

To the Company Secretary:

Northern Electric Distribution Ltd
(Company Number 02906593)
Lloyds Court
78 Grey Street
Newcastle upon Tyne
NE1 6AF

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

Electricity North West Ltd
(Company Number 02366949)
304 Bridgewater Place
Birchwood Park
Warrington
WA3 6XG

Eastern Power Networks plc
(Company Number 02366906)
Newington House
237 Southwark Bridge Road
London
SE1 6NP

Statutory Consultation on Licence Modification 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 each of Northern Electric Distribution Ltd, Yorkshire Electricity Distribution Ltd, Electricity North West Ltd and Eastern Power Networks plc ('the licensees') by inserting into paragraph 2 of Special Condition CRC 14 (Distribution Charges: supplementary restrictions) an additional sub-paragraph to provide for the value for the interest rate adjustment applied by the licensees in the Regulatory Years beginning on 1 April 2010 and 1 April 2011 to over and under recoveries of revenue ('the PRt term') to be set in a direction to be given by the Authority in the year concerned, as set out in bold and struck-through 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 a consultation letter dated 20 July 2010 (reference 87/10) and in a decision letter dated 14 December 2010 (entitled "The Authority's decision on requests for relief from the consequences of over-recovery of allowed revenue caused by gross volume corrections (GVC) in settlement data"). These letters can be obtained from the Ofgem website.

3. In summary, the Authority proposes to make the modification in order to prevent the licensees being unfairly penalised for over recoveries of revenue resulting from reduced performance under its losses incentive scheme in the years concerned where the licensees' reported performance level has been affected by settlement data adjustments outside its control.
4. The effect of the modification will be to stipulate that the PRt term in the Regulatory Years beginning on 1 April 2010 and 1 April 2011 is to be set in a direction given by the Authority in each of those years, provided that the value shall either be zero, 1.5 or 3. Copies of the proposed licence modifications, together with the other documents referred to in this Notice, are available (free of charge) on the Ofgem website (www.ofgem.gov.uk)."

Any representations or objections to the proposed licence modifications must be made in writing on or before 21 January 2011 and should be addressed to Paul Darby, Senior Manager, Regulatory Finance, Ofgem, 9 Millbank, London SW1P 3GE (020 7901 7072) or regulatory.finance@ofgem.gov.uk.

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".



Rachel Fletcher

Partner, Distribution

Authorised in that behalf by the Gas and Electricity Markets Authority

14 December 2010

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

Part A of Special Condition CRC 14 (Distribution Charges: supplementary restrictions) showing proposed modification in bold type (insertions) and struck-through type (deletions):

Part A: Interest adjustment for over and under recoveries of revenue

14.2 For the purposes of Part D of CRC 3 (Restriction of Distribution Charges: Use of System Charges), the value of the interest rate adjustment PRt is to be treated as follows:

(a) in the Regulatory Years beginning on 1 April 2010 and 1 April 2011, PRt will be set in a direction given by the Authority in the Regulatory Year concerned provided that the value directed shall either be zero, 1.5 or 3; and

(b) in other Regulatory Years:

~~(a)~~ **(i)** if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue exceeds 103 per cent of Combined Allowed Distribution Network Revenue, PRt must have the value of 3;

~~(b)~~ **(ii)** if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue is less than 97 per cent of Combined Allowed Distribution Network Revenue, PRt must have the value of zero;

——— and in all other cases:

~~(c)~~ **(iii)** PRt must have the value of 1.5.