

**Supplementary annex 1: Draft
RIIO-ED1 Fast-track CRC
licence changes**

Western Power Distribution
(West Midlands) plc
Special conditions

Western Power Distribution
(East Midlands) plc
Special conditions

Western Power Distribution
(South Wales) plc
Special conditions

Western Power Distribution
(South West) plc
Special conditions

XX XXXX 20XX

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CHAPTER 1: INTERPRETATION OF PART 4

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Chapter 1: Interpretation of Part 4

CRC 1A. Overview of Part 4

Introduction

- 1A.1 Part 4 of the licence contains the special conditions applicable to the licensee, in accordance with the Terms of Part 1 of the licence.
- 1A.2 The special conditions are also referred to as the Charge Restriction Conditions or CRCs.

Part A: Scope of Part 4

- 1A.3 Part 4 sets out restrictions on the revenues that the licensee may recover and contains related provisions.
- 1A.4 These provisions of Part 4 are further described in the introduction to each of the Charge Restriction Conditions.

Part B: Structure of Part 4

- 1A.5 Part 4 is divided into chapters.
- 1A.6 The contents of those chapters are summarised in the table below.

Chapter	Summary
Chapter 1	Overview and structure of Part 4 and general provisions relating to its interpretation, including common definitions.
Chapter 2	The main provisions relating to the Principal Formula set out in CRC 2A (Restriction of Allowed Distribution Network Revenue) that determines the level of Allowed Distribution Network Revenue that the licensee may recover from Use of System Charges.
Chapter 3	Adjustments to Allowed Distribution Network Revenue that arise from the operation of the Annual Iteration <u>P</u> rocess.
Chapter 4	Provisions relating to the governance of the ED1 Price Control Financial Instruments and the overall operation of the Annual Iteration Process, both of which supplement the operation of the Principal Formula in CRC 2A.
Chapter 5	Other provisions relating to restrictions on the revenues that the licensee may recover.

Chapter 1: Interpretation of Part 4

Part C: References to licensed Electricity Distributors

1A.7 The following acronyms are used within Part 4 of this licence to refer to the following licensed Electricity Distributors:

ENWL	refers to Electricity North West Ltd (registered number 2366949).
NPgN	refers to Northern Powergrid (Northeast) Ltd (registered number 2906953).
NPgY	refers to Northern Powergrid (Yorkshire) plc (registered number 4112320).
WMID	refers to Western Power Distribution (West Midlands) plc (registered number 3600574).
EMID	refers to Western Power Distribution (East Midlands) plc (registered number 2366923).
SWALES	refers to Western Power Distribution (South Wales) plc (registered number 2366985).
SWEST	refers to Western Power Distribution (South West) plc (registered number 2366894).
LPN	refers to London Power Networks plc (registered number 3929195).
SPN	refers to South Eastern Power Networks plc (registered number 3043097).
EPN	refers to Eastern Power Networks plc (registered number 2366906).
SPD	refers to SP Distribution plc (registered number SC189125).
SPMW	refers to SP Manweb plc (registered number 2366937).
SSEH	refers to Scottish Hydro Electric Power Distribution plc (registered number SC213460).
SSES	refers to Southern Electric Power Distribution plc (registered number 4094290).

Chapter 1: Interpretation of Part 4

CRC 1B. Interpretation of Part 4

Introduction

- 1B.1 This condition sets out the main provisions for the interpretation of Part 4 of the licence.

Part A: Overview of defined terms and expressions

- 1B.2 Definitions of terms and expressions used in Part 4 of the licence are provided for in this condition, or standard condition 1 (Definitions for the standard conditions), or in individual Charge Restriction Conditions.
- 1B.3 Part B of this condition sets out the main words and expressions used exclusively in Part 4 of this licence.
- 1B.4 Part C of this condition lists words and expressions that are defined in standard condition 1 and which have the same meaning when used in Part 4 of the licence.
- 1B.5 Where defined words and expressions are used in only one Charge Restriction Condition, their definitions are set out in that condition.
- 1B.6 All defined terms and expressions used in Part 4 have initial capital letters.

Part B: Main terms and expressions used exclusively in Part 4

- 1B.7 In Part 4 of this licence, unless the context otherwise requires:

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Actual Percentages of Gross Load-Related Expenditure related to Specific Customer-Funded Reinforcement

means the Specific ~~Customer-funded~~ Customer-Funded Reinforcement expressed as a percentage of Gross Load-Related Expenditure.

Allowable NIA Expenditure

means the amount calculated in accordance with Part B of CRC 2H (The Network Innovation Allowance).

Allowed Distribution Network Revenue

means the revenue calculated in accordance with the formula for AR_t set out in Part B of CRC 2A (Restriction of Allowed Distribution Network Revenue).

Allowed Pass-Through Items

means any of the costs permitted to be passed through to consumers through the PT term under CRC 2B (Calculation of Allowed Pass-Through Items).

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Annual Iteration Process	means, in relation to the ED1 Price Control Financial Model, the process set out in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model), which is to be read and given effect subject to any further explanation or elaboration within the ED1 Price Control Financial Handbook that may be applicable to it.
Approved Amount	for the purposes of CRC 2H (Low Carbon Networks Fund) means an amount approved by the Authority in relation to a claim submitted by a Distribution Services Provider to receive funding for an Eligible LCN Fund Project under the Second Tier <u>Second-Tier</u> and Discretionary Funding Mechanism, where such claim complies in all respects with such requirements as are imposed by the LCN Fund Governance Document.
Areas of Outstanding Natural Beauty	means protected landscapes in England, Wales and Northern Ireland as defined in the National Parks and Access to the Countryside Act 1949.
Authority's Website	means www.ofgem.gov.uk.
Average Specified Rate	means the arithmetic mean value of the Bank of England's Official Bank Rate during the period in respect of which the calculation in question falls to be made.
Base Demand Revenue	means the revenue calculated in accordance with the formula set out in Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue).
Baseline Gross Load-Related Expenditure	means the total amount of Gross Load-Related Expenditure allowed for in the <u>Authority's</u> Final Determination for Load-Related Expenditure (in 2012/13 prices) <u>for the licensee</u> .
Baseline Percentage of Load-Related Expenditure expected to be funded through Specific Customer Reinforcement	means the total Specific Customer-funded <u>Customer-Funded</u> Reinforcement allowed for in the <u>Authority's</u> Final Determination for Load-Related Expenditure <u>for the licensee</u> , expressed as a percentage of Gross Load-Related Expenditure.

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Baseline Specific ~~Customer-funded~~ Customer-Funded Reinforcement

means the total Specific ~~Customer-funded~~ Customer-Funded Reinforcement allowed for in the Authority's Final Determination for Load-Related Expenditure for the licensee.

Baseline ~~Number Volumes~~ of Connection Projects

means the ~~number volume~~ of connection projects involving Specific ~~Customer-funded~~ Customer-Funded Reinforcement allowed for in the Authority's Final Determination for Load-Related Expenditure for the licensee.

Broad Measure of Customer Service Adjustment

means the composite incentive outlined in this condition the application of which that adjusts the licensee's revenue to reflect customer service performance.

Business Rates

means:
(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988; and
(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government (Scotland) Act 1975 or the Local Government (Scotland) Act 1994,
or any legislation amending or replacing those enactments.

Carbon Benefits

means a contribution to the UK Government's strategy for reducing greenhouse gas emissions, as set out in the document entitled the "Carbon Plan" published by the Department of Energy and Climate Change in December 2011.

Charge Restriction Conditions

has the meaning given to that term in CRC 1A (Overview of Part 4).

Clawback Direction

means a direction given by the Authority in accordance with Part B of this condition.

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Common Content

means the whole of the ED1 Price Control Financial Handbook and every worksheet contained in the ED1 Price Control Financial Model except for the following worksheets:

- the Input Values worksheet containing the PCFM Variable Values Table for the licensee;
- the “Live Results” worksheet;
- the “Saved Results” worksheet;
- and
- any worksheets labelled as “Unused”.

Competition Notice

means a Notice given by the licensee in accordance with the appropriate provisions of Part D of CRC 12 (Licensee’s Connection Activities: Margins and the development of competition) of this licence in the form in which that condition was in force at 31 March 2015.

Competition Test

means an assessment of whether there is effective competition in a Relevant Market Segment as prescribed ~~out~~ in Chapters 10 and 12 of the Authority’s decision document published on 7 December 2009 under reference 145/09.

Complaint

means any expression of dissatisfaction made to ~~the~~ licensee in respect of its Distribution System ~~that is~~, related to any one or more of its products, its services, or the manner in which it has dealt with any such expression of dissatisfaction, ~~and~~ where either a response is provided by or on behalf of ~~the that~~ licensee at the point at which contact is made or a response is explicitly or implicitly required or expected to be provided thereafter, as further clarified in the RIGs.

Complaints Unresolved

means any Complaints that are not Resolved Complaints.

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Connection Activities	for the purposes of this condition means any and all of such activities <u>that comprise or are comprising or</u> associated with the provision, modification, or retention of a connection to the licensee's Distribution System as <u>are able may</u> , in accordance with the licensee's Connection Charging Statement, <u>to</u> be undertaken by persons other than the licensee, where those activities are fully funded by the Customer (as described in Chapters 10 and 12 of the Authority's decision document published on 7 December 2009 under reference 145/09).
Connection Regulations	means regulations made in relation to connection standards of performance under section 39A of the Act.
Customer Satisfaction Survey	means the survey used to measure the extent to which customers are satisfied with the service provided by the licensee in respect of the relevant Distribution System for the purposes of the Broad Measure of Customer Service <u>Adjustment</u> .
Data Services	means the totality of: (a) Metering Point Administration Services provided under and in accordance with the provisions of the Master Registration Agreement; and (b) Data Transfer Services provided by the Data Transfer Service.
Directly Attributable Costs	for the purposes of this condition, has the meaning given to that term in Part C of CRC 5A (The Network Innovation Competition).
Directly Attributable Costs	for the purposes of this condition, has the meaning given in paragraph 2J.14 of CRC 2J (Low Carbon Networks Fund).
<u>Directly Remunerated Services</u>	<u>means services provided by the licensee as part of its Distribution Business that are in accordance with the provisions of CRC 5C (Directly Remunerated Services).</u>

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

		CRC (not interpretative)
Disallowed Expenditure	for the purposes of this condition, has the meaning given to that term in Part C of this condition.	5A
Disallowed Expenditure	for the purposes of this condition, has the meaning given in paragraph 2J.12 of this condition.	2J
Disapplication Notice	<u>means a</u> A Notice served on the Authority in accordance with Part D of this condition <u>to disapplying</u> ing some or all of the provisions <u>that are</u> the subject of a Disapplication Request.	5K
Disapplication Request	<u>means a</u> A request made to the Authority in accordance with Part C of this condition to disapply some or all of the provisions of Part 4 of this licence.	5K
Discretionary Funding	has the meaning given in paragraph 2J.9 of CRC 2J (Low Carbon Networks Fund).	2J
Distributed Generators	means an installation comprising any plant or apparatus for the production of electricity that is directly connected to the licensee's Distribution System or is connected to that system through one or more electricity networks (other than an onshore Transmission System) that is or are directly connected to it <u>(or, where the context so requires, means a person that owns or operates such an installation).</u>	2D
Distribution Services	means all services provided by the licensee as part of its Distribution Business other than Directly Remunerated Services.	2A
Distribution Services Provider	means any Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence have effect (whether in whole or in part).	2J
DPCR5 Distributed Generation	has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.	3A
DPCR5 DUoS Bad Debts	has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.	3A
DPCR5 Enhanced Physical Site Security and Black Start	has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.	3A

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Chapter 1: Interpretation of Part 4

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DPCR5 ~~High Value~~High-Value Projects

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 High Volume Connections

has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.

DPCR5 Load Related Re-opener

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 Network Output Measures

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 Ongoing Pension Cost True-up

has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.

DPCR5 RAV Rolling Incentive

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 Rising and Lateral Mains

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 Tax Claw-back

has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.

DPCR5 Traffic Management Act

has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.

DPCR5 Undergrounding

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

DPCR5 Workforce Renewals

has the meaning given in chapter 16 of the ED1 Price Control Financial Handbook.

DPCR5 Worst-Served Customer Improvements

has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.

ED1 Fast-Track Final Determination

means the Authority's determination of Allowed Revenues for the ED1 Period for the licensee as set out in ☉.

ED1 Price Control Financial Handbook

means the document of that name that was published by the Authority on XX XXX 2014 and which came into effect on 1 April 2015, and that:

(a) includes specific information and advice about the operation of the Annual Iteration Process and the ED1 Price Control Financial Model; and

(b) contains, in particular, the ED1 Price Control Financial Methodologies, as modified from time to time in accordance with the provisions of CRC 4A (Governance of the ED1 Price Control Financial Instruments).

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Comment [RNE1]: This definition need to be aligned with the financial handbook and may need to be updated to reflect the inclusion of the PPF Levy true up in chapter 16. If the PPF levy true up is included in OLREV, an additional line will also need to be included in table 16.1 of the Handbook and table 3A.22 in the Licence.

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

ED1 Price Control Financial Instruments	means the ED1 Price Control <u>Financial Handbook</u> (which contains the ED1 Price Control Financial Methodologies) and the ED1 Price Control Financial Model.
ED1 Price Control Financial Methodologies	means the methodologies that: <ul style="list-style-type: none"> (a) are named as such in the ED1 Price Control Financial Handbook; and (b) together comprise a complete and documented explanation of the methods, principles, and assumptions that the Authority will apply for the purposes of determining the PCFM Variable Values that are to be used in the Annual Iteration Process, as modified from time to time in accordance with the provisions of <u>CRC {4A}</u> (Governance of the ED1 Price Control Financial Instruments).
ED1 Price Control Financial Model	means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1 as that term is defined for the purposes of CRC 4A) that: <ul style="list-style-type: none"> (a) was first published by the Authority on XXXXX 2014 and came into effect on 1 April 2015; (b) is represented by a workbook in Microsoft Excel ® format maintained under that name (with a Regulatory Year suffix) on the Authority's website; and (c) will be used by the Authority to determine the value of the term MOD_t through the application of the Annual Iteration Process, as modified from time to time in accordance with the provisions of CRC 4A (Governance of ED1 Price Control Financial Instruments).
ED1 Price Control Financial Model Working Group	means the working group identified in and whose having the terms of reference are set out in chapter 1 of the ED1 Price Control Financial Handbook.
Elective Communication Services	has the meaning given to that term in the Smart Energy Code.

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Electricity Distribution Group

means any group of Distribution Services Providers in which the licensee and every other Distribution Services Provider within the group are Affiliates.

Eligible LCN Fund Project

for the purposes of this condition, means a project undertaken by a Distribution Services Provider that in the Authority's view satisfies such requirements of the LCN Fund Governance Document as are necessary to enable the project to be funded under (as the case may be) the ~~First Tier~~First-Tier Funding Mechanism or the ~~Second Tier~~Second-Tier and Discretionary Funding Mechanism.

Eligible NIA Expenditure

means the amount of expenditure spent or accrued by the licensee in respect of Eligible NIA Projects and forms part of Allowable NIA Expenditure as set out in Part B of this condition.

Eligible NIA Projects

means ~~at those~~ projects undertaken by the licensee that in the Authority's view satisfies such requirements of the NIA Governance Document as are necessary to enable the projects to be funded under the provisions of this condition.

Eligible NIC Bid Preparation Costs

means the amount of expenditure incurred or accrued by the licensee when preparing submissions for the Network Innovation Competition as defined in CRC 5A (The Network Innovation Competition) that satisfy such requirements of the NIA Governance Document as are necessary to enable Eligible NIC Projects~~the projects~~ to be funded under the provisions of this condition.

Eligible NIC Project

for the purposes of this condition, means a project undertaken by the licensee or any other Electricity Distributor or Transmission Licensee that in the Authority's view satisfies such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.

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Chapter 1: Interpretation of Part 4

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Energy Ombudsman

~~Definition to be provided~~ means the person appointed to investigate and resolve consumer complaints against (among others) the licensee pursuant to a redress scheme approved by the Authority under section 49 of the Consumers, Estate Agents and Redress Act 2007.

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Energy Ombudsman Findings Against the Licensee

means Any Energy Ombudsman decisions requiring where the licensee is required to make a payment exceeding over and above that previously offered to the complainant, or to change its processes more than beyond what it had previously indicated to the complainant that it would, or both.

2C

Enhanced Physical Site Security Costs

means costs incurred, or expected to be incurred, by the licensee for the purposes of implementing any formal recommendation or requirement of the Secretary of State to enhance the physical security of any of the sites within the licensee's Distribution System.

3F

as may be further clarified in the RIGs.

Excluded Market Segment

~~comprises~~ means either of the two Excluded Market Segments that are described in Appendix 1.

2K

Fast-Track

means, in respect of an ED1 Price Control Final Determination, [date of determination].

4C

Fast-Track Licensees

means each of the licensees whose names are set out in Table 1 at Appendix 1 to this condition.

4C

First-Tier First-Tier Funding Mechanism

has the meaning given in paragraph 2J.5(a) of this condition.

