

The Company Secretary:

1. Western Power Distribution (South Wales) Plc (Company No. 2366985)  
Western Power Distribution (South West) Plc (Company No. 2366894)  
Western Power Distribution (East Midlands) Plc (Company No. 2366923)  
Western Power Distribution (West Midlands) Plc (Company No. 3600574)  
Avonbank  
Feeder Road  
Bristol  
Avon BS2 0TB

**SECTION 11 OF THE ELECTRICITY ACT 1989**  
**MODIFICATION OF THE DISTRIBUTION LICENCES GRANTED OR TREATED AS**  
**GRANTED UNDER SECTION 6(1)(c) OF THE ELECTRICITY ACT 1989**

**WHEREAS**

1. The following companies all hold electricity distribution licences (the “Licences”) granted or treated as granted by the Gas and Electricity Markets Authority (the “Authority”) under section 6(1)(c) of the Electricity Act 1989 (the “Act”):
  - a. Western Power Distribution (South Wales) Plc (Company No. 2366985);
  - b. Western Power Distribution (South West) Plc (Company No. 2366894);
  - c. Western Power Distribution (East Midlands) Plc (Company No. 2366923); and
  - d. Western Power Distribution (West Midlands) Plc (Company No. 3600574),(together the “Licensees”).
2. In accordance with section 11 of the Act the Authority gave notice on 31 August 2011 (“the Notice”) that it proposed to modify the Licences of Western Power Distribution (South Wales) Plc (“WPD S Wales”) and Western Power Distribution (South West) Plc (“WPD S West”) by:
  - a. amending the tables in Appendix 1 of Charge Restriction Condition 8 (Adjustments of licensee’s revenues to reflect quality of service performance) in relation to targets, incentive rates, and revenue exposure for interruptions, the broad measure of community satisfaction, telephony, severe weather, and normal weather;
  - b. amending table A2.1 in Appendix 2 of Charge Restriction Condition 12 (Licensee’s Connection Activities: Margins and the development of competition) (“CRC 12”) in relation to revenue adjustments for untimely systems and processes; and
  - c. amending table A3.1 in Appendix 3 of CRC 12 in relation to revenue adjustments in respect of performance failures.
3. The Notice also proposed to modify the Licence of the Licensees to amend Charge Restriction Condition 18 (Arrangements for the recovery of uncertain costs) in relation to the information quality incentive rate.
4. The reasons for the decision to modify the Licences are set out in the Notice of 31 August 2011 (reference 115/11). In summary, the effect of the amendments referred to at paragraph 2(a), 2(b) and 2(c) above are to correct labelling errors and align the Licence with the Authority’s Final Proposals decision on the fifth Electricity Distribution Price Control Review. The amendment referred to in paragraph 3 equalises the information quality incentive rate, from 1 April 2011, following the owner of WPD S Wales and WPD S West acquiring Central Networks West plc and Central Networks East plc.
5. The Notice of 31 August 2011 can be found at:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=602&refer=Networks/ElecDist/PriceCtrls/DPCR5>

6. The Authority has not received a direction from the Secretary of State not to make the proposed licence modifications.
7. The Authority has not received any notice of objection to the modifications from any of the Licensees either by 28 September 2011 or subsequently.

**NOW** in accordance with the powers contained in section 11 of the Act and with the consent of the Licensees, the Authority **HEREBY MODIFIES** the Licences, as set out in underlined and struck-through text in the Schedule hereto.

This document constitutes notice of reasons for the Authority's decision pursuant to section 49A of the Act.



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Andy Burgess  
Associate Partner, Transmission and Distribution Policy

**For and on behalf of the Authority**  
**27 October 2011**

## Schedule

### **CRC 8. Adjustment of licensee's revenues to reflect quality of service performance**

#### **APPENDIX 1**

**Targets, incentive rates, and revenue exposure for interruptions,  
the broad measure of community satisfaction, telephony,  
severe weather, and normal weather**

(see paragraphs 8.24, 8.28, 8.32, 8.35, 8.36, 8.41, 8.42, 8.47  
and 8.50 of this condition)

