

To Company Secretary:

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

SP Manweb plc (Reg Company 2366937)
3 Prenton Way
Prenton
CH43 3ET

Electricity North West Ltd (Reg Company 2366949)
304 Bridgewater Place
Birchwood Park
Birchwood
Warrington
WA3 6XG

Scottish Hydro Electric Power Distribution Plc (Reg Company SC213460)
Inveralmond House
200 Dunkeld Road
Perth Scotland
PH1 3AQ

Southern Electric Power Distribution Plc (Reg Company 4094290)
55 Vastern Road
Reading
Berkshire
RG1 8BU

Northern Power Grid (Northeast) Ltd (Registered Company 2906593)
Northern Power Grid (Yorkshire) Plc (Registered Company 4112320)
Lloyds Court
78 Grey Street
Newcastle upon Tyne
NE1 6AF

London Power Networks Plc (Reg Company 3929195)
South Eastern Power Networks Plc (Reg Company 3929195)
Eastern Power Networks Plc (Reg Company 2366906)
Newington House
237 Southwark Bridge Road
London SE1 6NP

WPD (South Wales) (Reg Company 2366985)
WPD (South West) (Reg Company 2366894)
WPD (East Midlands) (Reg Company 2366985)
WPD (West Midlands) (Reg Company 3600574)
Avonbank
Feeder Road
Bristol
Avon BS2 0TB

Direction given by the Gas and Electricity Markets Authority pursuant to paragraph 8.34 of Charge Restriction Condition 8 of the distribution licence treated as granted under section 6, (1), (c) of the Electricity Act 1989 in respect of the adjustment of licensee's revenues to reflect quality of service performance.

WHEREAS

1. The following companies 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. The Licence includes the Charge Restriction Conditions (CRC) which incorporate a number of incentives, including the broad measure of community satisfaction (see CRC8).
3. The broad measure of community satisfaction is due to be implemented on 1 April 2012 and consists of three elements: community satisfaction survey; complaints metric; and stakeholder engagement.
4. Paragraph 8.34 of CRC8 (Adjustment of licensee's revenues to reflect quality of service performance) sets out the method of calculation of the community satisfaction survey and which requires values to be set for the V_t , X_t , Y_t and Z_t terms. The V_t , X_t , Y_t and Z_t terms are the incentive rate terms for the community satisfaction survey element of the electricity distribution DPCR5 broad measure of community satisfaction.
5. Pursuant to CRC8 the incentive rate term should be set at an appropriate range of deviation from the mean of all licensees that are subject to this condition. The licence states that this range should be notified "in a direction given for the purposes of this condition generally not later than 31 March 2012 following consultation with the licensee and all other Distribution Service Providers".

6. On 20 December 2011, we consulted on the value of the incentive rate term. In our consultation we outlined our "minded to" position, which was to give each incentive rate term a value of 1.75 standard deviations. We received seven responses to our consultation, all of which are published on our website at www.ofgem.gov.uk.
7. We believe that 1.75 standard deviations best achieves the objectives of the incentive rate term. These objectives are that the incentive rate term should be based on a statistically recognised range of deviation; should deliver rewards and penalties that reflect performance; should incentivise all licensees to improve performance and should be capable of withstanding changes in industry performance.

DIRECTION

8. Having carefully considered the responses that we received to our consultation, we hereby direct, with effect from 1 April 2012, that V_t , X_t , Y_t and Z_t should each have a value of 1.75 standard deviations from the mean score, for the measure concerned, of all the licensees that are subject to this condition in regulatory year t .
9. This document constitutes the notice required from the Authority under section 49A of the Electricity Act 1989 in relation to the direction issued by the Authority.

Andrew Burgess
Associate Partner, Transmission and Distribution Policy

A handwritten signature in blue ink that reads "Andy Burgess". The signature is written in a cursive, flowing style.

Duly Authorised on behalf of the Authority
29 March 2012