2J

Funding Return

has the meaning given to that term in Part C of this condition and comprises the sum of Halted Project Revenues, Disallowed Expenditure and Returned Royalty Income.

5A

Funding Return Mechanism

has the meaning given to that term in Part C of this condition.

5A

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Gross Load-Related Expenditure

means the total amount of expenditure (excluding any offsetting Customer contributions) incurred on cost activities areas that make up Load-Related Expenditure within the Price Control Period.

Halted Project Revenues

for the purposes of this condition, has the meaning given to that term in paragraph 5A.7 ~~Part C~~ of this condition.

Halted Project Revenues

for the purposes of this condition, has the meaning given in paragraph 2J.244 of this condition.

~~High Value~~ High-Value Project Costs

means costs incurred, or expected to be incurred, by the licensee on any investment project with respect to its Distribution System that is reasonably forecast to cost the licensee £25 million or more (in 2012/13 prices) during the Price Control Period, and for which clear outputs, a need case, and a statement of costs have been provided.

Higher Voltage

means any nominal voltage greater than 1,000 volts up to and including ~~(except in Scotland) 132 kV.~~ 132 kilovolts (except in Scotland, where it means any nominal voltage of more than 1,000 volts but less than 132 kilovolts).

Incentive on Connections Engagement Guidance

means the guidance document of that name published on the Authority's Website for the purposes of this condition.

Innovation

for the purposes of this condition, means any or all of the following:

- (a) a specific piece of New Network Equipment;
- (b) a novel arrangement or application of existing Network Equipment or New Network Equipment;
- (c) a novel operational practice; or
- (d) a novel commercial arrangement,

that is not, or is not within the scope of, an Ordinary Business Arrangement at the time when a Notice is served by the licensee in accordance with part C of this condition.

CRC (not interpretative)

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5A

2J

3F, 3G

3H

2E

3D

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Innovation Roll-out Costs

for the purposes of this condition, means the proposed cost of rolling out a Proven Innovation.

Justified

means that the overall level of recovery of Gross Load Related Expenditure is consistent with the principles applied in respect of the Final Determination for Load Related Expenditure

Justified Over-delivery Justified Over-Delivery

means a delivery of Network Asset Secondary Deliverables, that is above the level originally set out and approved in the Network Asset Workbook, but that which has been demonstrated by the licensee and determined by the Authority to be consistent have been required because information unavailable at [WPD's licensee: fast track submission / others: slow track submission] indicates that the actual level of risk is higher than that set out in the Network Asset Workbook, and/or that the investment represented an efficient use of with the appropriate operation of the licensee's Distribution System resources, even if the actual level of risk remained unchanged.

Justified Under-delivery Justified Under-Delivery

means a delivery of Network Asset Secondary Deliverables that is below the level originally required of the licensee, as set out in the Network Assets Workbook, that that but which that has been demonstrated by the licensee and determined by the Authority to be have been justifiable consistent with the appropriate operation of the because information unavailable at [WPD's licensee: fast track submission / others: slow track submission] indicates that the actual level of risk is lower than that set out in the Network Asset Workbook, so that it would be economically inefficient for the licensee's Distribution System, to deliver those secondary deliverables during the Price Control Period compared with the Next Price Control Period.

SEE SLC 51 DEFINITION

CRC (not interpretative)

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

LCN Fund Governance Document

means the document issued by the Authority under Part E of this condition including matters relating to the ~~First Tier~~^{First-Tier} Funding Mechanism, the ~~Second Tier~~^{Second-Tier} and Discretionary Funding Mechanism, and related matters, subject to the requirements of Part F.

LCN₁ Formula

has the meaning given in paragraph 2J.7 of this condition.

Legacy Metering Equipment Charges

means the charges levied by the licensee for the provision of Legacy Metering Equipment in accordance with the relevant Charging Statement prepared by the licensee under standard condition 36 (Charges for the provision of Legacy Metering Equipment and Data Services).

Legal Requirements Test

means an assessment of the licensee's compliance with such legal requirements in respect of the making of connections to its Distribution System as are set out in Chapter 12 of the Authority's decision document published on 7 December 2009 under reference 145/09.

CRC (not interpretative)

2J

2J

2J

2K

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Load-Related Expenditure	<p>means costs incurred by the licensee in developing its Distribution System because of:</p> <ul style="list-style-type: none"> (a) system reinforcement associated with shared-asset connections; (b) general reinforcement of the licensee's Distribution System; (c) fault level reinforcement of the licensee's Distribution System; or (d) <u>payments to a Transmission Licensee in respect of:</u> <ul style="list-style-type: none"> (i) <u>n</u>New Transmission Connection Points required by the licensee, <u>or</u> (d) (e) <u>(ii) r</u>Reinforcement of Transmission Connection Points required by the licensee; <u>or</u> (f) (e) <u>(e)</u> accommodation of Distributed Generation and other low-carbon devices on to the Distribution System; and <p><u>but excluding costs related to High-Value Projects for the purposes of this definition, Load Related Expenditure does not include costs related to:</u></p> <ul style="list-style-type: none"> (a) <u>High Value Projects; or</u> (b) <u>changes in real price effect.</u>
Local Connections Market	<p>means the market for the procurement and provision of Connection Activities within the licensee's Distribution Services Area.</p>
Losses Discretionary Reward Guidance Document	<p>means the document of that name published on the Authority's Website for the purposes of this condition, as modified from time to time in accordance with <u>this</u>that condition, and <u>that</u>which sets out guidance on the objectives, criteria and processes of the Losses Discretionary Reward.</p>

CRC (not interpretative)

3H, 5G

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2E, 2K

2G

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

LVSSA

means an LV demand connection-(other than of a load that could reasonably be expected to cause disruption to other customers) to single premises, involving a single-phase connection and no significant work other than the provision of a service line and the electricity distributor's fuses, as further clarified in the RIGs.

LVSSB

means a connection (other than of a load that could reasonably be expected to cause disruption to other customers) via low-voltage circuits fused at 100 amperes or less per phase with whole-current metering, and where the highest voltage of the assets involved in providing such connection, and any associated works, is low voltage, to:

- (a) a development scheme requiring more than one but fewer than five single-phase connections at Domestic Premises and involving only the provision of a service line and the Electricity Distributor's fuses; or
- (b) a development scheme requiring fewer than five single-phase connections at Domestic Premises and involving an extension of the existing low-voltage network; or
- (c) single premises requiring a two-phase or three-phase connection and involving only the provision of a service line and the Electricity Distributor's fuses,

as further clarified in the RIGs.

Metering Point Administration Service

means the service of that name that the licensee must operate and maintain in accordance with the requirements of standard condition 18 (Provision of and charges for Metering Point Administration Services) for the purpose of providing Metering Point Administration Services.

Modern Equivalent Asset Purchase Price

in relation to any type of Electricity Meter, means the purchase price of a new Electricity Meter of the same functionality as that type.

CRC (not interpretative)

2F

2F

2J

5B

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

		CRC (not interpretative)
National Parks	means the areas that are designated <u>as</u> protected areas as defined in the National Parks and Access to the Countryside Act 1949.	3J
National Scenic Areas	means the areas that are defined <u>in the Town and Country Planning (Scotland) Act 1997</u> as being of outstanding scenic value in a national context as defined in the Town and Country Planning (Scotland) Act 1997.	3J
Net Revenue	means the difference between the revenue received from charges for Value Added Services <u>(as defined in Appendix 1)</u> in a particular Regulatory Year and the marginal costs directly associated with the provision of those services in the same Regulatory Year, being and in each case: (a) ascertained on a normal accruals basis and in accordance with any RIGs that apply for the purposes of this c Condition; and (b) for the purposes of paragraph 5C.9, expressed as a negative figure when the revenue received exceeds the associated marginal costs.	5C
Network Asset Secondary Deliverables	means the asset health, criticality and risk secondary deliverables that the licensee is <u>expected</u> required to deliver by 31 March 2023 as set out in the Network Assets <u>Workbook</u> .	5D
Network Assets Workbook	means the document described in Appendix 1 of CRC 5D .	5D
Network Equipment	means any asset that for the time being forms part of the licensee's Distribution System, and <u>includes</u> any control centre for use in conjunction with it <u>therewith</u> .	3D - definition appears in 'Ordinary Business Arrangements'
Network Innovation Allowance	has the meaning given to that term in CRC 2H (The Network Innovation Allowance).	2A, 2H
Network Innovation Competition	has the meaning given to that term in CRC 5A (The Network Innovation Competition).	5A

Comment [RNE2]: This definition is different in the SLCs which references the licensee's Business Plan. DNOs need to see the Network Assets Workbook and verify the values.

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

		<i>CRC (not interpretative)</i>
New Network Equipment	for the purposes of this condition, means any new asset that <u>is proposed to, but for the time being does not, does not yet form</u> part of the licensee's <u>Network Equipment</u> Distribution System or control centre for use in conjunction therewith.	<i>3D - Appears in definition of 'Innovation'</i>
New Transmission Capacity Charges	means those elements of Transmission Connection Point Charges that are attributable (in whole or in part) to connection assets first becoming energised on or after 1 April 2015 pursuant to a requirement of the licensee for the provision of new or reinforced connection points between the GB Transmission System and the licensee's Distribution System.	<i>2B</i>
Next Price Control Period	means the price control period beginning on 1 April 2023.	<i>5D, 5G</i>
NIA Governance Document	means the document issued by the Authority under Part D of this condition, subject to the requirements of Part E, relating generally to the establishment and operation of the NIA and including matters relating to the calculation of the Eligible NIA Expenditure.	<i>2H</i>
NIA Percentage	means the percentage of Base Demand Revenue that the licensee may use for Eligible NIA Projects as set out in Appendix 1 of this condition.	<i>2H</i>
NIC Funding	has the meaning given to that term in Part B of this condition.	<i>5A</i>
NIC Funding Mechanism	refers to the arrangements, pursuant to this condition, for the recovery by the System Operator through its Transmission Network Charges of the amount of total authorised NIC Funding in any Regulatory Year and the apportionment of that amount amongst the System Operator, the the licensee, and other Electricity Distribution and Electricity Transmission Licensees.	<i>5A</i>

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

NIC Governance Document	means the document issued by the Authority under Part E of this condition, subject to the requirements of Part F, relating generally to the NIC and including matters relating to the operation of the NIC Funding Mechanism.
Number of Connections Projects	means the volume <u>number</u> of connection projects involving Specific Customer-funded <u>Customer-Funded</u> Reinforcement.
Opening Base Revenue Allowance	means the value of base revenue in respect of the licensee determined by the Authority as set out in Appendix 1 of CRC 2A (Restriction of Allowed Distribution Network Revenue).
Ordinary Business Arrangement	means <u>any</u> or all of the following: (a) a specific piece of existing Network Equipment; (b) an arrangement or application of existing Network Equipment; (c) an operational practice; <u>or</u> (d) a commercial arrangement, that at the time of a Notice given by the licensee under part C of this condition is being used by a licensee without adaptation <u>and in a conventional way (but excludes anything falling within sub-paragraphs (a) to (d) that is being trialled) or in a novel way.</u>
Other Outturn Expenditure Levels	has the meaning given in chapter 15 of the ED1 Price Control Financial Handbook.
Pass-through Transmission Connection Point Charges	means those elements of Transmission Connection Point Charges that do not qualify as New Transmission Capacity Charges.

<i>CRC (not interpretative)</i>
5A
5G
2A, 3F, 3H
3D – <i>Appears through definition of 'Roll out'</i>
3A
2B

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

		<i>CRC (not interpretative)</i>
PCFM Variable Value	means a value held in the PCFM Variable Values Table for the licensee contained in the ED1 Price Control Financial Model: (a) that may be revised by a direction of the Authority following a determination under the relevant CRC; but (b) the whose revision of which does not constitute a modification of the ED1 Price Control Financial Model for the purposes of CRC 4A.	3A, 3C, 3D, 3F, 3G, 3B, 3H, 3J, 3E, 4A, 4B
Pension Scheme Established Deficit	has the meaning given to that term in chapter 3 of the ED1 Price Control Financial Handbook.	3C
Price Control Period	means the period of eight Regulatory Years beginning on 1 April 2015 and ending on 31 March 2023 during which, subject to CRC 5H (Disapplication of Relevant Charge Restriction Conditions), the Charge Restriction Conditions will have effect in this licence.	3D, 3E, 3F, 3G, 3H, 3J, 5D
Project Direction	for the purposes of this condition, means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.	5A
Project Direction	for the purpose of this condition, means a direction issued by the Authority pursuant to the LCN Fund Governance Document setting out the terms to be followed in relation to the Eligible LCN Fund Project as a condition of its being funded pursuant to the Second-Tier <u>Second-Tier</u> and Discretionary Funding Mechanism.	2J
Proven Innovation	means an Innovation that the licensee can demonstrate has been successfully trialled or demonstrated either <u>as part of</u> its Distribution System or elsewhere.	3D
Regulated Distribution Network Revenue	means the revenue derived by the licensee from Use of System Charges made for the provision of Distribution Services to Customers in a Regulatory Year.	2A

Chapter 1: Interpretation of Part 4

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Regulatory Asset Value (RAV)	has the meaning given to that term in the glossary of the ED1 Price Control Financial Handbook.
Regulatory Year t	has the meaning given to that term in CRC 1B (Interpretation of Part 4).
Relevant Adjustment	has the meaning given in Parts B and C of this condition.
Relevant Market Segment	means any of the Relevant Market Segments that are described in or determined in accordance with Appendix 1 of CRC 2K (Margins on Licensee's Connection Activities).
Relevant Regulatory Year	means the Regulatory Year in which the Authority determines the value of any Losses Discretionary Reward (LDR) in respect of the licensee.
Repeat Complaints	means any Complaints <u>in relation to which the complainant where the customer makes contact with the licensee to express dissatisfaction in respect of the same or substantially the same matter that was the subject of a previously Resolved Complaint within the previous 12 month period, as further clarified in the RIGs.</u>
Reprofile	means the process of adjusting amounts included in Opening Base Revenue Allowances for the licensee so that <u>those the Opening Base Revenue Allowances have a desired proportionate relationship with each other, and; it may includes the making of changes to other values contained in the PCFM that are necessary to give effect to that process the Reprofile (and "Reprofiled" and "Reprofiling" are to be read accordingly).</u>
Resolved Complaint	means a Complaint in respect of which there remains no outstanding action to be taken by the licensee, as further clarified in the RIGs.

<i>CRC (not interpretative)</i>
<i>3A, 3B</i>
<i>Multiple</i>
<i>3D</i>
<i>2E, 2K</i>
<i>2G</i>
<i>2C</i>
<i>4C</i>
<i>2C</i>

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Chapter 1: Interpretation of Part 4

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Retail Prices Index

means:

- (a) the general index of retail prices published by the Office for National Statistics each month in respect of all items; or
- (b) if that index in respect of any month relevant for the purposes of the CRCs ~~Special Conditions~~ has not been published, such price index as the Authority may, after consultation with the licensee, determine to be appropriate in the circumstances; or
- (c) if there is a material change in the basis of that index, such other index as the Authority may, after consultation with the licensee, determine to be appropriate in the circumstances (provided that any index so determined may not have retroactive effect on any formula or other provision of the CRCs).

Retail Prices Index Forecast Growth Rate

means:

- (a) the growth rate (which, for the avoidance of doubt, the growth rate is presented as a percentage) as defined as the “New forecasts (marked *)” in the HM Treasury document, “Forecasts for the UK Economy”, ~~publication,~~ published in November each year; or
- (b) if that growth rate in respect of any year has not been published, such growth rate as the Authority may, after consultation with the licensee, determine to be appropriate in the circumstances; or
- (c) if there is a material change in the basis of that growth rate, such other growth rate as the Authority may, after consultation with the licensee, determine to be appropriate in the circumstances (provided that any index so determined may not have retroactive effect on any formula or other provision of the CRCs).

Returned LCN Fund Royalties

has the meaning set out in paragraph 2J.12 of this condition.

CRC (not interpretative)

2A

2A

2J

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

		<i>CRC (not interpretative)</i>
Returned Royalty Income	has the meaning given to that term in Part C of this condition.	5A
Ring Fence Costs	means the amount of the incremental costs necessarily incurred by the licensee in Regulatory Year t-2 as a direct result of complying with the additional regulatory requirements referred to in the Authority's letter dated 1 February 2013 entitled " <u>Modifications to the ring fence conditions in network operator licences</u> " <u>and published on the Authority's Website</u> , provided that those costs: (a) have been ascertained in accordance with the RIGs referred to in standard condition 46 (Regulatory Instructions and Guidance); and (b) have not been otherwise remunerated under any other provision of this licence.	2B
Roll-out	means the incorporation of a Proven Innovation into an Ordinary Business Arrangement.	3D
Second-Tier <u>Second-Tier</u> and Discretionary Funding Mechanism	has the meaning given in paragraph 2J.5(b) of this condition.	2J
Second-Tier <u>Second-Tier</u> Funding	has the meaning given in paragraph 2J.8 of this condition.	2J
Single-Phase Single- Rate Credit Electricity Meter	means an induction type (or electronic) alternating current single-phase two-wire single-rate credit Electricity Meter.	5B
Single-Rate Key Prepayment Electricity Meter	means an Electricity Meter that requires the use of a key to enable information to be transferred <u>to that meter</u> from a point of sale for electricity credit to itself and vice versa.	5B
Single-Rate Smartcard Prepayment Electricity Meter	means an Electricity Meter that requires the use of a smartcard to enable information to be transferred <u>to that meter</u> from a point of sale for electricity credit to itself and vice versa.	5B
Single-Rate Token Prepayment Electricity Meter	means an Electricity Meter that requires the use of a token to enable information to be transferred <u>to that meter</u> from a point of sale for electricity credit to itself .	5B

Chapter 1: Interpretation of Part 4

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Slow-Track

means, in respect of an ED1 Price Control Final Determination that does not relate to a Fast-Track Licensee, [a date later than Fast Track].

