

To:

1. The Company Secretary
Eastern Power Networks Plc (Company No. 2366906)
London Power Networks Plc (Company No. 3929195)
South Eastern Power Networks Plc (Company No. 3043097)
UK Power Networks (IDNO) Limited (Company No. 6489447)
Newington House
237 Southwark Bridge Road
London SE1 6NP
2. The Company Secretary
Electricity North West Limited (Company No. 2366949)
304 Bridgewater Place
Birchwood Park
Warrington WA3 6XG
3. The Company Secretary
Northern Powergrid (Northeast) Limited (Company No. 2906593)
Northern Powergrid (Yorkshire) Plc (Company No. 4112320)
Lloyds Court
78 Grey Street
Newcastle-Upon-Tyne NE1 6AF
4. The Company Secretary
Scottish Hydro Electric Power Distribution Plc (Company No. SC213460)
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ
5. The Company Secretary
Southern Electric Power Distribution Plc (Company No. 4094290)
55 Vastern Road
Reading
Berkshire RG1 8BU
6. The Company Secretary
SP Distribution Limited (Company No. SC189125)
1 Atlantic Quay
Robertson Street
Glasgow G2 8SP
7. The Company Secretary
SP Manweb Plc (Company No. 2366937)
3 Prenton Way
Prenton CH43 3ET
8. The Company Secretary
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 BS2 0TB

**DIRECTION ISSUED PURSUANT TO CONDITION 49.6 OF THE STANDARD
CONDITIONS OF THE ELECTRICITY DISTRIBUTION LICENCE, MODIFYING THE
REGULATORY INSTRUCTIONS AND GUIDANCE PUBLISHED BY THE AUTHORITY
ON 27 APRIL 2012 AND ISSUED TO ALL HOLDERS OF ELECTRICITY
DISTRIBUTION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION
6(1)(c) OF THE ELECTRICITY ACT 1989**

WHEREAS:

1. The parties to whom this document is addressed (the "Licensees") 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").
2. In accordance with Condition 49.12 of the Standard Conditions of the Electricity Distribution Licence ("the SLCs") of the said Licences, the Authority gave notice on 16 November 2012 in writing and on its website that it proposed to make a number of modifications to the Regulatory Instructions and Guidance ("the RIGs") published by the Authority on 27 April 2012 and issued to Licensees by the Authority under the SLCs.
3. The RIGs are as listed in Condition 49.2 of the SLCs and comprise:
 - the Connection RIGs (standard condition 15A);
 - the Network Outputs RIGs (standard condition 44A);
 - the Distribution Losses Reporting RIGs (standard condition 44B);
 - the LCN Fund RIGs (standard condition 44C);
 - the Quality of Service RIGs (standard condition 45);
 - the Transmission Connection Point Charges RIGs (standard condition 45A);
 - the DG RIGs (standard condition 46);
 - the Business Carbon Footprint RIGs (standard condition 46A);
 - the Revenue Reporting RIGs (standard condition 47); and
 - the Cost Reporting RIGs (standard condition 48).
4. The modifications to the RIGs are being made in accordance with the provisions of Condition 49 of the SLCs.
5. In accordance with the requirements of Condition 49.12 of the SLCs, the notice of 16 November 2012 referred to at paragraph 2 above set out the reasons for the modifications and specified that any representations on the proposed modifications must be made within 28 days of the date of the notice (ie on or before 14 December 2012).
6. The notice of 16 November 2012 further stated a proposed effective date for the revised RIGs as being 1 April 2013.

7. The notice of 16 November 2012 and associated documents can be found at <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=755&refer=Networks/ElecDist/Policy/losses-incentive-mechanism>.
8. The Authority has considered all representations made by the Licensees on the proposed modifications. The non-confidential responses have been placed on the Ofgem website.
9. The Authority has decided to make the modifications set out in the notice of 16 November 2012, except for the two modifications set out in Annex 1. The rationale for not making these changes is also set out in Annex 1.
10. The Authority has also decided, taking into account responses to the statutory consultation, to make the additional modifications to the RIGs set out in Annex 2.
11. The detailed reasons for the modifications were set out in the notice of 16 November 2012. These reasons also apply to the additional modifications in Annex 2.
12. In accordance with SLC 49.8 the reasons for the modifications, including the additional modifications, are that the modifications will:
 - (1) improve the form or manner in which such information is to be provided under such requirements; and
 - (2) introduce additional categories of Specified Information.

