



Distribution Network Operators

*Promoting choice and value for
all gas and electricity customers*

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Date: 9 April 2013

Dear Company Secretary

Low Carbon Networks Fund - Amendment to Funding Direction

Under Section Four of the LCN Fund Governance document and Charge Restriction Condition (CRC) 13 of the Distribution Licence, we issue a direction (the Funding Direction) every year that -

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- Sets the value that each Distribution Network Operator (DNO) can recover from customers to cover the funding for Second projects in each year.
- Identifies the net amounts that must be transferred between DNOs.
- Specifies the manner in which and the timescale over which the net amounts will be transferred.

On 21 December 2012, we issued to each DNO the Funding Direction for the five projects we selected for funding on 23 November 2012, listed in the table below.

Project	DNO	Funding awarded (£m)
Customer Load Active System Services	Electricity North West Limited	7.174
Innovation Squared	Southern Electric Power Distribution Plc	4.175
Accelerating Renewable Connections	Scottish Power Distribution	7.421
Smarter Network Storage	Eastern Power Networks	13.218
Flexdgrid	Western Power Distribution (West Midlands) Plc	13.513

The Schedule to this Funding Direction set the value that each DNO could recover to cover the funding for these projects. It also set the net amounts that must be transferred between DNOs. These figures were all set to two decimal places. This has led to rounding errors which result in discrepancies between the amounts to be recovered and the total amounts to transfer by an individual DNO of up to £60,000. We have amended all of these figures to three decimal places, which will reduce the rounding error to a manageable level.

NOW THEREFORE:

The Authority hereby amends the Schedule to the Funding Direction issued on 21 December 2012 in the manner set out in the Schedule to this Direction.

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

A handwritten signature in blue ink that reads "Andy Burgess". The signature is written in a cursive style with a large, stylized 'A' and 'B'.

Andy Burgess
Associate Partner, Transmission and Distribution Policy
For and on behalf of the Authority

Schedule to Funding Direction

1. The value that each DNO can recover from customers to cover Second Tier and Discretionary Funding in each year

Table 1 contains the amount that the DNOs must recover in Regulatory Year commencing 1 April 2013. The amount that the DNOs must recover is based on the total Approved Amounts¹ for Regulatory Year 2013/14 shared according to each DNO's customer numbers in 2011/12. The amount each DNO must recover constitutes the value for LCN2t in the LCNt Formula.

2. The net amounts that must be transferred between DNOs

Table 2 contains the net amounts that must be transferred between DNOs over the Regulatory Year commencing 1 April 2013. The DNOs named in column 1 of Table 2 must transfer the amounts contained in each of the columns 2 to 5 to the DNOs named at the top of each column.

3. The manner in which and the timescale over which the net amounts will be transferred

The transfers must be made on an equal monthly basis, for the entirety of the Regulatory Year commencing 1 April 2013 such that the total amount transferred over the Regulatory Year commencing 1 April 2013 equals the net amount set out in Table 2.

The DNOs that will be receiving funding from other DNOs must provide their bank account details to the DNOs that will be transferring funding by 1 March 2013. DNOs will make transfers to the specified bank accounts on the day of the month agreed by the DSP making the transfer.

Table 1

DNO	Number of customers	LCN2t £m
Electricity North West Limited (ENWL)	2,364,446	3.396
Northern Powergrid (Northeast) Ltd (NP NE)	1,581,420	2.271
Northern Powergrid (Yorkshire) plc (NP Yorkshire)	2,266,464	3.255
Southern Electric Power Distribution plc (SEPD)	2,952,565	4.241
Scottish Hydro Electric Power Distribution plc (SHEPD)	745,907	1.071
Scottish Power Distribution Ltd (SPD)	1,994,241	2.864
Scottish Power Manweb plc (SPM)	1,487,412	2.136
Eastern Power Networks plc (UKPN EPN)	3,537,357	5.081
London Power Networks plc (UKPN LPN)	2,267,440	3.257
South Eastern Power Networks plc (UKPN SPN)	2,247,823	3.229
Western Power Distribution (Midlands East) plc (WPD East)	2,623,103	3.768
Western Power Distribution (South Wales) plc (WPD SWales)	1,103,465	1.585
Western Power Distribution (South West) plc (WPD SWest)	1,551,046	2.228
Western Power Distribution (Midlands West) plc (WPD West)	2,462,123	3.536
Total	29,184,812	41.918

¹ Approved Amount has the meaning given in CRC13.28.

Table 2

DNO	ENWL £m	NP NE £m	NP Yorkshire £m	SEPD £m	SHEP D £m	SPD £m	SPM £m	UKPN EPN £m	UKPN LPN £m	UKPN SPN £m	WPD East £m	WPD SWales £m	WPD SWest £m	WPD West £m
Electricity North West Limited (ENWL)	-	-	-	-	-	0.111	-	0.201	-	-	-	-	-	0.490
Northern Powergrid (Northeast) Ltd (NP NE)	0.389	-	-	0.226	-	0.402	-	0.716	-	-	-	-	-	0.732
Northern Powergrid (Yorkshire) plc (NP Yorkshire)	0.557	-	-	0.324	-	0.576	-	1.026	-	-	-	-	-	1.049
Southern Electric Power Distribution plc (SEPD)	0.388	-	-	-	-	0.465	-	0.831	-	-	-	-	-	1.015
Scottish Hydro Electric Power Distribution plc (SHEPD)	0.183	-	-	0.107	-	0.190	-	0.338	-	-	-	-	-	0.345
Scottish Power Distribution Ltd (SPD)	-	-	-	-	-	-	-	0.004	-	-	-	-	-	0.297
Scottish Power Manweb plc (SPM)	0.366	-	-	0.213	-	0.378	-	0.674	-	-	-	-	-	0.689
Eastern Power Networks plc (UKPN EPN)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.523
London Power Networks plc (UKPN LPN)	0.848	0.194	0.278	0.687	0.092	0.821	0.183	1.461	-	0.276	0.322	0.135	0.190	1.352
South Eastern Power Networks plc (UKPN SPN)	0.553	-	-	0.322	-	0.572	-	1.018	-	-	-	-	-	1.041
Western Power Distribution (Midlands East) plc (WPD East)	0.645	-	-	0.375	-	0.667	-	1.188	-	-	-	-	-	1.215
Western Power Distribution (South Wales) plc (WPD SWales)	0.271	-	-	0.158	-	0.281	-	0.500	-	-	-	-	-	0.511
Western Power Distribution (South West) plc (WPD SWest)	0.381	-	-	0.222	-	0.394	-	0.702	-	-	-	-	-	0.718
Western Power Distribution (Midlands West) plc (WPD West)	-	-	-	-	-	-	-	-	-	-	-	-	-	-