Smart Energy Code

means the document of that name, as designated by the Secretary of State under ~~standard~~ Condition 22 (The Smart Energy Code) ~~of the Smart Meter Communication Licence~~, that is maintained for the purposes of that condition and is subject to modification pursuant to ~~standard~~ Condition 23 (Change control for Smart Energy Code) ~~of that licence, of the Smart Meter Communication Licence, and that may be referred to in this licence as “the SEC”.~~

Smart Meter Communication Licence

means the licences granted under section 6(1A) of the Act and section 7AB(2) of the Gas Act 1986.

Smart Meter Communication Licensee Costs

means charges payable by the licensee (by virtue of the requirement for it to be a party to the Smart Energy Code) to the holder of the Smart Meter Communication Licence in accordance with section J of the Smart Energy Code, excluding other than any charges in respect of Elective Communication Services.

Smart Meter Information Technology Costs

means any information technology costs that the licensee reasonably incurs and -are necessary to enable the licensee to use data from ~~Smart Meters~~ (within the meaning given to that term in Condition 1 of the Smart Meter Communication Licence) effectively for the efficient and economic operation, ~~and maintenance, and development~~ of its Distribution System, as further clarified in the RIGs.

Smart Meter Installation

means the ~~act of installing~~ installation of a Smart Meter; ~~within where Smart Meter~~ has the meaning given to that term in Condition 1 of the Smart Meter Communication Licence.

CRC (not interpretative)

4C

2B

2B

2B

2B

3E

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Chapter 1: Interpretation of Part 4

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Smart Meter Intervention	means one or more of the activities listed in Table 4 of Appendix 21 that the licensee is required to undertake in respect of a given Smart Meter Installation.
Smart Meter Roll-out Costs	means the costs incurred by the licensee in carrying out a Smart Meter Interventions in relation to a Smart Meter Installation.
Specific Customer-funded Customer-Funded Reinforcement	means the element of a connection project that is subject to the apportionment rules under the <u>Common Connections Charging Methodology</u> Connections Charging Regulations and charged to the connecting customer within the Price Control Period.
Specific Customer-funded Customer-Funded Reinforcement Percentage Band	means the interval between the upper and lower threshold percentages set out against the licensee's name in Table 2, where the relevant percentages represent the licensee's Baseline Specific Customer-funded Customer-Funded Reinforcement expressed as a percentage of Gross Load-Related Expenditure.
Specified Lines	means the following telephone lines <u>having any of the following numbers</u> : (a) the safety and security of supplies enquiry service telephone number (if different from the above) operated by the licensee or by its appointed agents (or contractors), (b) the power outage telephone number (and its equivalents) (if different from the above) operated by the licensee or by its appointed agents (or contractors), and (c) telephone numbers operated by contractors and/or agents of the licensee who <u>provide</u> act as an overflow or crisis management facility during peak periods.

<i>CRC (not interpretative)</i>
3E
3E
5G
5K
2C

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Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Specified Street Works Costs

means the following costs incurred, or expected to be incurred, by the licensee in complying with obligations or requirements arising under any order or regulations made under Part 3 of the Traffic Management Act 2004 (or, in Scotland, the Transport (Scotland) Act 2005) that impose a permit scheme ~~and~~ comprise:

- (a) permit fee costs;
- (b) one-off set up costs;
- (c) additional administrative costs arising from the introduction of permit schemes; and
- (d) additional costs arising from the introduction of permit conditions, as further clarified in the RIGs.

Stakeholder Engagement Incentive Guidance

means the document of that name (as modified from time to time) published on the Authority's Website for the purposes of this condition, ~~as modified from time to time in accordance with that condition.~~

Stipulated Values

has the meaning given in paragraph 4C.10 of this condition.

System Operator

means the holder for the time being of a transmission licence in relation to which licence the Authority or the Secretary of State, where appropriate, has issued a Section C (system operator standard conditions) Direction and where Section C remains in effect (whether or not subject to any terms included in such a ~~a~~ Section C ~~(system operator standard conditions)~~ Direction or to any subsequent variation of its terms ~~to which the licensee may be subject~~).

Time to Connect

means the time taken (in Working Days) to complete a connection, once the licensee has received the Customer's ~~a customer has informed the licensee of its~~ acceptance of a connection quotation, as further clarified in the RIGs.

CRC (not interpretative)

3F

2C

4C

5A

2F

Chapter 1: Interpretation of Part 4

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		CRC (not interpretative)
Time to Connect Incentive	means the incentive used to measure and reward Time to Connect and Time to Quote performance, in accordance with this condition.	2F
Time to Quote	means the time taken (in Working Days) to issue a <u>connection</u> {quotation}, from the receipt of an initial application, as further clarified in the RIGs.	2F
Time Value of Money Adjustment	has the meaning given to that term in the glossary <u>of</u> the ED1 Price Control Financial Handbook.	3A, 3B, 3C, 3E, 3D, 3F, 3G
Total Number of Calls	<u>means</u> the total number of incoming calls received on the Specified Lines (and This includes those calls to the Specified Lines that do not enter those lines), as further clarified in the RIGs.	2C
Totex	has the meaning given to that term in chapter 6 of the ED1 Price Control Financial Handbook.	3B, 4B
Totex Capitalisation Rate	has the meaning given to that term in chapter 6 of the ED1 Price Control Financial Handbook.	3B
Totex Incentive Mechanism	has the meaning given to that term in the glossary <u>of</u> the ED1 Price Control Financial Handbook.	3B, 4B
Totex Incentive Mechanism Adjustment	has the meaning given to that term in chapter 6 of the ED1 Price Control Financial Handbook.	3B, 3E, 4B
Totex Incentive Strength Rate	means the incentive rate for the licensee set out in Appendix 1 of CRC 3B (Determination of PCFM Variable Values relating to actual Totex expenditure for the Totex Incentive Mechanism Adjustments).	3B, 3D

Chapter 1: Interpretation of Part 4

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Transmission Connection Point Charges

means the sum of:

- (a) charges payable by the licensee that are levied by a Transmission Licensee as connection charges by direct reference to the number or nature of connections between the licensee's Distribution System and the GB Transmission System of that Transmission Licensee, and includes any associated Transmission Use of System Charges and any remote Transmission Asset Rentals payable by the licensee; and
- (b) charges payable by the licensee to another Authorised distributor in respect of units transported from that person's network and ~~that~~ which are recoverable by the licensee from users of its Distribution System in its Use of System Charges.

Unrecoverable Expenditure

for the purposes of this condition, means expenditure incurred by a licensee on ~~an~~ NIA project ~~that~~ the Authority has determined does not satisfy the requirements of the NIA Governance Document.

Unregulated Margin

means a Margin that:

- (a) becomes chargeable in relation to Connection Activities by the licensee in the circumstances set out in paragraphs 2K.5 and 2K.6 of -CRC 2K (Licensee's Connection Activities: Margins and the development of competition); and
- (b) is not limited in its amount by any provision of CRC 2K.

Unsuccessful Calls

means ~~all~~ calls to ~~a~~ the Specified Lines that ~~is~~ are either freely abandoned by the Customer or terminated by the licensee (or its agent or contractor) (whether by call-flushing or call-blocking or other similar method) once the Customer has called that line, unable to contact the licensee or its appointed agents or contractors, as further clarified in the RIGs.

Value Added Services

has the meaning given in Appendix 1 of this condition.

CRC (not interpretative)

2B

2H

2E, 2K

2C

5C

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Vanilla Weighted Average Cost of Capital

has the meaning given to that term in the glossary of the ED1 Price Control Financial Handbook.

Visual Amenity Projects

means any scheme for placing overhead distribution assets underground that is undertaken by the licensee, and that has been informed by stakeholders engagement, with a view to mitigating the impact of assets forming part of the licensee's Distribution System on 1 April 2015 in the visual amenity of designated Areas of Outstanding Natural Beauty, National Parks, and National Scenic Areas.

Working Day

[means any day other than a Saturday, a Sunday, Christmas Day, Good Friday, or a day that is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971 in England and Wales / Scotland.] [Depending on location of the relevant DNO].

Worst-Served Customer Projects

means any improvement project undertaken by the licensee, following stakeholder engagement, with a view to reducing the number of Higher Voltage interruptions experienced by Worst-Served Customers where the improvement has been demonstrated in accordance with the RIGs.

Worst-Served Customer Required Performance Improvement

means the percentage reduction in the average number of Higher Voltage interruptions for Worst-Served Customers set out in Table 1, measured over three full years after ~~post~~ commissioning.

CRC (not interpretative)
2A
3J
5K
3H
3H

Chapter 1: Interpretation of Part 4

[In the final version any definition listed against only one condition will be defined in that condition only and not in this condition.]

Worst-Served Customers	means a Customer of the licensee who has who has experienced the following level of Higher Voltage <u>unplanned</u> interruptions during the three-year period immediately preceding the Regulatory Year in which the relevant expenditure is made: (a) on average, four or more such interruptions per Regulatory Year over that three-year period, and (b) at least three such interruptions during each Regulatory Year in that the three-year period.	<i>CRC (not interpretative)</i> <i>3H</i>
Writing	includes writing that is sent or received by Electronic Communication.	<i>5K</i>

Part C: Terms and expressions defined in standard condition 1 (Part 2)

1B.8 The following words or expressions used in Part 4 of this licence have the meanings given to them in standard condition 1 [Note: final draft will simply list the terms and will not reproduce the meanings]:

	Meaning [Not part of final condition]	<i>CRC (not interpretative)</i>
Act	means the Electricity Act 1989.	<i>5K</i>
Authorised	in relation to any business or activity, means authorised by licence granted or treated as granted under section 6 of the Act or, in any appropriate cases, by exemption granted under section 5 of the Act.	<i>5E</i>
Affiliate	in relation to the licensee, means any H holding C ompany or S ubsidiary of the licensee or any S ubsidiary of a H holding C ompany of the licensee, in each case within the meaning <u>given to those terms in section 1159 of sections 736, 736A and 736B of the Companies Act 2006</u> 1985 .	<i>5C</i>
Authority	means the Gas and Electricity Markets Authority that is established under section 1 of the Utilities Act 2000.	<i>2A, 2C, 3A, 3C, 3D, 3F, 3G, 3H, 3J, 3K, 3L, 4A, 4B, 4C, 5D, 5K</i>

Chapter 1: Interpretation of Part 4

	Meaning [Not part of final condition]	<i>CRC (not interpretative)</i>
Competition and Markets Authority	means the Competition and Markets Authority established under the Enterprise and Regulatory Reform Act 2013.	
Connection Charges	means charges made or levied, or to be made or levied, by the licensee for the provision, modification, or retention of connections to the licensee's Distribution System, whether or not such charges or any part of them are annualised, and may include, as appropriate, costs relating to any of the matters mentioned under paragraph A2 of Appendix 1 to standard condition 14 (Charges for Use of System and connection).	<i>2B, 2K</i>
Customer	means any person who is supplied or requires to be supplied with electricity at any premises in Great Britain, but does not include any Authorised Electricity Operator in its capacity as such.	<i>2C, 2D, 3H</i>
Distribution Business	means a business of the licensee (or, in relation to either of sub-paragraphs (a) and (c), a business of any Affiliate or Related Undertaking of the licensee) which, except to the extent otherwise specified by the Authority in a direction to the licensee, comprises any of the following activities: (a) the distribution of electricity through the licensee's Distribution System (including any business in providing connections to that system); (b) the provision of Metering Services and Metering Equipment (including the service of providing Legacy Metering Equipment within the meaning of standard condition 34); and (c) the provision of Data Services, and in each case includes any business that is ancillary to the business in question.	<i>5E</i>

Chapter 1: Interpretation of Part 4

	Meaning [Not part of final condition]	<i>CRC (not interpretative)</i>
<u>Distribution Losses</u>	means electricity Units lost while est being transported through the licensee's Distribution System, including: <ul style="list-style-type: none"> (a) Units lost in the course of that the process of transporting energy through as a result of the inherent impedance of electricpower lines and electrical plant transformers as a result of inherent impedance of electrical conductors; and (b) Units that are unaccounted for that and can be attributed to Relevant Theft of Electricity, or inaccuracies or errors in inventories of unmetered supplies or metering data. 	<i>2G</i>
<u>Distribution Services Area</u>	in relation to the licensee if it is a Distribution Services Provider, means the area specified as such by the Authority under: <ul style="list-style-type: none"> (a) standard condition 2 (Application of Section C) of the licensee's Electricity Distribution Licence in the form in which that licence was in force on 31 May 2008; (b) standard condition 3 (Application of the Section B standard conditions) of the licensee's Electricity Distribution Licence in the form in which that licence was in force on 31 March 2015; or (c) standard condition 3 (Application of the Section B standard conditions) of this licence on or after 1 April 2015. 	<i>3E, 5E</i>

Chapter 1: Interpretation of Part 4

	Meaning [Not part of final condition]	<i>CRC (not interpretative)</i>
Distribution System	means the system consisting (wholly or mainly) of electric lines owned or operated by an Authorised distributor that is used for the distribution of electricity from grid supply points or generation sets or other Entry Points to the points of delivery to Customers or Authorised Electricity Operators or any Transmission Licensee in its capacity as operator of that licensee's Transmission System or the GB Transmission System, and includes any Remote Transmission Assets (owned by a Transmission Licensee within England and Wales) that are operated by that Authorised distributor and any electrical plant, Electricity Meters, and Metering Equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB Transmission System.	2C, 2D, 2F, 3G, 3J, 5D, 5E
Domestic Customer	means a Customer who is supplied or requires to be supplied with electricity at Domestic Premises (but excludes such Customer insofar as he is supplied or requires to be supplied at premises other than Domestic Premises).	5E
Domestic Premises	means premises at which a supply of electricity is taken wholly or mainly for domestic purposes.	5E
Electricity Distributor	means any person who is Authorised by an Electricity Distribution Licence to distribute electricity.	3E, 4A, 4C, 5E

Chapter 1: Interpretation of Part 4

	Meaning [Not part of final condition]	CRC (not interpretative)
Electricity Meter	means any meter (<u>including a Smart Meter</u>) that conforms to the requirements of paragraph 2 of Schedule 7 to the Act and is used for the purpose of measuring the quantity of electricity supplied to premises or, in any case other than that, any meter used for measurement purposes in connection with any of the activities of generating, transmitting, or distributing electricity.	5B
Electricity Supplier	means any person who is Authorised to supply electricity.	5B
Legacy Metering Equipment	means Metering Equipment (whether owned by the licensee or not) provided by the licensee in respect of premises at which such equipment had been installed on or before 31 March 2007 and is of the same functionality as was being provided by the licensee at 1 June 2003.	5B
Margin	means a monetary sum, forming part of a Connection Charge, that is in addition to the cost estimated to be incurred by the licensee in providing any of its Connection Activities.	
Metering Equipment	means an Electricity Meter and any associated equipment that materially affects its operation, and includes (if applicable) Legacy Metering Equipment within the meaning of standard condition 34 (Requirement to offer terms for the provision of Legacy Metering Equipment).	
Notice	means notice given directly to a person in Writing (and includes a notification).	multiple
Regulatory Year	means a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the next following calendar year.	2A, 2D, 2H, 2J, 3D, 3E, 3F, 3G, 3H, 3J, 5A

Chapter 1: Interpretation of Part 4

	Meaning [Not part of final condition]	CRC (not interpretative)
Related Undertaking	<u>i</u> n relation to the licensee, means any undertaking in which the licensee has <u>a</u> participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.	5C
Transmission Licence	means an electricity transmission licence granted or treated as granted under section 6(1)(b) of the Act that authorises a person to participate in the transmission of electricity.	2D
Specified Information	means Information (or a category of information) that is so described or defined in the RIGs.	3B
Transmission Licensee	means any person who is Authorised by a Transmission Licence to participate in the transmission of electricity.	2D
Use of System	means use of the licensee's Distribution System for the distribution of electricity by the licensee on behalf of any person (and agreements for Use of System include all those provisions of the Distribution Connection and Use of System Agreement that relate to such use).	5E
Use of System Charges	<u>m</u> Means charges made or levied, or to be made or levied, by the licensee for the provision of Use of System and certain other services as part of its distribution Business to any person, but does not include Connection Charges.	2A, 2B, 2J, 5E

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Part D: References to Regulatory Years

1B.9 References to Regulatory Years have the following respective meanings:

- (a) Regulatory Year t refers:
 - (i) for the purposes of the conditions in Chapters 3 and 4 only, to the Regulatory Year in which the value for the term MOD, calculated through a particular Annual Iteration Process, is used in the calculation of Base Demand Revenue under Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue); and

Chapter 1: Interpretation of Part 4

- (ii) for the purposes of all other conditions in this Part 4, to the Regulatory Year in respect of which Allowed Distribution Network Revenue is (or will be) adjusted directly by the relevant calculation;
- (b) Regulatory Year t-1 refers to the Regulatory Year immediately preceding Regulatory Year t (and similar expressions should be read accordingly); and
- (c) Regulatory Year t=2015/16 refers to the Regulatory Year beginning on 1 April 2015 and ending on 31 March 2016 (and similar expressions should be read accordingly).