NOW THEREFORE

The Authority hereby issues a direction to the Licensees under Standard Condition 49.6 of the SLCs confirming the modifications to the RRIGs set out in the Authority's notice of 16 November 2012, subject to Annex 1 and the additional modifications in Annex 2.

The effective date for the revised RIGs is hereby confirmed as being 1 April 2013.

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

Hannah Nixon
Senior Partner
Smarter Grids and Governance (Distribution)

For and on behalf of the Authority
26 March 2013

Annex 1 – Changes referred to in the Notice of 16 November 2012 no longer proceeding

Paragraph(s)	Page	Change no longer proceeding
4.58	64	<p>In line one, the proposed insertion of the words 'accounted for' is no longer proceeding.</p> <p>Refer to Annex 2 for replacement text.</p>
4.88	68	<p>In sentence two, the words 'and planned for the next year' deleted.</p> <p><i>Effect:</i> clarifies that reporting under the Distribution Losses Reporting Requirement does not include forecasting.</p>
4.103	73	<p>In bullet point one, the proposed deletion of the word 'reporting' and the insertion of the word 'provision' is no longer proceeding.</p> <p>In bullet point two, the proposed deletion of the word 'report' and the insertion of the word 'provide' is no longer proceeding.</p> <p><i>Effect:</i> ensures that these paragraphs which refer to audit requirements in relation to losses reporting align with Standard Licence Condition 44B.5(g).</p>

Annex 2 – The additional modifications following the statutory consultation

Distribution Losses Reporting RIGs (standard condition 44B)

Paragraph(s)	Page	Change
	62	Redundant references to Worksheet V16 – Losses DG Adjustment and V17 – Losses DG Adjustment (DGA) deleted.
4.51	62	Redundant reference to Half-hourly Settled Connection Point deleted.

Business Carbon Footprint RIGs (standard condition 46A)

Paragraph(s)	Page	Change
4.58	64	In line one, after the words 'since they are already' the word 'covered' inserted.

Revenue Reporting RIGs (standard condition 47)

Paragraph(s)	Page	Change
6.42 – 6.45	102	Paragraphs deleted and headings immediately preceding paragraphs 6.42 and 6.44 deleted. Paragraph numbers kept to avoid unintended changes to later paragraph numbers. <i>Effect:</i> removes redundant references to the methodology for calculating System Entry Volumes and Units Distributed.
6.118 – 6.121	112	Paragraphs deleted and headings immediately preceding each paragraph deleted. Paragraph numbers kept to avoid unintended changes to later paragraph numbers. <i>Effect:</i> removes redundant reference to Worksheet R6 (Losses DG Adjustment Input).
6.143 – 6.144	115	Paragraphs deleted and headings immediately preceding paragraph 6.143 deleted. Paragraph numbers kept to avoid unintended changes to later paragraph numbers. <i>Effect:</i> removes redundant reference to Worksheet R11 (Losses DG Adj).
6.145	115	First bullet point in paragraph deleted. <i>Effect:</i> removes redundant reference to the distribution losses incentive adjustment (ILt) in Worksheet R12.
Not applicable	118	Rows under the heading 'Incentive Payments – Losses' deleted and that heading deleted in the table 'Illustrations of electronic templates for the detailed and forecast returns – Detailed Return Template A'. <i>Effect:</i> removes redundant references to data for System Entry Volumes and Units Distributed.

Paragraph(s)	Page	Change
	119	R6 Table deleted. <i>Effect:</i> removes redundant illustration of Worksheet R6.
	114	'Distribution losses' row under the heading 'Incentive Adjustments' in Forecast Return Template B removed. <i>Effect:</i> removes redundant reference to distribution losses incentive value.

Revenue Reporting Workbook

Worksheet	Change
R5	Rows under the heading 'Incentive Payments – Losses' replaced by comment saying losses incentive "not activated, as per decision document ref 149/12". <i>Effect:</i> removes redundant references to data for System Entry Volumes and Units Distributed.
R6 (Losses DG Adjustment)	Worksheet removed. <i>Effect:</i> removes redundant Worksheet R6.
R11 (Losses DG Adjustment)	Worksheet removed. <i>Effect:</i> removes redundant Worksheet R11.
R19 (Forecast Return)	'Distribution losses' row under the heading 'Incentive Adjustments' in Forecast Return Template B removed. <i>Effect:</i> removes redundant reference to distribution losses incentive value.