Table A1: TAt – Number of customer interruptions term targets

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	109.9	109.9	109.9	109.9	109.9
Central Networks East plc	75.7	75.7	75.7	75.7	75.7
Electricity North West Ltd	52.9	52.7	52.5	52.4	52.2
Northern Electric Distribution Ltd	68.3	68.2	68.2	68.1	68.1
Yorkshire Electricity Distribution plc	75.3	75.3	75.3	75.3	75.3
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	79.5	79.5	79.5	79.5	79.5
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	73.6	73.6	73.6	73.6	73.6
EDF Energy Networks (LPN) plc	33.4	33.4	33.4	33.4	33.4
EDF Energy Networks (SPN) plc	85.0	84.2	83.3	82.5	81.7
EDF Energy Networks (EPN) plc	76.1	75.9	75.7	75.5	75.4
SP Distribution Ltd	60.1	60.1	60.1	60.1	60.1
SP Manweb plc	45.6	45.5	45.3	45.1	44.9
Scottish Hydro Electric Power Distribution plc	77.0	77.0	77.0	77.0	77.0
Southern Electric Power Distribution plc	73.8	73.2	72.6	72.0	71.4

Table A2: IRAt – Customer interruptions term incentive rate (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	0.11	0.11	0.11	0.11	0.11
Central Networks East plc	0.12	0.12	0.12	0.12	0.12
Electricity North West Ltd	0.11	0.11	0.11	0.11	0.11
Northern Electric Distribution Ltd	0.07	0.07	0.07	0.07	0.07
Yorkshire Electricity Distribution plc	0.10	0.10	0.10	0.10	0.10
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	0.05	0.05	0.05	0.05	0.05
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	0.07	0.07	0.07	0.07	0.07
EDF Energy Networks (LPN) plc	0.30	0.30	0.30	0.30	0.30
EDF Energy Networks (SPN) plc	0.10	0.10	0.10	0.10	0.10
EDF Energy Networks (EPN) plc	0.16	0.16	0.16	0.16	0.16
SP Distribution Ltd	0.09	0.09	0.09	0.09	0.09
SP Manweb plc	0.07	0.07	0.07	0.07	0.07
Scottish Hydro Electric Power Distribution plc	0.03	0.03	0.03	0.03	0.03
Southern Electric Power Distribution plc	0.13	0.13	0.13	0.13	0.13

Table A3: RLat – Revenue exposure to customer interruptions term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	2.0	2.0	2.0	2.0	2.0
Central Networks East plc	1.9	1.9	1.9	1.9	1.9
Electricity North West Ltd	1.7	1.7	1.7	1.7	1.7
Northern Electric Distribution Ltd	1.2	1.2	1.2	1.2	1.2
Yorkshire Electricity Distribution plc	1.5	1.5	1.5	1.5	1.5
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	0.9	0.9	0.9	0.9	0.9
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	1.3	1.3	1.3	1.3	1.3
EDF Energy Networks (LPN) plc	1.7	1.7	1.7	1.7	1.7
EDF Energy Networks (SPN) plc	1.5	1.5	1.5	1.5	1.5
EDF Energy Networks (EPN) plc	2.4	2.4	2.4	2.4	2.4
SP Distribution Ltd	1.7	1.7	1.7	1.7	1.7
SP Manweb plc	1.6	1.6	1.6	1.6	1.6
Scottish Hydro Electric Power Distribution plc	1.1	1.1	1.1	1.1	1.1
Southern Electric Power Distribution plc	2.3	2.3	2.3	2.3	2.3

Table A4: TBt – Duration of customer interruptions term targets

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	97.0	96.3	95.6	94.9	94.2
Central Networks East plc	69.0	68.6	68.2	67.8	67.4
Electricity North West Ltd	55.6	55.6	55.6	55.6	55.6
Northern Electric Distribution Ltd	71.3	71.1	70.9	70.7	70.6
Yorkshire Electricity Distribution plc	76.0	76.0	76.0	76.0	76.0
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	44.6	44.6	44.6	44.6	44.6
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	51.0	51.0	51.0	51.0	51.0
EDF Energy Networks (LPN) plc	41.0	41.0	41.0	41.0	41.0
EDF Energy Networks (SPN) plc	87.6	82.9	78.1	73.3	68.5
EDF Energy Networks (EPN) plc	71.1	69.7	68.3	66.8	65.4
SP Distribution Ltd	65.5	63.5	61.5	59.5	57.5
SP Manweb plc	61.1	60.6	60.1	59.6	59.1
Scottish Hydro Electric Power Distribution plc	75.1	75.1	75.1	75.1	75.1
Southern Electric Power Distribution plc	69.1	68.3	67.5	66.6	65.8