Part E: Interpretation of “max” and “min” terms and “representations”

1B.10 Where the terms “max” and “min” are used in any formula in the Charge Restriction Conditions, then, for any two given amounts X and Y, “min (X,Y)” means X if X-Y is negative (and otherwise means Y), and “max (X,Y)” means Y if X-Y is negative (and otherwise means X).

1B.11 References to representations in the Charge Restriction Conditions include objections.

Part E: General rules of interpretation

1B.12 The provisions of paragraphs 2.1, 2.3 and 2.10 of standard condition 2 (Interpretation _____ of this licence) apply to Part 4 of this licence as if references in those provisions to the _____ standard conditions of this licence were references to Part 4 of this licence.

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CHAPTER 2: ELECTRICITY DISTRIBUTION REVENUE RESTRICTION

CRC 2A. Restriction of Allowed Distribution Network Revenue

Introduction

2A.1 This condition:

- (a) establishes the charging restrictions that determine the level of Allowed Distribution Network Revenue that may be recovered by the licensee from Use of System Charges; and
- (b) sets out the obligation of the licensee in respect of those restrictions.

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Part A: Licensee's obligation

The licensee, in setting Use of System Charges, must use its best endeavours to ensure that, in Regulatory Year t, Regulated Distribution Network Revenue is equal to its Allowed Distribution Network Revenue.

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2A.2 The licensee, in setting its Use of System Charges, must set them at a level that it reasonably believes will yield a sum that is not more likely to exceed, than to fall short of, the Allowed Distribution Network Revenue for the Regulatory Year.

Part B: Calculation of Allowed Distribution Network Revenue (AR_t)

2A.3 Allowed Distribution Network Revenue, in Regulatory Year t, is derived in accordance with the following formula (in this condition, the "Principal Formula"):

$$AR_t = BR_t + IP_t + PT_t + NIA_t + LCN_t - AUM_t + CGSRA_t + PPL_t - K_t$$

2A.4 In the Principal Formula:

- AR_t means the amount of Allowed Distribution Network Revenue in Regulatory Year t.
- BR_t means the amount of Base Demand Revenue in Regulatory Year t, as derived in accordance with the formula set out in Part C of this condition.
- IP_t means the incentive revenue adjustment made in Regulatory Year t, as derived in accordance with the formula set out in Part D of this condition.
- PT_t means the Allowed Pass-Through Items revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2B (Calculation of Allowed Pass-Through Items).
- NIA_t means the Network Innovation Allowance revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2H (The Network Innovation Allowance).
- LCN_t means the Low Carbon Networks Fund revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2J (Low Carbon Networks Fund).
- AUM_t means the total amount of anythe sums remaining unpaid pursuant to the requirements of a Clawback Direction given in accordance with the provisions of Part B of CRC 2K (Margins on licensee's Connection

Chapter 2: Electricity Distribution Revenue Restriction

Activities) one year after the licensee has received that direction.

- CGSRA_t means the adjustment for payments made by the licensee in respect of its failure to achieve performance standards under CRC 2L (Revenue adjustments in respect of performance failures); that are in excess of the revenue exposure cap specified for the licensee in Table 1 of CRC 2L.
- PPL_t means the ~~residual distribution losses losses~~ revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2M (~~Adjustment of licensee's revenues for the residual distribution losses losses incentive~~).
- K_t means the correction factor revenue adjustment made in Regulatory Year t, as derived in accordance with the formula set out in Part E of this condition.

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Part C: Calculation of Base Demand Revenue (BR_t)

- 2A.5 For the purposes of the Principal Formula, the amount of BR_t is derived in accordance with the following formula:

$$BR_t = (PU_t + MOD_t + TRU_t) \times RPIF_t$$

- 2A.6 In the formula for the BR_t term above:

- PU_t means the amount set against the licensee's name in Appendix 1 of this condition and represents the Opening Base Revenue Allowance for Regulatory Year t, as determined by the Authority in relation to the distribution of electricity to and from premises.
- MOD_t is zero in Regulatory Year 2015/16 and in each subsequent Regulatory Year is the value of the incremental change for Regulatory Year t to the licensee's Opening Base Revenue Allowance, as derived in accordance with the Annual Iteration Process set out in Parts A and B of CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).
- TRU_t is zero in Regulatory Years 2015/16 and 2016/17 and in each subsequent Regulatory Year is the revenue adjustment made in Regulatory Year t in respect of the actual value of the Retail Prices Index in Regulatory Year t-2 minus the assumed value of the Retail Prices Index in Regulatory Year t-2, as derived in accordance with paragraph 2A.9.
- RPIF_t means the price index adjustment factor in Regulatory Year t, as derived in accordance with paragraph 2A.7.

- 2A.7 For the purposes of paragraph 2A.6, RPIF_t is derived in accordance with the following formula:

$$RPIF_t = RPIA_{t-2} \times (1 + GRPIF_{t-1}) \times (1 + GRPIF_t)$$

- 2A.8 In the above formula for RPIF_t:

Chapter 2: Electricity Distribution Revenue Restriction

$RPIA_t$ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months in Regulatory Year t divided by the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months 1 April 2012 to 31 March 2013 as derived in accordance with the following formula:

$$RPIA_t = \frac{RPI_t}{RPI_{2012/13}}$$

where:

RPI_t means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April to 31 March in Regulatory Year t .

$RPI_{2012/13}$ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April 2012 to 31 March 2013.

and:

$$GRPIF_t = (0.75 \times GRPIF_c) + (0.25 \times GRPIF_{c+1})$$

$$GRPIF_{t-1} = (0.75 \times GRPIF_{c-1}) + (0.25 \times GRPIF_c)$$

where:

$GRPIF_c$ means the Retail Prices Index Forecast Growth Rate for calendar year c , where c denotes the calendar year in which Regulatory Year t begins and the expressions $c-1$ and $c+1$ are interpreted accordingly; and in each such case the Retail Prices Index Forecast Growth Rates for calendar years $c-1$, c and $c+1$ are taken from the November edition of the HM Treasury publication, "Forecasts for the UK Economy", in Regulatory Year $t-1$.

2A.9 For the purposes of paragraph 2A.6, TRU_t is derived in accordance with the following formula:

$$TRU_t = \left(\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right) \times REV_{t-2} \times PVF_{t-2} \times PVF_{t-1}$$

2A.10 In the above formula for TRU_t :

REV_{t-2} means the amount (in 2012/13 prices) in Regulatory Year $t-2$ of the combined value of all revenue adjustments for the licensee provided for in the provisions referred to in relevant Charge Restriction Conditions indexed by the Retail Prices Index as derived in accordance with the formula in paragraph 2A.11.

PVF_t means the present value adjustment term for Regulatory Year t and will be calculated as one (1) plus the Vanilla Weighted Average Cost of Capital for the licensee as derived by the Authority in accordance with the Annual

Chapter 2: Electricity Distribution Revenue Restriction

Iteration Process, and the expressions PVF_{t-1} and PVF_{t-2} will be interpreted accordingly.

2A.11 For the purposes of paragraph 2A.10, REV_{t-2} is derived in accordance with the following formula:

~~2A.11~~ $REV_{t-2} \equiv$

$$\frac{REV_{t-2}}{RPIF_{t-2}} = \frac{BR_{t-2} + LF_{t-2} + RB_{t-2} + TB_{t-2} + SMC_{t-2} + SMIT_{t-2} + RF_{t-2} + IQ_{t-2} + LDR_{t-2}}{RPIF_{t-2}}$$

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2A.12 In the above formula for REV_{t-2} :

- BR_{t-2} means the amount of Base Demand Revenue in Regulatory Year ~~$t-2$~~ , as derived in accordance with the formula set out in paragraph 2A.5.
- LF_{t-2} means the amount of the licence fee adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part B of CRC 2B.
- RB_{t-2} means the amount of the Business Rates adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part C of CRC 2B.
- TB_{t-2} means the amount of the Transmission Connection Point Charges adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part D of CRC 2B.
- SMC_{t-2} means the amount of the Smart Meter Communication Licensee Costs adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part E of CRC 2B.
- $SMIT_{t-2}$ means the amount of the Smart Meter Information Technology Costs adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part F of CRC 2B.
- RF_{t-2} means the amount of the Ring Fence Costs adjustment in Regulatory Year ~~$t-2$~~ as derived in accordance with Part G of CRC 2B.
- IQ_{t-2} means the interruptions-related quality of service incentive revenue adjustment made in Regulatory Year ~~$t-2$~~ , as derived in accordance with CRC 2D (Adjustment of licensee's revenues to reflect ~~interruptions-related~~ interruptions-related quality of service performance), except in Regulatory Years ~~$t-2$~~ beginning on 1 April 2015 and 1 April 2016 when IQ_{t-2} ~~will~~ ~~shall~~ be set to zero for the purposes of this calculation.
- LDR_{t-2} means the amount of the losses discretionary reward scheme revenue adjustment made in Regulatory Year ~~$t-2$~~ , as derived in accordance with CRC 2G (The Losses Discretionary Reward).

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Part D: Calculation of the incentive revenue adjustment (IP_t)

Chapter 2: Electricity Distribution Revenue Restriction

- 2A.13 For the purposes of the Principal Formula, the amount of IP_t is derived in accordance with the following formula:

$$IP_t = BM_t + IQ_t + ICE_t + TTC_t + LDR_t$$

- 2A.14 In the above formula for IP_t :

	BM_t	means the Broad Measure of Customer Service revenue <u>Adjustment of revenue</u> made in Regulatory Year t, as derived in accordance with CRC 2C (Broad Measure of Customer Service <u>Adjustment</u>).
	IQ_t	means the interruptions-related quality of service incentive revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2D.
	ICE_t	means the <u>I</u> ncentive on <u>C</u> onnections <u>E</u> ngagement revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2E (Incentive on Connections Engagement).
	TTC_t	means the <u>T</u> ime to <u>C</u> onnect <u>I</u> ncentive revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2F (Time to Connect Incentive).
	LDR_t	means the <u>L</u> osses <u>D</u> iscretionary <u>R</u> eward scheme revenue adjustment made in Regulatory Year t, as derived in accordance with CRC 2G.

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Part E: Calculation of the correction factor (K_t)

- 2A.15 For the purposes of the Principal Formula, subject to paragraph 2A.17, K_t is derived in accordance with the following formula:

$$K_t = (RD_{t-2} - AR_{t-2}) \times \left(1 + \left(\frac{I_{t-2} + PR_{t-2}}{100}\right)\right) \times \left(1 + \left(\frac{I_{t-1} + 1.5}{100}\right)\right)$$

- 2A.16 In the above formula for K_t :

	RD_{t-2}	means the Regulated Distribution Network Revenue (as defined in CRC 1B (Definitions for the Charge Restriction Conditions) in Regulatory Year $t-2$, except in the Regulatory Year beginning 1 April 2016 where RD_{t-2} is the Regulated Distribution Network Revenue, as defined in CRC 2 (Definitions for the Charge Restriction Conditions) of this licence in the form in which it was in force at 31 March 2015.
	AR_{t-2}	means the amount of the Allowed Distribution Network Revenue in Regulatory Year $t-2$, except in the Regulatory Year beginning 1 April 2016 where AR_{t-2} is the Allowed Distribution Network Revenue, as derived in accordance with Part B of CRC 3 (Restriction of Distribution Charges: Use of System Charges) of this licence in the form in which it was in force at 31 March 2015.
	I_t	means the Average Specified Rate in Regulatory Year t.

Chapter 2: Electricity Distribution Revenue Restriction

PR_{t-2} means the interest rate adjustment as derived in accordance with Part F of this condition.

2A.17 In Regulatory Year 2015/16 K_t will have the value of zero.

Part F: Interest adjustment for over- and under-recoveries of revenue

2A.18 For the purposes of Part E of this condition, the value of the interest rate adjustment PR_{t-2} is derived as follows:

- (a) if, in respect of Regulatory Year ~~$t-2$~~ , Regulated Distribution Network Revenue exceeds 106 per cent of Allowed Distribution Network Revenue, PR_{t-2} will have the value of 3;
- (b) if, in respect of Regulatory Year ~~$t-2$~~ , Regulated Distribution Network Revenue is less than 94 per cent of Allowed Distribution Network Revenue, PR_{t-2} will have the value of zero; and
- (c) in all other cases PR_{t-2} will have the value of 1.5.

2A.19 The Authority, having due regard to the purpose of this condition and after consulting with the licensee, may, if it is satisfied that, in respect of Regulatory Year ~~$t-2$~~ , Regulated Distribution Network Revenue has either:

- (a) exceeded 106 per cent of Allowed Distribution Network Revenue; or
- (b) been less than 94 per cent of Allowed Distribution Network Revenue, for reasons outside the reasonable control of the licensee, direct the licensee to change the value of PR_{t-2} to ~~be~~ 1.5.

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Part G: Treatment of charges in the event of over-recovery

2A.20 Paragraph 2A.21 applies from 1 April 2018.

2A.21 If, in respect of two successive Regulatory Years ~~$t-2$~~ and ~~$t-3$~~ , the licensee's Regulated Distribution Network Revenue in each of those Regulatory Years exceeds 110 per cent of Allowed Distribution Network Revenue for those Regulatory Years, the licensee:

- (a) must provide an explanation for that event in writing to the Authority by 31 July in the associated Regulatory Year ~~$t-1$~~ ; and
- (b) must not increase its Use of System Charges for the Regulatory Year t except and to the extent that the Authority has consented to such an increase.

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Part H: Treatment of charges in the event of under-recovery

2A.22 Paragraph 2A.23 applies from 1 April 2018.

2A.23 If, in respect of two successive Regulatory Years ~~$t-2$~~ and ~~$t-3$~~ , the licensee's Regulated Distribution Network Revenue in each of those Regulatory Years is less

Chapter 2: Electricity Distribution Revenue Restriction

than 90 per cent of the Allowed Distribution Network Revenue for those Regulatory Years, the licensee:

- (a) must provide an explanation for that event in writing to the Authority by 31 July in the associated Regulatory Year ~~t-1~~; and
- (b) must use its best endeavours in setting Use of System Charges to recover the Allowed Distribution Network Revenue in Regulatory Year t.

Part I: Interpretation

2A.24 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Allowed Pass-Through Items	XX
Annual Iteration Process	XX
Authority	XX
Average Specified Rate	XX
Base Demand Revenue	XX
Allowed Distribution Network Revenue	XX
Customer	XX.
Distribution Services	XX
Network Innovation Allowance	XX
Opening Base Revenue Allowance	XX
Regulated Distribution Network Revenue	XX
Regulatory Year	XX
Retail Prices Index	XX
Retail Prices Index Forecast Growth Rate	XX

Chapter 2: Electricity Distribution Revenue Restriction

Use of System Charges	XX
Vanilla Weighted Average	XX
Cost of Capital	

Chapter 2: Electricity Distribution Revenue Restriction

APPENDIX 1

Values for the PU term (~~expressed in £m in~~ 2012/13 prices) by licensee
(see paragraph 2A.6)

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY gY								
WMID	392.9	398.9	403.1	412.5	422.8	427.5	407.4	408.7
EMID	394.1	401.1	403.5	414.1	423.7	428.6	410.0	412.8
SWALES	213.2	215.5	210.7	213.4	209.7	210.2	208.9	210.2
SWEST	291.4	297.9	302.7	310.1	314.1	317.8	304.1	309.1
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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CRC 2B. Calculation of Allowed Pass-Through Items

Introduction

- 2B.1 This condition sets out the calculation of the amount of the term PT (the allowed pass-through term) that applies in CRC 2A (Restriction of Allowed Distribution Network Revenue).
- 2B.2 The allowed pass-through term in CRC 2A amends the licensee's Allowed Distribution Network Revenue so as to allow certain costs as specified below to be passed through to users through Use of System Charges.

Part A: Calculation of Allowed Pass-Through Items (PT)

- 2B.3 For the purposes of Part B of CRC 2A, which establishes the calculation of Allowed Distribution Network Revenue, the total amount of the PT term is calculated in accordance with the following formula (in this condition, the Principal Formula):

$$PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t$$

- 2B.4 In the Principal Formula:

LF_t means the licence fee adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part B of this condition.

RB_t means the business rates adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part C of this condition.

TB_t means the Transmission Connection Point Charges adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part D of this condition.

SMC_t means the Smart Meter Communication Licensee Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part E of this condition.

$SMIT_t$ means the Smart Meter Information Technology Costs adjustment in Regulatory Year t, as derived in accordance with the formula set out in Part F of this condition.

