

The Company Secretary:

1. Eastern Power Networks Plc (Company No. 2366906)
London Power Networks Plc (Company No. 3929195)
South Eastern Power Networks Plc (Company No. 3043097)
Newington House, 237 Southwark Bridge Road
London SE1 6NP

2. Electricity North West Limited (Company No. 2366949)
304 Bridgewater Place
Birchwood Park
Warrington WA3 6XG

3. Northern Electric Distribution Limited (Company No. 2906593)
Yorkshire Electricity Distribution Plc (Company No. 4112320)
Lloyds Court, 78 Grey Street
Newcastle-Upon-Tyne NE1 6AF

4. Scottish Hydro Electric Power Distribution Plc (Company No. SC213460)
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

5. Southern Electric Power Distribution Plc (Company No. 4094290)
55 Vastern Road
Reading
Berkshire RG1 8BU

6. SP Distribution Limited (Company No. SC189125)
1 Atlantic Quay
Robertson Street
Glasgow G2 8SP

7. SP Manweb Plc (Company No. 2366937)
3 Prenton Way
Prenton CH43 3ET

8. 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

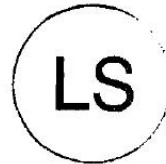
SECTION 11 OF THE ELECTRICITY ACT 1989
MODIFICATION OF THE DISTRIBUTION LICENCES GRANTED OR TREATED AS
GRANTED UNDER SECTION 6(1)(c) OF THE ELECTRICITY ACT 1989

WHEREAS

1. The following companies all hold electricity distribution licences (“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. Eastern Power Networks Plc (Company No. 2366906);
 - b. London Power Networks Plc (Company No. 3929195);
 - c. South Eastern Power Networks Plc (Company No. 3043097);
 - d. Electricity North West Limited (Company No. 2366949);
 - e. Northern Electric Distribution Limited (Company No. 2906593);
 - f. Yorkshire Electricity Distribution Plc (Company No. 4112320);
 - g. Scottish Hydro Electric Power Distribution Plc (Company No. SC213460);
 - h. Southern Electric Power Distribution Plc (Company No. 4094290);
 - i. SP Distribution Limited (Company No. SC189125);
 - j. SP Manweb Plc (Company No. 2366937);
 - k. Western Power Distribution (South Wales) Plc (Company No. 2366985);
 - l. Western Power Distribution (South West) Plc (Company No. 2366894);
 - m. Western Power Distribution (East Midlands) Plc (Company No. 2366923); and
 - n. 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 the Licensees by amending paragraph 8.41 of Charge Restriction Condition 8 (Adjustments of licensee’s revenues to reflect quality of service performance) in relation to the revised telephony score (‘RTS’) term, in the manner set out in the Schedule to this Notice.
3. The reasons for the decision to modify the Licences are set out in the Notice of 31 August 2011 (reference 114/11). In summary, the modification will correctly specify the outcome if the Licensees RTS performance is greater than 4.4.
4. The Notice of 31 August 2011 can be found at:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=603&refer=Networks/ElecDist/PriceCtrls/DPCR5>
5. The Authority has not received a direction from the Secretary of State not to make the proposed licence modifications.
6. 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.



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

Part E: Performance in relation to telephony response

8.37 This Part E applies for the purposes of the calculations established under:

- (a) Part A above in respect of Principal Formula 2; and
- (b) Part C above in respect of the formula for the term QBt.

8.38 For the purposes of those formulas:

QDt means the adjustment to Combined Allowed Distribution Network Revenue in respect of the licensee's overall surveyed performance in Regulatory Year t in relation to the targets for the speed and quality of telephone response in that year.

8.39 In calculating the value of QDt under this Part E (see paragraph 8.41), the term RTSt refers to the revised telephony score, including a weighting on unsuccessful calls, and is derived from the following formula:

$$RTS_t = APTR_t \times (1 - (UNCP_t \times 0.75))$$

8.40 In the formula for the RTS term above:

APTRt (*the telephony performance term*) is the actual overall performance score for the licensee in the Regulatory Year t, based on all assessed attributes in the survey of the quality and speed of telephone response provided to the Authority by the company carrying out that survey, as notified by the Authority to the licensee.

UNCPt (*the unsuccessful calls term*) is the actual unsuccessful proportion of calls (within a range of values from 0 to 1) in Regulatory Year t, as defined in the Quality of Service RIGs.

8.41 In Regulatory Year t, if RTSt is greater than or equal to 4.4, QDt is the amount as specified for Regulatory Year t for the licensee in table A12 in Appendix 1, expressed in £ million in 2007/08 prices to be inflated by PIAt. ~~derived from the following formula:~~

$$QD_t = RLD_t \times PIA_t$$

In Regulatory Year t, if RTSt is greater than or equal to 3.9 and less than 4.4, QDt has the value of zero.

In Regulatory Year t , if $RTSt$ is less than 3.9, QDt is the amount derived from the following formula:

$$QD_t = \max[(RTS_t - 3.9) \times PIA_t \times IRC_t, -RLD_t \times PIA_t]$$

8.42 In the formula for the QDt term above:

IRC_t (*the telephony performance penalty term*) means the penalty rate in Regulatory Year t for performance in respect of the speed and quality of the licensee's telephone response and is derived from the following formula:

$$IRC_t = 2 \times RLD_t$$

where:

RLD_t (*the revenue exposure to telephony penalties term*) means the maximum amount of revenue exposed to penalties under the incentives for the quality and speed of telephone response and has the value as specified for Regulatory Year t for the licensee in table A13 in Appendix 1, in £ million in 2007/08 prices.