Table A5: IRBt – Duration of customer interruptions term incentive rate (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	0.40	0.40	0.40	0.40	0.40
Central Networks East plc	0.42	0.42	0.42	0.42	0.42
Electricity North West Ltd	0.56	0.56	0.56	0.56	0.56
Northern Electric Distribution Ltd	0.26	0.26	0.26	0.26	0.26
Yorkshire Electricity Distribution plc	0.37	0.37	0.37	0.37	0.37
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	0.18	0.18	0.18	0.18	0.18
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	0.25	0.25	0.25	0.25	0.25
EDF Energy Networks (LPN) plc	0.34	0.34	0.34	0.34	0.34
EDF Energy Networks (SPN) plc	0.36	0.36	0.36	0.36	0.36
EDF Energy Networks (EPN) plc	0.57	0.57	0.57	0.57	0.57
SP Distribution Ltd	0.33	0.33	0.33	0.33	0.33
SP Manweb plc	0.21	0.21	0.21	0.21	0.21
Scottish Hydro Electric Power Distribution plc	0.15	0.15	0.15	0.15	0.15
Southern Electric Power Distribution plc	0.47	0.47	0.47	0.47	0.47

Table A6: RLBT – Revenue exposure to the duration term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	5.4	5.4	5.4	5.4	5.4
Central Networks East plc	5.3	5.3	5.3	5.3	5.3
Electricity North West Ltd	4.7	4.7	4.7	4.7	4.7
Northern Electric Distribution Ltd	3.2	3.2	3.2	3.2	3.2
Yorkshire Electricity Distribution plc	4.2	4.2	4.2	4.2	4.2
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	2.5	2.5	2.5	2.5	2.5
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	3.5	3.5	3.5	3.5	3.5
EDF Energy Networks (LPN) plc	4.6	4.6	4.6	4.6	4.6
EDF Energy Networks (SPN) plc	4.2	4.2	4.2	4.2	4.2
EDF Energy Networks (EPN) plc	6.6	6.6	6.6	6.6	6.6
SP Distribution Ltd	4.7	4.7	4.7	4.7	4.7
SP Manweb plc	4.4	4.4	4.4	4.4	4.4
Scottish Hydro Electric Power Distribution plc	3.0	3.0	3.0	3.0	3.0
Southern Electric Power Distribution plc	6.3	6.3	6.3	6.3	6.3

Table A7: TRLt – Revenue exposure to quality penalties term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	13.7	13.7	13.7	13.7	13.7
Central Networks East plc	13.4	13.4	13.4	13.4	13.4
Electricity North West Ltd	12.0	12.0	12.0	12.0	12.0
Northern Electric Distribution Ltd	8.2	8.2	8.2	8.2	8.2
Yorkshire Electricity Distribution plc	10.7	10.7	10.7	10.7	10.7
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	6.2	6.2	6.2	6.2	6.2
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	8.9	8.9	8.9	8.9	8.9
EDF Energy Networks (LPN) plc	11.7	11.7	11.7	11.7	11.7
EDF Energy Networks (SPN) plc	10.5	10.5	10.5	10.5	10.5
EDF Energy Networks (EPN) plc	16.7	16.7	16.7	16.7	16.7
SP Distribution Ltd	11.8	11.8	11.8	11.8	11.8
SP Manweb plc	11.1	11.1	11.1	11.1	11.1
Scottish Hydro Electric Power Distribution plc	7.7	7.7	7.7	7.7	7.7
Southern Electric Power Distribution plc	15.9	15.9	15.9	15.9	15.9