RF_t means the Ring Fence Costs adjustment in Regulatory Year t, as derived in accordance with Part G of this condition.

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Part B: Calculation of the licence fee adjustment (LF)

- 2B.5 For the purposes of the Principal Formula, subject to paragraph 2B.7, LF_t is derived in accordance with the following formula:

$$LF_t = \left(\frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.6 In the above formula for LF_t :

Chapter 2: Electricity Distribution Revenue Restriction

LFA _{t-2}	means the amount of licence fee payments, in Regulatory Year t-2, made by the licensee in accordance with its obligations under standard condition 5 (Licensee's payments to the Authority).
LFE _{t-2}	means the amount of the licence fee allowance, in Regulatory Year t-2, and is represented by the amount set out in Appendix 1 of this condition that applies to the relevant licensee.
RPIA _{t-2}	has the value given to it by Part C of CRC 2A.
PVF _t	has the value given to it by Part C of CRC 2A.
RPIF _t	has the value given to it by Part C of CRC 2A.

2B.7 In the Regulatory Years 2015/16 and 2016/17 LF_t will have the value of zero.

Part C: Calculation of the Business Rates adjustment (RB)

2B.8 For the purposes of the Principal Formula, subject to paragraphs 2B.10, 2B.11 and 2B.12, RB_t is derived in accordance with the following formula:

$$RB_t = \left(\frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

2B.9 In the above formula for RB_t:

RBA _{t-2}	means the amount, in Regulatory Year t-2 , paid by the licensee in respect of Business Rates.
RBE _{t-2}	means the amount of the allowance in respect of Business Rates, in Regulatory Year t-2 , and is represented by the amount set out in Appendix 2 of this condition that applies to the relevant licensee.
RPIA _{t-2}	has the value given to it by Part C of CRC 2A.
PVF _t	has the value given to it by Part C of CRC 2A.
RPIF _t	has the value given to it by Part C of CRC 2A.

2B.10 In Regulatory Years 2015/16 and 2016/17 RB_t will have the value of zero.

2B.11 Paragraphs 2B.12 to 2B.16 apply if the relevant valuation agency revalues any of the licensee's assets for the purposes of setting Business Rates.

2B.12 The relevant valuation agency in England and Wales is the Valuation Office Agency and in Scotland is the Scottish Assessors Association.

2B.13 If, after reviewing the licensee's engagement with the relevant valuation agency with respect to a particular revaluation, the Authority considers that the licensee has not used all reasonable ~~its best~~ endeavours to minimise the amount of the Business Rates to which it is liable, the Authority may, subject to paragraphs 2B.14 and 2B.15, by

Chapter 2: Electricity Distribution Revenue Restriction

Notice to the licensee specify that any positive value for RB (and only a positive value) for one or more Regulatory Years derived under the formula set out in paragraph 2B.8 is to be changed to a different value.

- 2B.14 A Notice under paragraph 2B.13 is of no effect unless the Authority has first consulted with the licensee.
- 2B.15 A Notice under paragraph 2B.13:
- (a) may not specify a different value for RB for the Regulatory Year following the Regulatory Year in which the revaluation took place or for any earlier Regulatory Year; and
 - (b) may not specify a different value for RB that is less than zero.
- 2B.16 At any time after giving a Notice under paragraph 2B.13, the Authority may by a further Notice to the licensee nullify the specifications in the original Notice.

Part D: Calculation of ~~the~~ Transmission Connection Point Charges adjustment (TB)

- 2B.17 For the purposes of the Principal Formula, and subject to paragraph 2B.18, TB_t is derived in accordance with the following formula:

$$TB_t = \left(\frac{PTPA_{t-2}}{RPIA_{t-2}} - PTPE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.18 In the above formula for TB_t :

$PTPA_{t-2}$ means the amount of Pass-through Transmission Connection Point Charges incurred by the licensee in Regulatory Year ~~$t-2$~~ .

$PTPE_{t-2}$ means the amount of the Pass-through Transmission Connection Point Charges allowance, and is represented by the amount set out in Appendix 3 of this condition that applies to the ~~relevant~~ licensee.

$RPIA_{t-2}$ has the value given to it by Part C of CRC 2A.

PVF_t has the value given to it by Part C of CRC 2A.

$RPIF_t$ has the value given to it by Part C of CRC 2A.

- 2B.19 In the Regulatory Years 2015/16 and 2016/17 TB_t will have the value of zero.

Part E: Calculation of the Smart Meter Communication Licensee Costs adjustment (SMC)

- 2B.20 For the purposes of the Principal Formula, SMC_t is derived in accordance with the following formula:

$$SMC_t = \left(\frac{SMCA_{t-2}}{RPIA_{t-2}} - SMCE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

Chapter 2: Electricity Distribution Revenue Restriction

2B.21 In the above formula for SMC_t :

$SMCA_{t-2}$ means the amount of Smart Meter Communication Licensee Costs incurred by the licensee in Regulatory Year ~~$t-2$~~ .

$SMCE_{t-2}$ means the amount of the Smart Meter Communication Licensee Costs allowance in Regulatory Year ~~$t-2$~~ , and is represented by the amount set out in Appendix 4 of this condition that applies to the ~~relevant~~ licensee.

$RPIA_{t-2}$ has the value given to it by Part C of CRC 2A.

PVF_t has the value given to it by Part C of CRC 2A.

$RPIF_t$ has the value given to it by Part C of CRC 2A.

2B.22 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25, SMC_t will have the value of zero.

Part F: Calculation of the Smart Meter Information Technology Costs adjustment (SMIT)

2B.23 For the purposes of the Principal Formula, $SMIT_t$ is derived in accordance with the following formula:

$$SMIT_t = \left(\frac{SMIA_{t-2}}{RPIA_{t-2}} - SMIE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t + SMITR_t$$

2B.24 In the above formula for $SMIT_t$:

$SMIA_{t-2}$ means the amount of Smart Meter Information Technology Costs incurred by the licensee in Regulatory Year ~~$t-2$~~ .

$SMIE_{t-2}$ means the amount of the Smart Meter Information Technology Costs allowance in Regulatory Year ~~$t-2$~~ , and is represented by the amount set out in Appendix 5 of this condition that applies to the ~~relevant~~ licensee.

$RPIA_{t-2}$ has the value given to it by Part C of CRC 2A.

PVF_t has the value given to it by Part C of CRC 2A.

$RPIF_t$ has the value given to it by Part C of CRC 2A.

$SMITR_t$ means the adjustment to Smart Meter Information Technology costs for the licensee in Regulatory Year t as a result of the SMIT review.

2B.25 In the Regulatory Years 2015/16, 2016/17, 2023/24 and 2024/25, ~~$SMIT_t$~~ $SMIA_t$ will have the value of zero.

Chapter 2: Electricity Distribution Revenue Restriction

- 2B.26 In 2020/21, the Authority will commence a review (the “SMIT review”) of the information technology costs that the licensee has incurred or plans to incur, during the Price Control Period, to enable it to use smart metering data for the operation and maintenance of its Distribution System.
- 2B.27 The SMIT review will determine whether the costs incurred or planned are falling or capable of falling within the definition of Smart Meter Information Technology Costs.
- 2B.28 Before making the determination referred to in paragraph 2B.27, the Authority will consult with the licensee and any other party ~~that~~ the Authority considers appropriate.
- 2B.29 A determination under this Part may:
- (a) set the value of $SMITR_t$ for any Regulatory Year, subject to paragraph 2B.30; and
 - (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the $SMIT_t$ term.
- 2B.30 In the Regulatory Years ~~before~~ prior to 2021/22, $SMITR_t$ will have the value of zero.

Part G: Calculation of the Ring Fence Costs adjustment (RF)

- 2B.31 For the purposes of the Principal Formula, subject to paragraph 2B.32, RF_t is derived in accordance with the following formula:

$$RF_t = \left(\frac{RFA_{t-2}}{RPIA_{t-2}} - RFE_{t-2} \right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2B.32 In the above formula for RF_t :

- RFA_{t-2} means the amount of Ring Fence Costs incurred by the licensee in Regulatory Year ~~t-2~~.
- RFE_{t-2} means the amount of the Ring Fence Costs allowance in Regulatory Year ~~t-2~~, and is represented by the amount set out in Appendix 6 of this condition that applies to the ~~relevant~~ licensee.
- $RPIA_{t-2}$ has the value given to it by Part C of CRC 2A.
- PVF_t has the value given to it by Part C of CRC 2A.
- $RPIF_t$ has the value given to it by Part C of CRC 2A.

- 2B.33 In the Regulatory Years 2015/16 and 2016/17 RF_t will have the value of zero.

Part H: Interpretation

- 2B.34 For the purposes of this condition:

Chapter 2: Electricity Distribution Revenue Restriction

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Allowed Distribution Network Revenue	XX
Business Rates	XXX
Connection Charges	XX
Elective Communication Services	XX
Smart Meter Communication Licence	XXX
Smart Meter Communication Licensee Costs	XX
Smart Meter Information Technology Costs	XX
New Transmission Capacity Charges	XX
Pass-through Transmission Connection Point Charges	XX
Regulatory Year t	XX
Ring Fence Costs	XX
Smart Energy Code	XX
Transmission Connection Point Charges	XX
Use of System Charges	XX

APPENDIX 1

£m Values for the LFE term (£m in 2012/13 prices) by licensee
(see Part B of this condition)

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
EMID	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
SWALES	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
SWEST	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

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APPENDIX 2

£m Values for the RBE term (£m in 2012/13 prices) by licensee
(see Part C of this condition)

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		Regulatory Year							
Licensee		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL									
NPgN									
NPgY	NPgY								
WMID		25.7	25.7	29.0	34.0	40.4	40.4	40.4	40.4
EMID		34.0	34.0	38.2	44.9	52.9	52.9	52.9	52.9
SWALES		15.1	15.1	19.1	19.1	19.1	19.1	19.1	19.1
SWEST		14.4	14.4	16.2	19.0	20.6	20.6	20.6	20.6
LPN									
SPN									
EPN									
SPD									
SPMW									
SSEH									
SSES									

APPENDIX 3

~~£m~~ Values for the PTPE term (£m in 2012/13 prices) by licensee
(see Part D of this condition)

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	12.7	13.0	13.2	13.2	13.5	14.1	14.1	14.1
EMID	10.5	10.5	10.9	10.9	11.6	11.9	12.6	13.8
SWALES	8.5	8.5	8.5	8.6	8.6	8.6	8.6	8.8
SWEST	8.7	8.7	8.7	8.7	9.2	9.2	9.2	9.2
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

APPENDIX 4

£m Values for the SMCE term (£m in 2012/13 prices) by licensee
(see Part E of this condition)

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.3	0.3	0.3	0.3	0.3	0.3	NA	NA
EMID	0.3	0.3	0.3	0.3	0.3	0.3	NA	NA
SWALES	0.2	0.2	0.2	0.2	0.2	0.2	NA	NA
SWEST	0.3	0.3	0.3	0.3	0.3	0.3	NA	NA
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

APPENDIX 5

£m Values for the SMIE term (£m in 2012/13 prices) by licensee
(see Part F of this condition)

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	1.0	1.1	0.6	0.9	0.7	1.3	NA	NA
EMID	1.0	1.1	0.7	1.0	0.7	1.3	NA	NA
SWALES	0.5	0.5	0.3	0.4	0.3	0.6	NA	NA
SWEST	0.8	0.8	0.5	0.7	0.5	1.0	NA	NA
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

APPENDIX 6

~~£m~~ Values for the RFE term (£m in 2012/13 prices) by licensee
(see Part G of this condition)

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EMID	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWEST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

CRC 2C. Broad Measure of Customer Service Adjustment

Introduction

- 2C.1 This condition sets out the mechanisms for calculating the amount of the term BM_t (the Broad Measure of Customer Service Adjustment in Regulatory Year t).
- 2C.2 The application of the BM_t term in Part D of CRC 2A (Restriction of Allowed Distribution Network Revenue) adjusts the amount of the incentive revenue adjustment term (IP_t), in order to reflect the performance of the licensee on customer service issues.

Structure of this condition

- 2C.3 Paragraphs 2C.3 to 2C.10 describe how this condition is structured.
- 2C.4 Part A provides for the calculation of the Broad Measure of Customer Service Adjustment through the use of two separate mechanisms.
- 2C.5 Part B provides for the calculation of the Customer Satisfaction Survey term. The next three parts, C to E, provide for the calculation of the Customer Satisfaction Survey term in Part B as follows:
- (a) Part C provides for the calculation of the particular contribution arising from the licensee's performance in relation to the supply interruptions element of the Customer Satisfaction Survey;
 - (b) Part D provides for the calculation of the particular contribution arising from the licensee's performance in relation to the connections element of the Customer Satisfaction Survey; and
 - (c) Part E provides for the calculation of the particular contribution arising from the licensee's performance in relation to the general enquiries element of the Customer Satisfaction Survey.
- 2C.6 Part F provides for the calculation of the complaints metric term.
- 2C.7 Part G provides for the calculation of the stakeholder engagement term.
- 2C.8 Part H sets out the process for modifying the Stakeholder Engagement Incentive Guidance.
- 2C.9 Part I deals with matters of interpretation.
- 2C.10 Tables 1 to 16 in the Appendix set out the incentive rates and revenue exposures for the relevant components of this condition.

Chapter 2: Electricity Distribution Revenue Restriction

Part A: Calculation of the Broad Measure of Customer Service Adjustment (BM_t)

- 2C.11 For each of the Regulatory Years beginning on 1 April 2015 and 1 April 2016, the Broad Measure of Customer Service Adjustment (BM_t) is calculated in accordance with the following formula:

$$BM_t = BM_{t-2} \times \left[\left(1 + \frac{I_{t-2}}{100} \right) \times \left(1 + \frac{I_{t-1}}{100} \right) \right]$$

where, for the purposes of this paragraph only:

BM_{t-2} is the adjustment to Allowed Distribution Network Revenue to reflect the licensee's performance in each of the Regulatory Years beginning on 1 April 2013 and 1 April 2014, and is calculated from the application of the appropriate provisions used to calculate the QC_t term in Part D of CRC 8 (Adjustment of licensee's revenues to reflect quality of service performance) of this licence in the form in which that condition was in force at 31 March 2015.

I_t means the Average Specified Rate, as defined in CRC 1B (Interpretation of Part 4) in Regulatory Year t.

- 2C.12 For the Regulatory Year beginning on 1 April 2017 and each Regulatory Year thereafter, the Broad Measure of Customer Service Adjustment (BM_t) is calculated in accordance with the following formula:

$$BM_t = [CS_{t-2} + CM_{t-2} + SE_{t-2}] \times RPIA_{t-2}$$

where:

CS_{t-2} (*the Customer Satisfaction Survey term*) means the adjustment to Allowed Distribution Network Revenue in respect of the licensee's Customer Satisfaction Survey performance in Regulatory Year t-2 in relation to the targets for the Customer Satisfaction Survey, and is calculated in accordance with the provisions of Part B of this condition.

CM_{t-2} (*the complaints metric term*) means ~~the~~^{such} negative adjustment (if any) to Allowed Distribution Network Revenue in respect of the licensee's performance in Regulatory Year t-2 in relation to the targets for the complaints metric, and is calculated in accordance with the provisions of Part F of this condition.

SE_{t-2} (*the stakeholder engagement term*) means ~~the~~^{such} positive adjustment (if any) to Allowed Distribution Network Revenue ~~in for the~~ Regulatory Year t-2 in relation to stakeholder engagement performance, pursuant to the provisions of Part G of this condition.

RPIA_{t-2} has the meaning given in Part C of CRC 2A.

Chapter 2: Electricity Distribution Revenue Restriction

Part B: Adjustments arising from the Customer Satisfaction Survey

- 2C.13 The Customer Satisfaction Survey term (CS_t) is calculated in accordance with the following formula:

$$CS_t = CSA_t + CSB_t + CSC_t$$

where:

- CSA_t (*the supply interruptions customer satisfaction term*) means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the target for the supply interruptions element of the Customer Satisfaction Survey in that year, and is calculated in accordance with the formula in Part C.
- CSB_t (*the connections customer satisfaction term*) means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the target for the connections element of the Customer Satisfaction Survey in that year, and is calculated in accordance with the formula in Part D.
- CSC_t (*the general enquiries customer satisfaction term*) means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the target for the general enquiries element of the Customer Satisfaction Survey in that year, and is calculated in accordance with the formula in Part E.

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Part C: Supply interruptions element of the Customer Satisfaction Survey

- 2C.14 In the calculation of the CS_t term, the CSA_t term refers to the supply interruptions element of the Customer Satisfaction Survey term.
- 2C.15 The value of the supply interruptions customer satisfaction term (CSA_t) is calculated in accordance with the following formulae:

If $SIAS_t \geq SIIM_t$, then:

$$CSA_t = \min(CSAU_t, ((SIAS_t - SIIM_t) \times SIRIR_t) - ((PUC_t \times 100) \times UCPIR))$$

If $SIAS_t < SIIM_t$, then:

$$CSA_t = \max(-CSAD_t, ((SIAS_t - SIIM_t) \times SIPIR_t) - ((PUC_t \times 100) \times UCPIR))$$

where:

- $CSAU_t$ (*the maximum upside supply interruptions term*) means the maximum positive adjustment in respect of the supply interruptions element of the Customer Satisfaction Survey for the licensee, as set out in Table 1 in the Appendix.

