

To the Company Secretary:

Northern Powergrid (Northeast) Limited
(Company Number 02906593)
Lloyds Court
78 Grey Street
Newcastle upon Tyne
NE1 6AF

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

Electricity North West Limited
(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

London Power Networks plc
(Company Number 03929195)
Newington House
237 Southwark Bridge Road
London
SE1 6NP

South Eastern Power Networks plc
(Company Number 03043097)
Newington House
237 Southwark Bridge Road
London
SE1 6NP

Scottish Hydro Electric Power Distribution plc
(Company Number SC213460)
Inveralmond House
200 Dunkeld Road
Perth
Perthshire
PH1 3AQ

Southern Electric Power Distribution plc
(Company Number 04094290)
55 Vastern Road
Reading
Berkshire
RG1 8BU

SP Distribution Limited
(Company Number SC189125)
1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP

SP Manweb plc
(Company Number 02366937)
3 Prenton Way
Prenton
CH43 3ET

Western Power Distribution (East Midlands) plc
(Company Number 02366923)
Avonbank, Feeder Road
Bristol
BS2 0TB

Western Power Distribution (West Midlands) plc
(Company Number 03600574)
Avonbank, Feeder Road
Bristol
BS2 0TB

Western Power Distribution (South West) plc
(Company Number 02366894)
Avonbank, Feeder Road
Bristol
BS2 0TB

Western Power Distribution (South Wales) plc
(Company Number 02366985)
Avonbank, Feeder Road
Bristol
BS2 0TB

SECTION 11 OF THE ELECTRICITY ACT 1989

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

1. To:
 - a. Northern Powergrid (Northeast) Limited
 - b. Northern Powergrid (Yorkshire) 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

2. The companies to whom this document is addressed (the "Licensees") each hold an electricity distribution licence (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").

3. In accordance with section 11(3) of the Act the Authority gave notice on 12 August 2011 (the "Notice") on its website that it proposed to modify the Licences by inserting into paragraph 3 of Charge Restriction Condition 3 (Restriction of Distribution Charges: Use of System Charges) ("CRC 3") an additional term (CTRAt) that allows the Authority to determine in a direction the value arising from the activation of the tax trigger mechanism for the relevant years commencing 1 April 2010.

4. In accordance with section 11(4) of the Act the Authority sent a copy of the Notice to the Secretary of State and did not receive by 21 September 2011 or at all, a direction from the Secretary of State not to make any modification.

5. The Licensees have consented in writing to the modification and no objections to the modification were received by the Authority by 21 September 2011 or at all. SP Energy Networks (SP Distribution Limited and SP Manweb plc) proposed a minor rewording change to make the wording of paragraph 3.4 of CRC 3 consistent with the Mgt term as set out in paragraph 3.6 of CRC 3. This change does not change the effect of the modification and we have made this change to ensure consistency in the Licences.

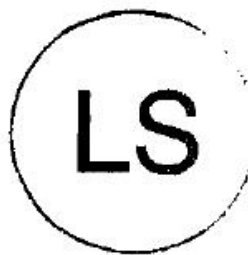
6. The reasons why the Authority proposes to make the modification is to implement the tax trigger mechanism set out in Chapter 9 of the Financial Methodologies document Electricity Distribution Price Control Review Final Proposals – Financial Methodologies 147/09 dated 7 December 2009 for the Regulatory 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) term as determined by the activation of the tax trigger mechanism.

7. The effect of the modification will be that the CTRAt term can be determined in a direction given by the Authority for Regulatory Years commencing on 1 April 2011.

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 in the manner set out in the Annex hereto.

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

The Official Seal of the Authority hereto affixed is authenticated by the signature of:



Andy Burgess – Associate Partner Transmission and Distribution Policy

Authorised on behalf of the Authority

Dated 12 December 2011

ANNEX

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

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, in relation to the Regulatory Year beginning on 1 April 2010 and any subsequent Regulatory Year, has the value of zero, unless the Authority has directed otherwise.