Table A8: SEt – Maximum revenue exposure to the stakeholder engagement term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc			0.7	0.7	0.7
Central Networks East plc			0.7	0.7	0.7
Electricity North West Ltd			0.6	0.6	0.6
Northern Electric Distribution Ltd			0.4	0.4	0.4
Yorkshire Electricity Distribution plc			0.6	0.6	0.6
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc			0.3	0.3	0.3
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc			0.5	0.5	0.5
EDF Energy Networks (LPN) plc			0.6	0.6	0.6
EDF Energy Networks (SPN) plc			0.6	0.6	0.6
EDF Energy Networks (EPN) plc			0.9	0.9	0.9
SP Distribution Ltd			0.6	0.6	0.6
SP Manweb plc			0.6	0.6	0.6
Scottish Hydro Electric Power Distribution plc			0.4	0.4	0.4
Southern Electric Power Distribution plc			0.9	0.9	0.9

Table A9: AROut – Maximum upside allowed revenue term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc			2.9	2.9	2.9
Central Networks East plc			2.9	2.9	2.9
Electricity North West Ltd			2.6	2.6	2.6
Northern Electric Distribution Ltd			1.8	1.8	1.8
Yorkshire Electricity Distribution plc			2.3	2.3	2.3
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc			1.3	1.3	1.3
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc			1.9	1.9	1.9
EDF Energy Networks (LPN) plc			2.5	2.5	2.5
EDF Energy Networks (SPN) plc			2.3	2.3	2.3
EDF Energy Networks (EPN) plc			3.6	3.6	3.6
SP Distribution Ltd			2.5	2.5	2.5
SP Manweb plc			2.4	2.4	2.4
Scottish Hydro Electric Power Distribution plc			1.7	1.7	1.7
Southern Electric Power Distribution plc			3.4	3.4	3.4

Table A10: ARODt – Maximum downside allowed revenue term (£ million, 2007/08 prices)

Licensee	2010-11	2011-12	2012-13	2013-14	2014-15
Central Networks West plc			-1.8	-1.8	-1.8
Central Networks East plc			-1.8	-1.8	-1.8
Electricity North West Ltd			-1.6	-1.6	-1.6
Northern Electric Distribution Ltd			-1.1	-1.1	-1.1
Yorkshire Electricity Distribution plc			-1.4	-1.4	-1.4
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc			-0.8	-0.8	-0.8
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc			-1.2	-1.2	-1.2
EDF Energy Networks (LPN) plc			-1.6	-1.6	-1.6
EDF Energy Networks (SPN) plc			-1.4	-1.4	-1.4
EDF Energy Networks (EPN) plc			-2.2	-2.2	-2.2
SP Distribution Ltd			-1.6	-1.6	-1.6
SP Manweb plc			-1.5	-1.5	-1.5
Scottish Hydro Electric Power Distribution plc			-1.0	-1.0	-1.0
Southern Electric Power Distribution plc			-2.1	-2.1	-2.1

Table A11: ARCMt – Complaints metric allowed revenue term (£ million, 2007/08 prices)

Licensee	2010-11	2011-12	2012-13	2013-14	2014-15
Central Networks West plc			1.8	1.8	1.8
Central Networks East plc			1.8	1.8	1.8
Electricity North West Ltd			1.6	1.6	1.6
Northern Electric Distribution Ltd			1.1	1.1	1.1
Yorkshire Electricity Distribution plc			1.4	1.4	1.4
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc			0.8	0.8	0.8
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc			1.2	1.2	1.2
EDF Energy Networks (LPN) plc			1.6	1.6	1.6
EDF Energy Networks (SPN) plc			1.4	1.4	1.4
EDF Energy Networks (EPN) plc			2.2	2.2	2.2
SP Distribution Ltd			1.6	1.6	1.6
SP Manweb plc			1.5	1.5	1.5
Scottish Hydro Electric Power Distribution plc			1.0	1.0	1.0
Southern Electric Power Distribution plc			2.1	2.1	2.1

Table A12: Upside QDt – Positive adjustment to allowed revenue where QDt is greater than or equal to 4.4 (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	0.2	0.2			
Central Networks East plc	0.2	0.2			
Electricity North West Ltd	0.2	0.2			
Northern Electric Distribution Ltd	0.1	0.1			
Yorkshire Electricity Distribution plc	0.1	0.1			
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	0.1	0.1			
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	0.1	0.1			
EDF Energy Networks (LPN) plc	0.2	0.2			
EDF Energy Networks (SPN) plc	0.1	0.1			
EDF Energy Networks (EPN) plc	0.2	0.2			
SP Distribution Ltd	0.2	0.2			
SP Manweb plc	0.1	0.1			
Scottish Hydro Electric Power Distribution plc	0.1	0.1			
Southern Electric Power Distribution plc	0.2	0.2			