Chapter 2: Electricity Distribution Revenue Restriction

SIAS _t	(the supply interruptions actual score term) means the licensee's actual performance for the supply interruptions element of the Customer Satisfaction Survey for Regulatory Year t, as measured in accordance with the RIGs.
SIIM _t	(the supply interruptions target score term) means the target score for the supply interruptions element of the Customer Satisfaction Survey for Regulatory Year t, such score being 8.2.
SIRIR _t	(the supply interruptions reward incentive rate term) means the licensee's reward incentive rate for the supply interruptions element of the Customer Satisfaction Survey in the Regulatory Year t, as -The value of this term for the licensee is specified in Table 2 of in the Appendix 1.
CSAD _t	(the maximum downside supply interruptions term) means the maximum negative adjustment in respect of the supply interruptions element of the Customer Satisfaction Survey for the licensee, as specified is set out in Table 7 in the of Appendix 1.
SIPIR _t	(the supply interruptions penalty incentive rate term) means the licensee's penalty incentive rate for the supply interruptions element of the Customer Satisfaction Survey in the Regulatory Year t, as -The value of this term for the licensee is specified in Table 8 of in the Appendix 1.
PUC _t	(the supply interruptions Unsuccessful Calls term) means the proportion of calls to the licensee's Specified Lines that are Unsuccessful Calls, and is calculated in accordance with the following formula:
	$PUC_t = \frac{\text{total number of Unsuccessful Calls to Specified Lines}}{\text{Total Number of Calls to Specified Lines}}$
UCPIR	(the Unsuccessful Calls penalty incentive rate term) means the licensee's penalty incentive rate for the number of Unsuccessful Calls to the licensee's Specified Lines, as set out in Table 9 of in the Appendix 1.

Part D: Connections element of the Customer Satisfaction Survey

- 2C.16 In the calculation of the CS_t term, the CSB_t term refers to the connections element of the Customer Satisfaction Survey term.
- 2C.17 The value of the connections customer satisfaction term (CSA_t) is calculated in accordance with the following formulae:

If CAS_t ≥ CIM_t then:

Chapter 2: Electricity Distribution Revenue Restriction

$$CSB_t = \min (CSBU_t, ((CAS_t - CIM_t) \times CRIR_t))$$

If $CAS_t < CIM_t$ then:

$$CSB_t = \max(-CSBD_t, ((CAS_t - CIM_t) \times CPIR_t))$$

where:

$CSBU_t$	(the maximum upside connections term) means the maximum positive adjustment in respect of the connections element of the Customer Satisfaction Survey for the licensee, as set out in Table 3 of in the Appendix 1.
CAS_t	(the connections actual score term) means the licensee's actual performance for the connections element of the Customer Satisfaction Survey for Regulatory Year t, as measured in accordance with the RIGs.
CIM_t	(the connections target score term) means the target score for the connections element of the Customer Satisfaction Survey for the Regulatory Year t, such score being 8.2.
$CRIR_t$	(the connections reward incentive rate term) means the licensee's reward incentive rate for the connections element of the Customer Satisfaction Survey in Regulatory Year t, as . The value of this term for the licensee is specified in Table 4 of in the Appendix 1.
$CSBD_t$	(the maximum downside connections term) means the maximum negative adjustment in respect of the connections element of the Customer Satisfaction Survey for the licensee, as specified set out in Table 10 of in the Appendix 1.
$CPIR_t$	(the connections penalty incentive rate term) means the licensee's penalty incentive rate for the connections element of the Customer Satisfaction Survey in Regulatory Year t, as . The value of this term for the licensee is specified in Table 11 of in the Appendix 1.

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Part E: General enquiries element of the Customer Satisfaction Survey

2C.18 In the calculation of the CS_t term, the CSC_t term refers to the general enquiries element of the Customer Satisfaction Survey term.

2C.19 The value of the connections customer satisfaction term (CSA_t) is calculated in accordance with the following formulae:

If $GAS_t \geq GIM_t$ then:

$$CSC_t = \min(CSCU_t, ((GAS_t - GIM_t) \times GRIR_t))$$

If $GAS_t < GIM_t$ then:

$$CSC_t = \max(-CSCD_t, ((GAS_t - GIM_t) \times GPIR_t))$$

where:

Chapter 2: Electricity Distribution Revenue Restriction

CSCU _t	(the maximum upside general enquiries term) means the maximum positive adjustment in respect of the general enquiries element of the Customer Satisfaction Survey for the licensee, as <u>specified</u> set out in Table 5 of in the Appendix 1.
GAS _t	(the general enquiries actual score term) means the licensee's actual performance for the general enquiries element of the Customer Satisfaction Survey for Regulatory Year t, as measured in accordance with the RIGs.
GIM _t	(the general target score term) means the target score of the general enquiries element of the Customer Satisfaction Survey for Regulatory Year t, such score being 8.2.
GRIR _t	(the general enquiries reward incentive rate term) means the licensee's reward incentive rate for the general enquiries element of the Customer Satisfaction Survey in Regulatory Year t, as The value of this term for the licensee is specified in Table 6 of in the Appendix 1.
CSCD _t	(the maximum downside general enquiries term) means the maximum negative adjustment in respect of the general enquiries element of the Customer Satisfaction Survey for the licensee, as <u>specified</u> set out in Table 12 of in the Appendix 1.
GPIR _t	(the general enquiries penalty incentive rate term) means the licensee's penalty incentive rate for the general enquiries element of the Customer Satisfaction Survey in Regulatory Year t, as The value of this term for the licensee is specified in Table 13 of in the Appendix 1.

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Part F: Adjustments arising from complaints metric performance

2C.20 In the calculation of the value of BM_t, the term CM_t refers to the complaints metric term.

2C.21 The value of the CM_t term is calculated in accordance with the following formulae:

If $CMP_t \leq TCM_t$, then $CM_t = 0$

otherwise,

$$CM_t = \max(-ARCM_t, ((TCM_t - CMP_t) \times IRCM_t))$$

where:

ARCM_t (the complaints metric maximum penalty term) means the maximum negative adjustment in respect of the complaints metric for the licensee, as set out in Table 14 ~~of in the~~ Appendix 1.

CMP_t (the complaints metric performance term) is calculated in accordance with the following formula:

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$$CMP_t = (PCUDPO_t \times 0.1) + (PCUDPT_t \times 0.3) + (PRC_t \times 0.5) + (POF_t \times 0.1)$$

where:

PCUDPO_t (*the percentage of Complaints Unresolved after day plus one term*) means the number of Complaints Unresolved by the end of the first working day after the day on which the Complaint was first received, expressed as a proportion of total Complaints for Regulatory Year t as calculated for that year.

PCUDPT_t (*the percentage of Complaints Unresolved after day plus 31 term*) means the number of Complaints Unresolved after the end of 31 calendar days from the end of the first working day after the day on which the Complaint was first received, expressed as a proportion of total Complaints for Regulatory Year t as calculated for that year.

PRC_t (*the percentage of Repeat Complaints term*) means the number of Repeat Complaints expressed as a proportion of total Complaints for Regulatory Year t as calculated for that year.

POF_t (*the percentage of Energy Ombudsman findings term*) means the number of Energy Ombudsman Findings Against the Licensee expressed as a proportion of total Complaints received for Regulatory Year t as calculated for that year.

TCM_t (*the industry target term*) means the target value of the complaints metric for Regulatory Year t, such score being 8.33.

IRCM_t (*the complaints metric incentive rate term*) means the incentive rate for the complaints metric for Regulatory Year t, as - The value of this term for the licensee is specified in Table 15 of in the Appendix 1.

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Part GPart H: Adjustments arising from stakeholder engagement performance

- 2C.22 This part sets out the mechanism for calculating the amount of the term SE_t (the stakeholder engagement term).
- 2C.23 The maximum value of SE_t for each Regulatory Year that can be determined by the Authority for the licensee is set out in Table 16 of in the Appendix 1.
- 2C.24 In order to be eligible to be considered for a reward for stakeholder engagement, the licensee must demonstrate how it meets the criteria in respect of the Regulatory Year in question in accordance with such procedures and timescales as are set out in the Stakeholder Engagement Incentive Guidance published on the Authority's Website (which may be modified from time to time in accordance with the provisions in Part HPart I of this condition).
- 2C.25 In addition to making provision for the matters to which that paragraph 2C.24 refers, the Stakeholder Engagement Incentive Guidance may also make provision for:

Chapter 2: Electricity Distribution Revenue Restriction

- (a) the appointment, by the Authority, of persons who will assess the stakeholder submissions and make recommendations based on key assessment criteria;
- (b) the key assessment criteria; and
- (c) the manner and process by which the stakeholder engagement submissions will be assessed against the key assessment criteria and by which the Authority will allocate the stakeholder engagement reward.

2C.26 The value of the SE term for Regulatory Year t will be determined by the Authority, in accordance with the Stakeholder Engagement Incentive Guidance, by 30 November in Regulatory Year t-1.

2C.27 If, for any reason in any Regulatory Year, the Authority does not determine the value of the SE term for application by 30 November in Regulatory Year t-1, then the value of the SE term for Regulatory Year t-2 will be zero and any reward that the licensee is entitled to receive will be ~~recoverable~~ ~~covered~~ as soon as reasonably practicable thereafter under a mechanism notified by the Authority to the licensee for that purpose.

Part H ~~Part G~~: The process for issuing or modifying the Stakeholder Engagement Incentive Guidance

2C.28 The Authority will issue, and may modify, the Stakeholder Engagement Incentive Guidance by issuing a direction for that purpose to every licensee in whose licence this condition has effect.

2C.29 A direction issued by the Authority under paragraph 2C.28 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to all licensees in whose licence this condition has effect, set out the text of the proposed Stakeholder Engagement Incentive Guidance (or of modifications to it) that it proposes to direct;
- (b) specified in the Notice the reasons for the Authority's proposals;
- (c) specified in the Notice the date on which it proposes that the provisions of the document to be issued (or modifications to it) should take effect;
- (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (e) considered any representations duly received in response to the Notice.

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Part I ~~Part H~~: Interpretation

2C.30 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Chapter 2: Electricity Distribution Revenue Restriction

Authority	XX
Allowed Distribution Network Revenue	XX
Complaint	XX
Complaints Unresolved	XX
Customer Satisfaction Survey	XX
Distribution System	XX
Energy Ombudsman	XX
Energy Ombudsman Findings Against the Licensee	XX
Repeat Complaints	XXX
Resolved Complaint	XX
Specified Lines	XX
Stakeholder Engagement Incentive Guidance	XX
Total Number of Calls	XX
Unsuccessful Calls	XX

Appendix 1 - Broad Measure of Customer Service Adjustment incentive rates and revenue exposures

Table 1: CSAU_t – Maximum upside supply interruptions term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
EMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
SWALES	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
SWEST	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 2: SIRIR_t – Supply Interruptions Reward Incentive Rate term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgYNPgY								
WMID	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74
EMID	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69
SWALES	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.81
SWEST	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 3: CSBU_t – Maximum upside connections term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
SWALES	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
SWEST	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 4: $CRIR_t$ – Connections Reward Incentive Rate term (£-m ~~million~~, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90
EMID	2.82	2.82	2.82	2.82	2.82	2.82	2.82	2.82
SWALES	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
SWEST	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 5: $CSCU_t$ – Maximum upside general enquiries term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
EMID	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
SWALES	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWEST	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 6: GRIR_t – General Enquiries Reward Incentive Rate term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
EMID	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13
SWALES	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
SWEST	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 7: CSAD_t – Maximum downside supply interruptions term (£-million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
EMID	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
SWALES	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
SWEST	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 8: SIPIR_t – Supply Interruptions Penalty Incentive Rate term (£-m_{million}, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87
EMID	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84
SWALES	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
SWEST	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 9: UCPIR_t – Unsuccessful Call Penalty Incentive Rate term (£-m million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

1.3	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
EMID	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
SWALES	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
SWEST	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 10: CSBD_t – Maximum downside connections term (£-m million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
SWALES	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
SWEST	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table 11: $CPIR_t$ – Connections Penalty Incentive Rate term (£ million in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45
EMID	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
SWALES	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67
SWEST	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 12: CSCD_t – Maximum downside general enquiries term (£-m in million, 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
EMID	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
SWALES	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWEST	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 13: $GPIR_t$ – General Enquiries Penalty Incentive Rate term (£-m ~~million~~, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58
EMID	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
SWALES	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
SWEST	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 14: $ARCM_t$ – Complaints metric maximum penalty term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
SWALES	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
SWEST	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 15: IRCM_t – Complaints Metric Incentive Rate term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
EMID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
SWALES	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
SWEST	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 16: SE_t – Maximum revenue exposure to the stakeholder engagement term (in million, 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EMID	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
SWALES	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
SWEST	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

CRC 2D. Adjustment of licensee's revenues to reflect interruptions-related quality of service performance

Introduction

- 2D.1 This condition sets out the mechanisms for calculating the amount of the term IQ_t (the interruptions-related quality of service incentive term).
- 2D.2 The IQ_t term in Part D of CRC 2A (Restriction of Allowed Distribution Network Revenue) adjusts the amount (whether upwards or downwards) of the incentive revenue adjustment term (IP_t), in order to reflect the performance of the licensee on the interruptions-related quality of service issues.

Structure of this condition

- 2D.3 Part A provides for the calculation of the interruptions-related quality of service incentive amount through the use of two separate mechanisms (the Principal Formulae), each depending on the period of time in respect of which the term will be applied for the purpose of adjusting the incentive revenue adjustment term under CRC 2A.
- 2D.4 Parts B to F provide for the calculation of the particular contributions made to the Part A calculations by the licensee's performance in relation to each of the interruptions-related quality of service issues, as follows:
- (a) Part B provides for the calculation of the particular contribution arising from the licensee's performance in relation to the quality of supply target for the number of Customer interruptions;
 - (b) Part C provides for the calculation of the particular contribution arising from the licensee's performance in relation to the quality of supply target for the duration of Customer interruptions;
 - (c) Part D provides for the calculation of the particular contribution arising from the licensee's performance in relation to supply restoration under severe weather conditions;
 - (d) Part E provides for the calculation of the particular contribution arising from the licensee's performance in relation to supply restoration under normal weather conditions; and
 - (e) Part F provides for the licensee, by reference to specified exceptionality requirements, to request adjustments to its recorded performance in relation to targets for quality of supply.
- 2D.5 Part G deals with procedural requirements and matters of interpretation.

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- 2D.6 Appendices 1 to 4 set out targets, incentive rates and revenue exposures, the exceptionality requirements for severe weather events and other events, and criteria for preventative and mitigating actions.

Part A: Formulae for deriving the interruptions-related quality of service incentive amount

- 2D.7 The Principal Formulae used for the purpose of deriving the amount of the term IQ_t (the interruptions-related quality of service incentive term for Regulatory Year t) in Part D of CRC 2A apply differently in relation to different periods of time, and are stated below as Principal Formula 1 and Principal Formula 2.
- 2D.8 Principal Formula 1 applies for the purpose of deriving the amount of the term IQ_t for each of the Regulatory Years beginning on 1 April 2015 and 1 April 2016.

- 2D.9 Principal Formula 1 is this:

$$IQ_t = DR5Q_{t-2} \times \left(1 + \frac{I_{t-2}}{100}\right) \times \left(1 + \frac{I_{t-1}}{100}\right)$$

- 2D.10 For the purposes of Principal Formula 1 only:

$DR5Q_{t-2}$ is the adjustment in respect of the licensee's performance in Regulatory Year $t-2$, and is calculated from the application of the appropriate provisions of Parts B and C of CRC 8 of this licence in the form in which that condition was in force at 31 March 2015.

I_t means the Average Specified Rate in Regulatory Year t .

- 2D.11 Principal Formula 2 applies for the purpose of deriving the amount of the term IQ_t for the Regulatory Year beginning on 1 April 2017 and each Regulatory Year beginning on 1 April thereafter.

- 2D.12 Principal Formula 2 is this:

$$IQ_t = (QZ_{t-2} + QC_{t-2} + QD_{t-2}) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

- 2D.13 For the purposes of Principal Formula 2:

QZ_t means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the combined effect of the number of supply interruptions per 100 Customers and the duration of Customer supply interruptions in that year, and is derived in accordance with the formula in paragraph 2D.14.

QC_t has the meaning given to that term in Part D (Performance on severe weather supply restoration) of this condition and is derived in accordance with the provisions of that Part.

SWE_t has the meaning given to that term in Part D (severe weather) of

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Chapter 2: Electricity Distribution Revenue Restriction

~~this condition and is derived in accordance with the provisions of that Part.~~

QD_t has the meaning given to that term in Part E (Performance on normal weather supply restoration~~normal weather~~) of this condition and is derived in accordance with the provisions of that Part.

PVF_t has the value given to it by Part C of CRC 2A.

$RPIF_t$ has the value given to it by Part C of CRC 2A.

