licence modifications to ensure the correct application of the High-Value Projects reopener for CN East, LPN, SPN and EPN and the Load-Related Costs reopener for SPN and EPN. The reasons for the re-calculation of the reopener thresholds are as follows:
  - a. we understated the value of a general reinforcement project for LPN;
  - b. we applied the forecasts of CN East, SPN and EPN rather than the Ofgem baselines for the BT 21<sup>st</sup> Century Projects;
  - c. we incorrectly excluded a high-value scheme for SPN; and
  - d. we need to adjust the General Reinforcement reopener thresholds for SPN and EPN to take out additional reinforcement expenditure associated with schemes that are covered under the High-Value Projects reopener to avoid any double counting under the two mechanisms.
3. The effect of the proposed modifications to the High-Value Projects mechanism is to lower the reopener threshold for CN East and EPN and to raise the reopener threshold for LPN and SPN. The effect of the proposed modifications to the Load-Related Costs mechanism is to lower the reopener thresholds for EPN and SPN.
4. A copy of the proposed modifications and other documents referred to in this Notice are available (free of charge) from the Ofgem library (telephone 020 7901 1600) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
5. Any representations or objections to the proposed licence modifications may be made on or before 11 June 2010 to: Chris Watts, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [Chris.Watts@ofgem.gov.uk](mailto:Chris.Watts@ofgem.gov.uk).
6. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their

response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', written over a light grey rectangular background.

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**Rachel Fletcher**  
**Partner, Distribution**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**12 May 2010**

**Schedule to section 11 Notice**

**APPENDIX 2**

**Authority Baseline for High-Value Projects, Load-Related Costs and  
RLM Costs**

**High-Value Projects**

**(see paragraph 18.5(b) of this condition)**

<b>Licensee</b>	<b>£m (2007-08 prices)</b>
Central Networks West plc	0.0
Central Networks East plc	<del>70.2</del> 63.1
Electricity North West Ltd	39.1
Northern Electric Distribution Ltd	0.0
Yorkshire Electricity Distribution plc	27.3
Western Power Distribution (South Wales) plc	0.0
Western Power Distribution (South West) plc	0.0
EDF Energy Networks (LPN) plc	<del>129.8</del> 137.6
EDF Energy Networks (SPN) plc	<del>52.9</del> 54.3
EDF Energy Networks (EPN) plc	<del>142.7</del> 135.2
SP Distribution Ltd	0.0
SP Manweb plc	25.3
Scottish Hydro Electric Power Distribution plc	0.0
Southern Electric Power Distribution plc	82.4

**Load-Related Costs**  
**(see paragraph 18.5(b) of this condition)**

<b>Licensee</b>	<b>£m (2007-08 prices)</b>
Central Networks West plc	150.0
Central Networks East plc	169.0
Electricity North West Ltd	89.1
Northern Electric Distribution Ltd	56.9
Yorkshire Electricity Distribution plc	48.6
Western Power Distribution (South Wales) plc	21.3
Western Power Distribution (South West) plc	25.7
EDF Energy Networks (LPN) plc	109.7
EDF Energy Networks (SPN) plc	<del>126.0</del> 118.6
EDF Energy Networks (EPN) plc	<del>174.8</del> 168.6
SP Distribution Ltd	72.9
SP Manweb plc	99.3
Scottish Hydro Electric Power Distribution plc	28.7
Southern Electric Power Distribution plc	138.5