Table A13: RLDt – Revenue exposure to the telephony performance penalty term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	0.9	0.9			
Central Networks East plc	0.9	0.9			
Electricity North West Ltd	0.8	0.8			
Northern Electric Distribution Ltd	0.5	0.5			
Yorkshire Electricity Distribution plc	0.7	0.7			
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	0.4	0.4			
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	0.6	0.6			
EDF Energy Networks (LPN) plc	0.8	0.8			
EDF Energy Networks (SPN) plc	0.7	0.7			
EDF Energy Networks (EPN) plc	1.1	1.1			
SP Distribution Ltd	0.8	0.8			
SP Manweb plc	0.7	0.7			
Scottish Hydro Electric Power Distribution plc	0.5	0.5			
Southern Electric Power Distribution plc	1.0	1.0			

Table A14: RLft – Severe weather revenue exposure term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	6.8	6.8	6.8	6.8	6.8
Central Networks East plc	6.7	6.7	6.7	6.7	6.7
Electricity North West Ltd	6.0	6.0	6.0	6.0	6.0
Northern Electric Distribution Ltd	4.1	4.1	4.1	4.1	4.1
Yorkshire Electricity Distribution plc	5.3	5.3	5.3	5.3	5.3
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	3.1	3.1	3.1	3.1	3.1
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	4.5	4.5	4.5	4.5	4.5
EDF Energy Networks (LPN) plc	5.9	5.9	5.9	5.9	5.9
EDF Energy Networks (SPN) plc	5.3	5.3	5.3	5.3	5.3
EDF Energy Networks (EPN) plc	8.3	8.3	8.3	8.3	8.3
SP Distribution Ltd	5.9	5.9	5.9	5.9	5.9
SP Manweb plc	5.5	5.5	5.5	5.5	5.5
Scottish Hydro Electric Power Distribution plc	3.8	3.8	3.8	3.8	3.8
Southern Electric Power Distribution plc	7.9	7.9	7.9	7.9	7.9

Table A15: RLgt – Normal weather revenue exposure term (£ million, 2007/08 prices)

<b>Licensee</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Central Networks West plc	5.1	5.1	5.1	5.1	5.1
Central Networks East plc	5.0	5.0	5.0	5.0	5.0
Electricity North West Ltd	4.5	4.5	4.5	4.5	4.5
Northern Electric Distribution Ltd	3.1	3.1	3.1	3.1	3.1
Yorkshire Electricity Distribution plc	4.0	4.0	4.0	4.0	4.0
Western Power Distribution (South <del>West</del> <u>Wales</u> ) plc	2.3	2.3	2.3	2.3	2.3
Western Power Distribution (South <del>Wales</del> <u>West</u> ) plc	3.4	3.4	3.4	3.4	3.4
EDF Energy Networks (LPN) plc	4.4	4.4	4.4	4.4	4.4
EDF Energy Networks (SPN) plc	4.0	4.0	4.0	4.0	4.0
EDF Energy Networks (EPN) plc	6.2	6.2	6.2	6.2	6.2
SP Distribution Ltd	4.4	4.4	4.4	4.4	4.4
SP Manweb plc	4.2	4.2	4.2	4.2	4.2
Scottish Hydro Electric Power Distribution plc	2.9	2.9	2.9	2.9	2.9
Southern Electric Power Distribution plc	6.0	6.0	6.0	6.0	6.0

## CRC 12. Licensee's Connection Activities: Margins and the development of competition

### APPENDIX 2

#### Revenue adjustments for untimely systems and processes

Table A2.1: Connections Guaranteed Standards of Performance Systems and Processes Combined Allowed Distribution Network Revenue adjustments (£million 2007/08 prices)