2D.14 For the purposes of paragraph 2D.13, QZ_t is derived in accordance with the following formula:

$$QZ_t = \max[\min(\text{TRIM}_t, QA_t + QB_t), -\text{TRIM}_t]$$

provided that:

$$QZ_t + \text{SWE}_t \geq -\text{TRIIS}_t$$

and where that is not the case, QZ_t will be derived in accordance with the following formula:

$$QZ_t = -\text{TRIIS}_t - \text{SWE}_t$$

~~Where:~~

TRIM_t (*the revenue exposure to interruptions and minutes lost term*) means the maximum amount of revenue that is exposed to rewards or penalties under the relevant elements of IQ_t for Regulatory Year t , and has the value as specified for Regulatory Year t for the licensee in Table A3 in Appendix 1.

QA_t has the meaning given to that term in Part B (Performance on the number of Customer interruptions) of this condition and is derived in accordance with the provisions of that Part.

QB_t has the meaning given to that term in Part C (Performance on the duration of Customer interruptions) of this condition and is derived in accordance with the provisions of that Part.

SWE_t has the meaning given to that term in Part D (Performance on severe weather supply restoration) of this condition and is derived in accordance with the provisions of that Part.

TRIIS_t (*the revenue exposure to interruptions incentive scheme term*) means the maximum amount of revenue that is exposed to rewards or penalties under all elements of IQ_t for Regulatory Year t , and has the value as specified for Regulatory Year t for the licensee in Table A6 in Appendix 1.

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Part B: Performance on the number of Customer interruptions

2D.15 This Part B applies for the purposes of the calculations established under:

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Chapter 2: Electricity Distribution Revenue Restriction

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

2D.16 For the purposes of those formulae:

QA_t means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the target for the number of Customers interrupted per 100 Customers in that year, and is derived in accordance with the following formula:

$$QA_t = (TA_t - CIIS_t) \times IRA_t \times TRT_t$$

2D.17 In the formula for the QA_t term above:

TA_t (*the target interruptions term*) means the target for the number of Customers interrupted for Regulatory Year t and is derived in accordance with the following formula:

$$TA_t = TAP_t + TAU_t$$

where:

TAP_t means the target for the number of pre-arranged Customers interrupted for Regulatory Year t and is derived in accordance with the following formula:

$$TAP_t = \frac{CIB_{t-4} + CIB_{t-3} + CIB_{t-2}}{3} \times 0.5$$

TAU_t means the target for the number of unplanned Customers interrupted for Regulatory Year t as specified for the licensee in Table A1 in Appendix 1.

$CIIS_t$ (*the interruptions actual performance term*) means the performance of the licensee in respect of the number of Customers interrupted in Regulatory Year t and is derived in accordance with the formula in paragraph 2D.18.

IRA_t (*the incentive rate for interruptions term*) means the incentive rate for the number of Customers interrupted as specified for Regulatory Year t for the licensee in Table A2 in Appendix 1, expressed in £-million in 2012/13 prices.

TRT_t (*the tax rate true-up term*) is derived in accordance with the following formula:

$$TRT_t = \frac{IQI}{1 - CT_t}$$

where:

IQI means the Totex Incentive Strength Rate as set out for the licensee in Appendix 1 of CRC 3B_()

Chapter 2: Electricity Distribution Revenue Restriction

Determination of PCFM Variable Values relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments).

CT_t means the corporation tax rate for Regulatory Year t .

2D.18 For the purposes of paragraph 2D.17, $CIIS_t$ is derived in accordance with the following formula:

$$CIIS_t = CIA_t + (A \times CIB_t) + (B \times CIC_t) + CID_t + (C \times CIE_t)$$

where:

A has the value of 0.5.

B has the value of zero.

C has the value of zero.

CIA_t (*the unplanned interruptions term*) is the number of Customers interrupted per year arising from unplanned incidents on the licensee's Distribution System in Regulatory Year t_x and is derived from the relevant formula in the [Appendix to the RIGs].

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CIB_t (*the pre-arranged interruptions term*) is the number of Customers interrupted per year arising from pre-arranged incidents on the licensee's Distribution System in Regulatory Year t_x and is derived from the relevant formula in the [Appendix to the RIGs].

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CIC_t (*the transmission interruptions term*) is the number of Customers interrupted per year arising from incidents on the systems of the Transmission Licensees in Regulatory Year t_x and is derived from the relevant formula in the [Appendix to the RIGs].

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CID_t (*the DG interruptions term*) is the number of Customers interrupted per year arising from incidents on the systems of Distributed Generators connected to the licensee's Distribution System in Regulatory Year t_x and is derived from the relevant formula in the [Appendix to the RIGs].

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CIE_t (*the residual interruptions term*) is the number of Customers interrupted per year arising from incidents on any other connected systems in the Regulatory Year t_x and is derived from the relevant formula in the [Appendix to the RIGs].

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2D.19 Adjustments to Allowed Distribution Network Revenue arising from the application of this Part B are subject to the provisions (where applicable) of Part F of this condition.

Part C: Performance on the duration of Customer interruptions

2D.20 This Part C applies for the purposes of the calculations established under Part A of this condition in respect of Principal Formula 2.

2D.21 For the purposes of Principal Principle Formula 2:

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QB_t means the adjustment in respect of the licensee's performance in Regulatory Year t in relation to the target for the duration of Customer interruptions in that year and is derived in accordance with the following formula:

$$QB_t = (TB_t - CMLIS_t) \times IRB_t \times TRT_t$$

2D.22 In the formula for the QB_t term above:

TB_t (*the target minutes lost term*) means the target for the licensee for the duration of Customer interruptions for Regulatory Year t and is derived in accordance with the following formula:

$$TB_t = TBP_t + TBU_t$$

where:

TBP_t means the target for the duration of pre-arranged Customers interrupted for Regulatory Year t and is derived in accordance with the formula:

$$TBP_t = \frac{CMLB_{t-4} + CMLB_{t-3} + CMLB_{t-2}}{3} \times 0.5$$

TBU_t means the target for the duration of unplanned Customers interrupted for Regulatory Year t as specified in Table A4 in Appendix 1.

$CMLIS_t$ (*the minutes lost actual performance term*) means the performance in respect of the duration of Customer interruptions in Regulatory Year t and is derived in accordance with the formula in paragraph 2D.23.

IRB_t (*the incentive rate for minutes lost term*) means the incentive rate for the licensee for the duration of Customer interruptions as specified for Regulatory Year t in Table A5 in Appendix 1, expressed in £-million in 2012/13 prices.

TRT_t (*the tax rate true-up term*) is derived in accordance with the formula in paragraph 2D.17.

2D.23 For the purposes of paragraph 2D.22, $CMLIS_t$ is derived in accordance with the following formula:

$$CMLIS_t = CMLA_t + (D \times CMLB_t) + (E \times CMLC_t) + CMLD_t + (F \times CMLE_t)$$

where:

- D has the value of 0.5.
- E has the value of 0.10.
- F has the value of 0.10.

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Chapter 2: Electricity Distribution Revenue Restriction

CMLA_t (*the unplanned minutes lost term*) is the duration of interruptions from unplanned incidents on the licensee's Distribution System in Regulatory Year *t* and is derived from the relevant formula in the [Appendix to the RIGs].

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CMLB_t (*the pre-arranged minutes lost term*) is the duration of interruptions from pre-arranged incidents on the licensee's Distribution System in Regulatory Year *t*, and is derived from the relevant formula in the [Appendix to the RIGs].

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CMLC_t (*the transmission minutes lost term*) is the duration of interruptions arising from incidents on the systems of the Transmission Licensees in Regulatory Year *t*, and is derived from the relevant formula in the [Appendix to the RIGs].

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CMLD_t (*the DG minutes lost term*) is the duration of interruptions arising from incidents on the systems of Distributed Generators in Regulatory Year *t* and is derived from the relevant formula in the [Appendix to the RIGs].

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CMLE_t (*the residual minutes lost term*) is the duration of interruptions arising from incidents on any other connected systems in Regulatory Year *t* and is derived from the relevant formula in the [Appendix to the RIGs].

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2D.24 Adjustments to Allowed Distribution Network Revenue arising from the application of this Part C are subject to the provisions (where applicable) of Part F of this condition.

Part D: Performance on severe weather supply restoration

2D.25 This Part D applies for the purposes of the calculation established under Part A of this condition in respect of Principal Formula 2.

2D.26 For the purposes of Principal Formula 2:

QC_t means the adjustment in respect of the standard of performance for supply restoration under severe weather conditions imposed on the licensee under Regulation 7, and is the amount derived in accordance with the following formula:

$$QC_t = \min[(SWPM_t - SWPD_t) \times FPPR, 0] + \max[SWPD_t - RLF_t, 0]$$

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2D.27 In the formula for the QC_t term above:

SWPM_t (*the total severe weather payments made term*) is the total amount of the payments that the licensee:

(a) ~~the licensee has~~ made formally to Customers in respect of Regulatory Year *t* for failures to meet the standard of performance for restoration under severe weather conditions imposed on the

Chapter 2: Electricity Distribution Revenue Restriction

licensee under Regulation 7; or

(b) ~~has made that has been paid~~ to Customers in the form of ex gratia payments for a severe weather event in respect of Regulatory Year t

(provided that, in calculating SWPM_t, no more than a total of £300 of payments per Customer for any given event in respect of Regulatory Year t may be taken into account).

SWPD_t (*the total severe weather payments due term*) is the total amount of the payments in respect of Regulatory Year t that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under Regulation 7.

FPPR (*the failure to pay penalty rate term*) is the additional penalty applied on top of any unpaid payments for the relevant Regulation and has the value of 1.2.

RLF_t (*the severe weather revenue exposure term*) means the maximum amount of revenue exposed to the severe weather arrangements for Regulatory Year t, and has the value as specified for Regulatory Year t for the licensee in Table A7 in Appendix 1, expressed in £m in 2012/13 prices.

~~SWE_t (*the severe weather total exposure term*) means the licensee's total exposure to the severe weather arrangements in Regulatory Year t and is derived in accordance with the following formula:~~

$$SWE_t = QC_t - \min[(SWPM_t - SWPD_t) \times (FPPR - 1), 0] - \min[SWPM_t, SWPD_t]$$

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Part E: Performance on normal weather supply restoration

2D.28 This Part E applies for the purposes of the calculation established under Part A of this condition in respect of Principal Formula 2.

2D.29 For the purposes of Principal Formula 2:

QD_t means the adjustment in respect of the standard of performance for supply restoration imposed on the licensee under Regulations 5, 6 and 8 and is the amount derived in accordance with the following formula:

$$QD_t = \min[(NCPM_t - NCPD_t) \times FPPR, 0] + \max[NCPD_t - \cancel{OEE_t} - RLG_t, 0] + OEE_t$$

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2D.30 In the formula for the QD term above:

NCPM_t (*the total normal weather payments made term*) is the total amount of payments that the licensee has made formally to

Chapter 2: Electricity Distribution Revenue Restriction

Customers in respect of Regulatory Year t for failures to meet the standards of performance for supply restoration imposed on the licensee under Regulations 5, 6, and 8 or that has been made paid to Customers in the form of ex gratia payments in respect of such failure.

$NCPD_t$ (*the total normal weather payments due term*) is the total amount of the payments in respect of Regulatory Year t that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failure to meet the standards of performance for supply restoration imposed on the licensee under Regulations 5, 6, and 8.

$FPPR$ (*the failure to pay penalty rate term*) is the additional penalty applied on top of any unpaid payments for the relevant Regulation and has the value of 1.2.

$OOEE_t$ (*the one-off exceptional event payments term*) means payments made under Regulations 5, 6 or 8 by the licensee to Customers in respect of one or more exceptional events in respect of Regulatory Year t that do not meet the relevant exceptionality requirement set out in Appendix 2, but do meet the exceptionality requirements set out in Appendix 3, and in respect of which the requirements set out in paragraph 2D.34 have been met.

RLG_t (*the normal weather revenue exposure term*) means the maximum amount of revenue exposed to the normal weather arrangements for Regulatory Year t , and has the value as specified for Regulatory Year t for the licensee in Table A8 in Appendix 1, expressed in £m in 2012/13 prices.

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Part F: Adjustment of performance on quality of supply targets

2D.31 **Severe weather events:** This paragraph applies where the licensee considers that its performance in respect of any matter used for calculating $CIIS_t$ or $CMLIS_t$ (as provided for respectively under Parts B and C of this condition) has been affected by a severe weather event that meets the relevant exceptionality requirement defined in Appendix 2.

2D.32 If paragraph 2D.31 applies, the performance of the licensee used for calculating $CIIS_t$ or $CMLIS_t$ will be adjusted so as to exclude the full verified impact of the event in question, provided that:

- (a) the Authority has been notified of the event within 14 days of the date on which the licensee considers that the effect of the event has ceased or within 14 days of the end of the relevant Regulatory Year (whichever is the earlier);
- (b) except where the Authority otherwise consents, the licensee has submitted to the Authority a statement of facts (in a format specified for the purpose by the

Chapter 2: Electricity Distribution Revenue Restriction

Authority) with respect to the event within 56 days of the date of the notification to which paragraph 2D.32(a) refers;

- (c) ~~the Authority, or~~ an Appropriate Auditor nominated by the Authority under SLC 46 (Regulatory Instructions and Guidance), ~~or the Authority,~~ has verified the impact of the event on the licensee's performance; and
- (d) the Authority:
 - (i) is satisfied that the event meets the relevant exceptionality requirement defined in Appendix 2; and
 - (ii) has by notice to the licensee directed the adjustment to be made to the licensee's performance.

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2D.33 If the Authority has neither directed the licensee under paragraph 2D.32(d)(ii) nor otherwise notified the licensee of its conclusions with respect to the matter within six months of the April (?) submission date of the annual interruptions data for the relevant Regulatory Year, the performance adjustment to which paragraph 2D.32 refers will be deemed to have been made.

2D.34 **Other events:** This paragraph applies where the licensee considers that its performance in respect of any matter used for calculating $CIIS_t$ or $CMLIS_t$ (as provided for respectively under Parts B and C of this condition) has been affected by an event that does not meet the relevant exceptionality requirement set out in Appendix 2, but does meet the exceptionality requirements set out in Appendix 3.

2D.35 If paragraph 2D.34 applies, the Authority may by Nnotice to the licensee direct that, for the purposes of calculating $CIIS_t$ or $CMLIS_t$ (or both), all or part of the impact of the event that is in excess of the relevant threshold in successive three-month periods from the start of the event until its effect has ceased will be excluded from the relevant year's performance of the licensee and recovery of the OOOE value, provided that:

- (a) the Authority has been notified of the event within 14 days of the date on which the licensee considers that the effect of the event has ceased or within 14 days of the end of the relevant Regulatory Year (whichever is the earlier);
- (b) except where the Authority otherwise consents, the licensee has submitted to the Authority a statement of facts (in a format specified for the purpose by the Authority) with respect to the event within 56 days of the date of the notification to which paragraph 2D.35(a) refers;
- (c) an Appropriate Auditor nominated by the Authority under SLC 46 (Regulatory Instructions and Guidance) has reported to the Authority in respect of the event and its effect;
- (d) the licensee has provided such further information, if any, as the Authority may require; and
- (e) the Authority:

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- (i) is satisfied that the event meets the exceptionality requirements defined in Appendix 3;
- (ii) has had regard to whether the licensee has met the criteria for preventative and mitigating actions set out in Appendix 4; and
- (iii) is satisfied that any payments under the Regulations by the licensee to Customers in respect of the event should be recovered via this licence condition.

2D.36 If the Authority has neither directed the licensee under paragraph 2D.35 nor otherwise notified the licensee of its conclusions with respect to the matter within six months of the submission date of the annual interruptions data for the relevant Regulatory Year, the performance adjustment to which paragraph 2D.35 refers will be deemed to have been made.

2D.37 Events spanning more than one Regulatory Year ~~will~~shall be dealt with under the relevant paragraphs above. Where an event spans more than one Regulatory Year, a direction under either paragraph 2D.32 or 2D.35 ~~will~~shall set out the performance adjustments to apply for Regulatory Year t and Regulatory Year t+1, with the proviso that the adjustment for Regulatory Year t+1 will be updated to reflect the submitted annual interruptions data for Regulatory Year t+1.

2D.38 Events spanning more than one Regulatory Year do not require a separate notification to the Authority beyond the notification required to satisfy either paragraph 2D.32(a) or 2D.35(a), and only one materiality threshold will apply in these circumstances.

Part G: Procedural requirements and interpretation

2D.39 A direction issued by the Authority under paragraph 2D.32 or 2D.35 will be of no effect unless, before issuing it, the Authority has:

- (a) by ~~N~~Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the ~~N~~Notice the reasons for the Authority's proposed modifications;
- (c) specified in the notice the period (which may not be less than 14 days from the date of the ~~N~~Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) considered any representations duly received in response to the ~~N~~Notice.

