

## Notice under section 11(2) of the Electricity Act 1989

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

1. The Authority proposes to modify the distribution licences (the 'Licences') treated as granted under section 6(1)(c) of the Act to the following electricity distributors:
  - a. Northern Electric Distribution Limited
  - b. Yorkshire Electricity Distribution plc
  - c. Electricity North West Limited
  - d. Eastern Power Networks plc
  - e. London Power Networks plc
  - f. South Eastern Power Networks plc
  - g. Scottish Hydro Electric Power Distribution plc
  - h. Southern Electric Power Distribution plc
  - i. SP Distribution Limited
  - j. SP Manweb plc
  - k. Western Power Distribution (East Midlands) plc
  - l. Western Power Distribution (West Midlands) plc
  - m. Western Power Distribution (South West) plc
  - n. Western Power Distribution (South Wales) plc (together the 'Licensees'),

by inserting into Part B of Charge Restriction Condition 3 (Restriction of Distribution Charges: Use of System Charges) an additional formula term (CTRAt) in the manner set out in Annex 1 to this Notice.

2. The reasons why the Authority proposes to make the modification is to implement the tax trigger mechanism set out in Chapter 9 of the Financial Methodologies document Electricity Distribution Price Control Review Final Proposals – Financial Methodologies 147/09 dated 7 December 2009 for the Regulatory Years commencing 1 April 2011. This follows the activation of the mechanism by two trigger events being the Finance (No.2) Act 2010 and subsequently the Finance Act 2011. The modification will allow the Authority to amend the Licensees' Combined Allowed Distribution Network Revenue (ARt) as determined by the activation of the tax trigger mechanism.
3. The effect of the modification will be that the CTRAt term can be set in a direction given by the Authority in Regulatory Years commencing on 1 April 2012 – an illustration of the adjustments introduced by the Finance Act 2011 is set out in Annex 2 to this Notice.
4. 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](http://www.ofgem.gov.uk)).
5. Any representations or objections to the proposed licence modifications must be made in writing on or before **12 September 2011** and should be addressed to Bill McKenzie Senior Manager Regulatory Finance Ofgem 9 Millbank London SW1P 3GE (020 7901 7220) or [regulatory.finance@ofgem.gov.uk](mailto:regulatory.finance@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', is written over a light grey rectangular background.

**Rachel Fletcher**

Partner Distribution

Authorised in that behalf by the Gas and Electricity Markets Authority

12 August 2011

**Annex 1 to Modification of the Distribution Licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 to the Licensees**

Paragraphs 3.3 and 3.4 of CRC 3 showing proposed modifications (insertion of CTRAt):

...

- 3.3 Combined Allowed Distribution Network Revenue is calculated in accordance with the following formula (in this condition the Principal Formula):

$$AR_t = BR_t + PT_t + IP_t + LCN_t + IG_t - K_t - AUM_t - CGSSP_t + CGSRA_t + CTRAt$$

- 3.4 CTRAt means the adjustment to Combined Allowed Distribution Network Revenue under the tax trigger mechanism referred to in the Authority's decision document published on 7 December 2009 under reference number 147/09 and whose value is zero unless a different value whether positive or negative is set in a direction given by the Authority in relation for any Regulatory Year.

## Annex 2

The illustrative adjustments introduced by the Finance Act 2011 are set out below in respect of each Licensee:

Year commencing 1 April	2012	2013	2014
	£m	£m	£m
<b><i>Reductions in revenue are shown in red in parentheses</i></b>			
Northern Electric Distribution Ltd	(1.6)	(0.3)	(0.6)
Yorkshire Electricity Distribution plc	(2.3)	(1.3)	(1.6)
Western Power Distribution (East Midlands) plc	(0.9)	0.0	0.0
Western Power Distribution (West Midlands) plc	(1.2)	0.0	0.0
Eastern Power Networks plc	(1.6)	0.0	0.0
London Power Networks plc	(1.9)	0.0	0.0
South Eastern Power Networks plc	(1.3)	0.0	0.0
Electricity North West Ltd	(2.7)	(1.3)	(1.4)
Scottish Power Distribution Ltd	(0.6)	2.8	2.2
SP Manweb plc	(0.3)	4.2	3.8
Scottish Hydro Electric Power Distribution Ltd	(1.5)	(1.3)	(1.5)
Southern Electric Power Distribution Ltd	(3.1)	(1.7)	(1.8)
Western Power Distribution (South Wales) plc	(1.9)	(1.5)	(1.7)
Western Power Distribution (South West) plc	(2.2)	(1.7)	(1.9)