Licensee	Penalty rate per quarter or part-quarter
Central Networks West plc	1.3
Central Networks East plc	1.3
Electricity North West Ltd	1.2
Northern Electric Distribution Ltd	0.8
Yorkshire Electricity Distribution plc	1.0
Western Power Distribution (South <del>West</del> <u>Wales</u> )	0.6
Western Power Distribution (South <del>Wales</del> <u>West</u> )	0.9
EDF Energy Networks (LPN) plc	1.1
EDF Energy Networks (SPN) plc	1.0
EDF Energy Networks (EPN) plc	1.6
SP Distribution Ltd	1.1
SP Manweb plc	1.1
Scottish Hydro Electric Power Distribution plc	0.7
Southern Electric Power Distribution plc	1.5

## APPENDIX 3

### Revenue adjustments in respect of performance failures

Table A3.1: Total DPCR5 revenue exposure to payments under the Connection Regulations and any Distributed Generation Connection Standards (£million 2007/08 prices)

Licensee	TCGSR
Central Networks West plc	26.5
Central Networks East plc	26.0
Electricity North West Ltd	23.3
Northern Electric Distribution Ltd	15.9
Yorkshire Electricity Distribution plc	20.7
Western Power Distribution (South <del>West</del> <u>Wales</u> )	12.1
Western Power Distribution (South <del>Wales</del> <u>West</u> )	17.3
EDF Energy Networks (LPN) plc	22.7
EDF Energy Networks (SPN) plc	20.4
EDF Energy Networks (EPN) plc	32.3
SP Distribution Ltd	22.9
SP Manweb plc	21.5
Scottish Hydro Electric Power Distribution plc	14.9
Southern Electric Power Distribution plc	30.8

## **CRC 18. Arrangements for the recovery of uncertain costs**

### **Introduction**

- 18.1 This condition enables the licensee to propose, and the Authority to determine, such adjustments to the Charge Restriction Conditions (“relevant adjustments”) as are necessary to enable the licensee to recover the following categories of costs insofar as they are efficiently incurred:
- (a) Specific Security Expenditure Items;
  - (b) RLM System Costs;
  - (c) TMA Permitting Costs;
  - (d) High-Value Project Costs; and
  - (e) Load-Related Costs.
- 18.2 This condition provides for the licensee to propose relevant adjustments only during certain periods (“application windows”) specified below.
- 18.3 This condition also allows the Authority in certain circumstances to review the RLM System Costs incurred, or likely to be incurred, by the licensee and, if appropriate, to direct that an adjustment be made in respect of them.

### **Part A: Licensee’s ability to propose a relevant adjustment**

- 18.4 The licensee may by Notice to the Authority, and in accordance with Parts B and C below, propose a relevant adjustment to the Charge Restriction Conditions in relation to any of the categories of costs listed in paragraph 18.1 where the costs within that particular category are relevant costs and constitute a material amount for the purposes of this Part A.
- 18.5 The relevant costs are:
- (a) in the case of each of RLM System Costs, Specific Security Expenditure Items and TMA Permitting Costs, the efficient costs incurred or likely to be incurred by the licensee; and
  - (b) in the case of each of High-Value Project Costs and Load-Related Costs, the efficient costs incurred or likely to be incurred by the licensee in excess of the Authority’s baseline for that particular category of costs as set out in Appendix 1 to this condition.
- 18.6 A material amount is:
- (a) in the case of each of RLM System Costs and Specific Security Expenditure Items, the amount of relevant costs, when multiplied by the IQI Incentive Rate for the relevant year, that exceeds or is likely to exceed 1 per cent of Base Demand Revenue for the Regulatory Year beginning on 1 April 2010 as

determined in accordance with Part C of CRC 3 (Restriction of Distribution Charges: Use of System Charges);

- (b) in the case of TMA Permitting Costs, the amount of relevant costs, following the application of the IQI Incentive Rate for the relevant year to:
  - (i) any additional administrative costs arising from the introduction of permit schemes; and
  - (ii) any additional costs arising from the introduction of permit conditions within those relevant costs, that exceeds or is likely to exceed 1 per cent of Base Demand Revenue for the Regulatory Year beginning on 1 April 2010 as determined in accordance with Part C of CRC 3 (Restriction of Distribution Charges: Use of System Charges); and
- (c) in the case of each of High-Value Project Costs and Load-Related Costs, the amount of relevant costs in excess of 20 per cent of the Authority's baseline for that particular category of costs which, when multiplied by the IQI Incentive Rate for the relevant year, exceeds or is likely to exceed 1 per cent of Base Demand Revenue for the Regulatory Year beginning on 1 April 2010 as determined in accordance with Part C of CRC 3 (Restriction of Distribution Charges: Use of System Charges).

18.7 A relevant adjustment:

- (a) is one which the licensee believes would have the effect of enabling it to recover any of those relevant costs which would not otherwise be recoverable under the Charge Restriction Conditions; and
- (b) may concern relevant costs that the licensee has incurred, or is likely to incur, after 1 April 2010.

## **Part B: Application windows for relevant adjustments**

18.8 There are two application windows during which a licensee may propose a relevant adjustment:

- (a) the first application window opens on 1 July 2012 and closes on 31 July 2012; and
  - (b) the second application window opens on 1 January 2013 and closes on 31 January 2013.
- 18.9 If a relevant adjustment concerns Specific Security Expenditure Items, RLM System Costs or TMA Permitting Costs it must be proposed by the licensee during the first application window.
- 18.10 If a relevant adjustment concerns High-Value Project Costs or Load-Related Costs it must be proposed by the licensee during the second application window.
- 18.11 A relevant adjustment proposed by a licensee outside the appropriate application window as set out in paragraphs 18.8 to 18.10 will not be determined by the Authority under the process provided for in this condition.

### **Part C: Other provisions relating to the licensee's proposal**

- 18.12 A Notice served by the licensee under Part A above must in all cases:
- (a) state the obligations or requirements to which the Notice relates;
  - (b) set out by reference to each category of costs the basis on which the licensee has calculated the relevant adjustment; and
  - (c) state the date from which the licensee wishes the Authority to agree that the relevant adjustment will have effect ("the adjustment date").
- 18.13 The adjustment date must not be a date earlier than:
- (a) 1 April 2013 in the case of a relevant adjustment proposed during the first application window; and
  - (b) 1 October 2013 in the case of a relevant adjustment proposed during the second application window.
- 18.14 The relevant adjustment proposed in the licensee's Notice must be demonstrated to be a material amount for the purposes of each category of costs to which the Notice refers.

### **Part D: Authority's determination of the relevant adjustment**

- 18.15 Where the licensee serves a Notice under Part A, the Authority may, within four months of the close of the appropriate application window, determine the relevant adjustment to the Charge Restriction Conditions in such manner as it considers appropriate, subject to paragraph 18.16.
- 18.16 In determining the relevant adjustment under this Part D, the Authority must:
- (a) consult with the licensee;
  - (b) have particular regard to the purposes of this condition; and

- (c) take no account of the financial performance of the licensee relative to any of the assumptions, whether express or implied, by reference to which the Charge Restriction Conditions may have been framed.

18.17 The provisions of Part E below are also relevant to the Authority's use of its power of determination under this Part D.

#### **Part E: Other provisions relating to the power of determination**

18.18 The power of the Authority to determine a relevant adjustment under Part D is a power to confirm, reject or vary the relevant adjustment proposed by the licensee.

18.19 Without prejudice to paragraph 18.18, a determination by the Authority of a relevant adjustment may include such adjustments as it thinks fit in respect of costs likely to be incurred by the licensee in subsequent Regulatory Years within the category of costs to which the relevant adjustment relates.

#### **Part F: Licensee's right to make a relevant adjustment**

18.20 If the Authority has not determined the relevant adjustment proposed by the licensee within four months of the close of the appropriate application window, and that Notice has not been withdrawn, the licensee may give Notice to the Authority that the relevant adjustment will take effect from the adjustment date for all relevant purposes under the Charge Restriction Conditions.

#### **Part G: RLM System Costs**

18.21 At the close of the first application window the Authority will review the RLM System Costs of the licensee if the licensee has incurred such costs in the period since 1 April 2010 or if the Authority's baseline for this particular category of costs includes an amount for the licensee (as reflected in Appendix 2 to this condition).

18.22 Subject to the conclusion of that review, the Authority may direct that an adjustment be made in respect of any RLM System Costs incurred, or likely to be incurred, by the licensee during any Regulatory Year.

18.23 If the Authority conducts a review under this Part G, it will not determine any relevant adjustment proposed by a licensee under Part A insofar as that relevant adjustment relates to RLM System Costs.

#### **Part H: Treatment of an adjustment or relevant adjustment**

18.24 The amount of the term UNCT for the purposes of the calculations for which CRC 4 (Restriction of Distribution Charges: calculation of Allowed Pass-Through Items) makes provision is the total amount of:

- (a) any relevant adjustment or adjustments in respect of any Regulatory Year t, whether determined by the Authority under Part D or made by the licensee under Part F of this condition; and

- (b) any adjustment in respect of any Regulatory Year t that may be directed by the Authority under Part G of this condition.

## Part I: Interpretation

18.25 For the purposes of this condition, the following definitions apply:

<b>Black Start Capability Costs</b>	means costs that have been incurred by the licensee to meet black start capability requirements and associated emergency battery requirements.
<b>CNI Costs</b>	means costs that have been incurred by the licensee in relation to security enhancements to any of the licensee's sites that are vital to the normal operation of the licensee's Distribution System, taking account of Home Office and MI5 guidance on the protection of critical national infrastructure.
<b>High-Value Project Costs</b>	are costs that have been incurred by the licensee in relation to large investment projects with a value in excess of £15 million in respect of which an amount has been included for the licensee in the Authority's baseline for that particular category of costs (as reflected in Appendix 2 to this condition).
<b>IQI Incentive Rate</b>	means the incentive rate <u>applicable to the relevant year</u> set out in <u>Chapter 8 of the Authority's decision document published on 7 December 2009 under references 146/09 and reflected in Appendix 1 to this condition.</u>
<b>Load-Related Costs</b>	means costs incurred by the licensee in connecting new system assets to its Distribution System because of:  (a) a new high-voltage or extra-high voltage connection or system reinforcement associated with shared-asset connections or both; and  (b) general reinforcement of the licensee's Distribution System,  but exclude High-Value Project Costs.
<b>RLM System Costs</b>	means the costs incurred by the licensee in inspecting, maintaining or replacing rising and lateral electrical mains systems (being cables or busbars that connect to the intake terminals

in a multiple occupancy building within the licensee's Distribution Services Area).

**Specific Security Expenditure Items** refers to the combination of Black Start Capability Costs and CNI Costs.

**TMA Permitting Costs** are the costs incurred by the licensee in complying with obligations or requirements arising under any order or regulations made under Part 3 of the Traffic Management Act 2004 (or, in Scotland, the Transport (Scotland) Act 2005) that impose a permit scheme and comprise:

- (a) permit fee costs;
- (b) one-off set-up costs;
- (c) additional administrative costs arising from the introduction of permit schemes; and
- (d) additional costs arising from the introduction of permit conditions,

as described in Chapter 7 of the Authority's decision document published on 7 December 2009 under reference 146/09.

18.26 Expressions defined in paragraph 18.25 above are to be read and given effect subject to any further explanation or elaboration set out in the relevant Regulatory Instructions and Guidance issued by the Authority under standard condition 48 of this licence in relation to the reporting of Price Control Cost Information.

18.27 Appendices 1 and 2 follow immediately below.

## APPENDIX 1

### IQI Incentive Rate

(see paragraph 18.25 of this condition)

<b>Licensee</b>	<b>Incentive rate for <u>2010-11</u></b>	<b><u>Incentive rate for 2011-12 to 2014-15</u></b>
Central Networks West plc	47%	<u>49%</u>
Central Networks East plc	47%	<u>49%</u>
Electricity North West Ltd	45%	<u>45%</u>
Northern Electric Distribution Ltd	48%	<u>48%</u>
Yorkshire Electricity Distribution plc	48%	<u>48%</u>
Western Power Distribution (South Wales) plc	51%	<u>49%</u>
Western Power Distribution (South West) plc	51%	<u>49%</u>
EDF Energy Networks (LPN) plc	45%	<u>45%</u>
EDF Energy Networks (SPN) plc	45%	<u>45%</u>
EDF Energy Networks (EPN) plc	45%	<u>45%</u>
SP Distribution Ltd	45%	<u>45%</u>
SP Manweb plc	45%	<u>45%</u>
Scottish Hydro Electric Power Distribution plc	49%	<u>49%</u>
Southern Electric Power Distribution plc	49%	<u>49%</u>