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2D.40 In this condition:

- ~~(a)~~ any reference to a numbered Regulation is a reference to the Regulation bearing that number in the Electricity (Standards of Performance) Regulations ~~2015~~2010;
- ~~(b)~~(a) where the terms "max" and "min" are used in any formula, for any two given amounts X and Y, "min (X,Y)" means X if X - Y is negative (and otherwise

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means Y), and “max (X, Y)” means Y if X - Y is negative (and otherwise means X);

~~(e)~~(b) words and expressions defined for any of the purposes of:

(i) CRC 2A (Restriction of Allowed Distribution Network Revenue); and

(ii) SLC 46 (Regulatory Instructions and Guidance),

have the same meaning when used in this condition; and

~~(d)~~(c) words and expressions defined in the RIGs that are used in this condition have the same meaning as in those RIGs.

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Part H. Interpretation

2D.41 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Average Specified Rate	XX
Allowed Distribution Network Revenue	XX
Customers	XX
Distributed Generators	XX
Distribution System	XX
Regulatory Year	XX
Regulatory Year t	XX
Transmission Licensees	XX

APPENDIX 1

Targets, incentive rates, and revenue exposure for interruptions, severe weather, and normal weather

Table A1: TAU_t – Number of unplanned customer interruptions term targets

	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgN gY								
WMID	86.7	85.0	83.3	81.7	80.0	78.3	76.7	75.1
EMID	51.9	51.1	50.4	50.1	49.9	49.6	49.4	49.1
SWALES	50.1	49.9	49.6	49.4	49.1	48.9	48.6	48.4
SWEST	55.7	55.4	55.1	54.8	54.6	54.3	54.0	53.7
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table A2: IRA_t – Customer interruptions term incentive rate (£-m in million, 2012/13 prices)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgYNP gY								
WMID	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
EMID	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
SWALES	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
SWEST	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table A3: TRIM_t – Revenue exposure to customer interruptions and minutes lost term (£-million, in 2012/13 prices)

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
EMID	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
SWALES	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
SWEST	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table A4: TBU_t – Duration of unplanned customer interruptions term targets

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	Regulatory Year							
Licensee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
<u>NPgN</u> <u>gY</u>								
WMID	51.1	50.3	49.5	48.7	47.9	47.1	46.4	45.6
EMID	36.9	36.1	35.3	34.5	33.8	33.1	32.4	31.7
SWALES	27.5	27.5	27.4	27.4	27.3	27.3	27.2	27.1
SWEST	35.8	35.6	35.4	35.2	35.0	34.8	34.6	34.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table A5: IRB_t – Duration of customer interruptions term incentive rate (£-m in million, 2012/13 prices)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
EMID	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SWALES	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
SWEST	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Chapter 2: Electricity Distribution Revenue Restriction

Table A6: TRIIS_t – Revenue exposure to interruptions incentive scheme term (£ m in million, 2012/13 prices)

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY NPgY								
WMID	29.3	29.3	29.3	29.3	29.3	29.3	29.3	29.3
EMID	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4
SWALES	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
SWEST	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table A7: RLF_t – Severe weather revenue exposure term (£ m in million, 2012/13 prices)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
EMID	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
SWALES	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
SWEST	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Chapter 2: Electricity Distribution Revenue Restriction

Table A8: RLG_t – Normal weather revenue exposure term (£ m in million, 2012/13 prices)

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
EMID	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
SWALES	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
SWEST	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

APPENDIX 2

Exceptionality requirement for severe weather events

(see paragraph 2D.31)

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A2.1 For the purposes of paragraph 2D.31, an exceptional severe weather event:

- (a) is deemed to begin at the beginning of a 24-hour period when the number of incidents caused by the event at distribution higher voltage in that period is equal to or greater than the commencement threshold number; and
- (b) is deemed to end at the earlier of:
 - (i) the time of restoration of the last Customer off supply due to an LV incident linked to the underlying cause of the severe weather, or
 - (ii) the end of a 48-hour period when the number of Customers off supply due to high voltage incidents linked to the underlying cause of the severe weather has fallen to zero.

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A2.2 For the purposes of paragraph A2.1:

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- (a) the commencement threshold number is the number set against the name of the licensee in Threshold Table 1 below;
- (b) “distribution higher voltage” means any nominal voltage of more than 1,000 volts up to and including ~~(except in Scotland)~~ 132 kilovolts (except in Scotland, where it means any nominal voltage of more than 1,000 volts but less than 132 kilovolts); and
- (c) “incidents” are as defined in the RIGs.

Threshold Table 1

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Licensee	Severe weather exceptionality threshold
ENWL	
NPgN	
NPgY <u>NPgY</u>	
WMID	63
EMID	64
SWALES	41
SWEST	60
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

APPENDIX 3

Exceptionality requirements for other events

(see paragraph 2D.34)

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A3.1 For the purposes of paragraph 2D.34, the exceptionality requirements for an event not falling within paragraph 2D.31 are both of the following:

(a) the first requirement is that the occurrence of the event was a consequence of either:

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(i) an external cause (including, without limitation, an event arising from an incident on a Transmission System or other connected network, or from terrorism or vandalism), or

(ii) ~~an internal cause;~~

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(aa) that was not attributable to any culpable error by the licensee in relation to the installation, operation or maintenance of an asset forming part of its Distribution System, or

(bb) the consequence of which could not reasonably have been avoided by the licensee;

(b) the second requirement is that the event contributes more than the relevant threshold amount to CIIS or CMLIS in a three-month period.

A3.2 For the purposes of paragraph A3.1(b), the relevant threshold amounts for CIIS_t and CMLIS_t respectively are those that are set against the name of the licensee in Threshold Table 2 below.

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Threshold Table 2

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Licensee	CIIS ** threshold amount	CMLIS ** threshold amount
ENWL		
NPgN		
NPgY NPgY		
WMID	1.01	0.81
EMID	0.95	0.76
SWALES	2.96	1.80
SWEST	1.60	1.28
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

** CIIS = Customer interruptions, CMLIS = Customer minutes lost

APPENDIX 4

Criteria for preventative and mitigating actions

(see paragraph 2D.35)

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A4.1 For the purposes of paragraph 2D.35, the criteria for preventative and mitigating actions are that:

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- (a) where the occurrence of the event was the consequence of an external cause, the licensee had taken all reasonable steps to ensure that its actions (or lack of actions) were not contributory factors to the occurrence of the event; and
- (b) in any case, the licensee took all appropriate steps within its power:
 - (i) to limit the number of Customers interrupted by the event, and
 - (ii) to restore Customers' supplies quickly and efficiently, having due regard to safety and other legal obligations.

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CRC 2E. Incentive on Connections Engagement

Introduction

- 2E.1 This condition sets out the mechanism for calculating the amount of the term ICE_t (the Incentive on Connections Engagement).
- 2E.2 The ICE_t term in Part D of CRC 2A (Restriction of Allowed Distribution Network Revenue) provides for a penalty to be applied (by means of a negative adjustment to the incentive revenue adjustment term (IP_t)) to the extent that the licensee fails to meet the assessment criteria set out in the Incentive on Connections Engagement Guidance.
- 2E.3 Part A of this condition specifies how the licensee will be assessed under this incentive. Part B of this condition specifies how to calculate the value of the ICE term, and Part C of this condition makes provision for the modification of the Incentive on Connections Engagement Guidance.

Part A: Assessment of Connections Engagement

- 2E.4 The Incentive on Connections Engagement Guidance will specify:
- (a) the assessment criteria; and
 - (b) the manner and process by which the Incentive on Connections Engagement submissions will be assessed and by which the Authority will determine whether to apply a penalty.
- 2E.5 The licensee must provide a statement explaining how it has met the assessment criteria specified in the Incentive on Connections Engagement Guidance, for each Relevant Market Segment of the Local Connections Market. The licensee must provide the statement in accordance with such procedures and timescales as are specified in the Incentive on Connections Engagement Guidance.
- 2E.6 For each Relevant Market Segment of the Local Connections Market where the licensee is unable to earn an Unregulated Margin, if the Authority determines that the licensee has not failed to demonstrate that it has met the assessment criteria then the licensee ~~it~~ will be subject to a penalty in accordance with Part B of this condition.

Part B: Calculation of the ICE term

- 2E.7 For the Regulatory Years beginning on 1 April 2015, 1 April 2016 and 1 April 2017 the value of ICE_t will be equal ~~be~~ zero.
- 2E.8 For each subsequent Regulatory Year t , the value of the ICE_t term is derived in accordance with the following formula:

$$ICE_t = ICE_{t-3} \times RPIA_{t-3}$$

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where:

ICEO_{t-3} means the negative adjustment (if any) in respect of the licensee's performance against the criteria set out in the Incentive on Connections Engagement Guidance, in the Regulatory Year t-3.

RPIA_{t-3} has the meaning given in Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue).

2E.9 The value of the ICEO_{t-3} term for Regulatory Year t will be determined in a direction given by the Authority, and in accordance with the Incentive on Connections Engagement Guidance, by 30 November in Regulatory Year t-1.

2E.10 A direction under paragraph 2E.9 will be of no effect unless, before issuing it, the Authority ~~has~~ Before issuing a direction, the Authority, by notice given to the licensee, must:

- (a) by Notice to the licensee, set out the terms of the proposed direction;
- (b) specified in the Notice the reasons for the Authority's determination;
- (c) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposal; and
- (d) considered any representations duly received in response to the Notice.

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2E.9—

- (a) ~~specify the proposed value of the ICEO_{t-3} term;~~
- (b) ~~state the reasons why it proposes to issue the direction;~~
- (c) ~~specify the period (not being less than 28 days from the date of the Notice) within which the licensee may make representations or objections.~~
- (d) ~~consider any representations or objections duly received under paragraph 2E.9 (c), and give reasons for its decision.~~

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2E.10 2E.11 If the Authority does not determine the value of the ICEO_{t-3} term by 30 November in Regulatory Year t-1, then the value of the ICEO_{t-3} term for Regulatory Year t will be zero ~~and a~~. Any penalty that the licensee should have incurred for performance in Regulatory Year t will be recoverable determined and recovered as soon as reasonably practicable thereafter under a mechanism notified by the Authority to the licensee for that purpose.

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2E.11 2E.12 The maximum value of ICEO_{t-3} that may be determined by the Authority for each Regulatory Year is ~~derived~~ calculated using in accordance with the following formula below:

$$= \left(\frac{\text{The value specified in Table 1 in Appendix 1}}{\text{Number of Relevant Market Segments of the Local Connections Market}} \right) \times \text{URMS}_t$$

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where:

URMS_t means the number of Relevant Market Segments of the Local Connections Market where the licensee has been unable to earn an Unregulated Margin at any time during Regulatory Year t.

~~2E.12~~ ~~2~~E.13 The penalty will only be applied for performance in Relevant Market Segments of the Local Connections Market where the licensee is not able to earn an Unregulated Margin. The maximum value of ICEO_{t-3} that may be determined by the Authority for failing to meet the assessment criteria in each market segment is derived in accordance with the following~~calculated using the formula below:~~

$$= \left(\frac{\text{The value specified in Table 1 in Appendix 1}}{\text{Number of Relevant Market Segments of the Local Connections Market}} \right)$$

~~2E.13~~ ~~2~~E.14 The penalty will not be applied for performance in Relevant Market Segments of the Local Connections Market where the licensee is able to earn an Unregulated Margin.

~~2E.14~~ ~~2~~E.15 If a licensee loses the ability to earn an Unregulated Margin in a Relevant Market Segment of the Local Connections Market during Regulatory Year t, ~~then the~~ Authority will consult for a period of at least 28 days with the licensee and stakeholders about whether the licensee should be exposed to a potential penalty under this incentive for Regulatory Year t, and will have regard to any representations duly received. ~~Before making a decision, the Authority must consult for a period of least 28 days, within which the licensee and other stakeholders may make representations or objections.~~

Part C: The process for issuing or modifying the Incentive on Connections Engagement Guidance

~~2E.15~~ ~~2~~E.16 The Authority will issue, and may modify, the Incentive on Connections Engagement Guidance by issuing a direction for that purpose to every licensee in whose licence this condition has effect.

~~2E.16~~ ~~2~~E.17 A direction issued by the Authority under paragraph 2E.16~~15~~ will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to all licensees in whose licence this condition has effect, set out the text of the proposed Incentive on Connections Engagement Guidance (or the modifications to it) that it proposes to direct;
- (b) specified in the Notice the reasons for the Authority's proposals;
- (c) specified in the Notice the date on which it proposes that the provisions of the document to be issued (or modifications to it) should take effect;

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- (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (e) considered any representations duly received in response to the Notice

Part D: Interpretation

~~2E.172~~E.18 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Incentive on Connections Engagement Guidance	XXX
Local Connections Market	XX
Relevant Market Segment	XXX
Unregulated Margin	XXX

Appendix 1

Table 1 Maximum exposure to the Incentive on Connections Engagement
(£m in million, 2012/13 prices)

Licensee	Regulatory Year (year of performance)							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
EMID	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
SWALES	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
SWEST	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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CRC 2F. Time to Connect Incentive

Introduction

2F.1 This condition sets out the mechanisms for calculating the amount of the term TTC_t (the Time to Connect Incentive).

2F.2 The application of the TTC_t term in Part D of CRC 2A (Restriction of Allowed Distribution Network Revenue) adjusts the amount of the incentive revenue adjustment term (IP_t), in order to reflect the performance of the licensee in its timeliness of providing connection services.

~~2F.2~~ 2F.3 Where the expressions “LVSSA”, “LVSSB”, “Time to Quote” or “Time to Connect” appear in the name attributed to any algebraic term in this condition, they are to be read in accordance with the meanings given to them, respectively, in CRC 1B (Interpretation of Part 4) and this condition.

Part A: Calculation of the Time to Connect Incentive (TTC_t)

~~2F.3~~ 2F.4 For the purposes of Part D of CRC 2A, the value of the Time to Connect Incentive adjustment in Regulatory Year t (TTC_t) is derived in accordance with the following formula:

$$TTC_t = (TQA_{t-2} + TQB_{t-2} + TCA_{t-2} + TCB_{t-2}) \times RPIA_{t-2}$$

where:

TQA_{t-2} (the LVSSA Time to Quote term) means the adjustment in Part B below, in respect of the licensee’s performance in Regulatory Year ~~$t-2$~~ in relation to the LVSSA Time to Quote target.

$TQB_{\text{t-2}}$ (the LVSSB Time to Quote term) means the adjustment in Part C below, in respect of the licensee’s performance in Regulatory Year ~~$t-2$~~ in relation to the LVSSB Time to Quote target.

TCA_{t-2} (the LVSSA Time to Connect term) means the adjustment in Part D below, in respect of the licensee’s performance in Regulatory Year ~~$t-2$~~ in relation to the LVSSA Time to Connect target.

TCB_{t-2} (the LVSSB Time to Connect term) means the adjustment in Part E below, in respect of the licensee’s performance in Regulatory Year ~~$t-2$~~ in relation to the LVSSB Time to Connect target.

$RPIA_{t-2}$ has the meaning given in Part C of CRC 2A.

~~2F.4~~ 2F.5 For the avoidance of doubt, the value of the TTC_t term is zero~~has a value of 0~~ for Regulatory Years 2015/16 and 2016/17.

Part B: Adjustments arising from the TQA term

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2F.5 2F.6 In the calculation of the TTC_t term, the term TQA_t refers to the LVSSA Time to Quote term.

If $TQAP_t > TQAT_t$, then $TQA_t = 0$

otherwise:

$TQA_t = \min(TQARE_t, (TQAT_t - TQAP_t) \times TQAI_t)$

where:

$TQARE_t$ (LVSSA Time to Quote revenue exposure term) means the maximum positive adjustment to allowed revenue as specified for Regulatory Year t for the licensee in Table 1 in Appendix 1, expressed in £m ~~million~~ in 2012/13 prices.

$TQAT_t$ (LVSSA Time to Quote target term) means the target time taken to produce a LVSSA quotation for Regulatory Year t , ~~and .The value of this term for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is 8.21 Working Days.~~

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.

Before issuing ~~any such a~~ direction, the Authority ~~will~~ must consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will.~~ When directing the value of the TQAT term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must consider these along with give consideration to such existing industry performance data as may be relevant.

$TQAP_t$ (LVSSA Time to Quote performance term) means the licensee's average time taken to produce a LVSSA quotation in respect of the relevant Distribution System for ~~Regulatory Formula~~ Year t .

$TQAI_t$ (LVSSA Time to Quote incentive rate term) means the incentive rate for the LVSSA Time to Quote term for Regulatory Year t , as specified. ~~The value of this term for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is specified in Table 2 of Appendix 1.~~

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.

Before issuing ~~any such a~~ direction, the Authority ~~will~~ must consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will consider these along with.~~ When directing the value of the TQAI term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to such existing industry

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performance data as may be relevant.

Part C: Adjustments arising from the TQB term

~~2F.6~~ 2F.7 In the calculation of the TTC_t term, the term TQB_t refers to the LVSSB Time to Quote term.

~~2F.7~~ 2F.8 The value of the TQB_t term is derived in accordance with the following formulae:

If $TQBP_t > TQBT_t$, then $TQB_t = 0$

otherwise:

$TQB_t = \min(TQBRE_t, (TQBT_t - TQBP_t) \times TQBI_t)$

where:

$TQBRE_t$ (*LVSSB Time to Quote revenue exposure term*) means the maximum positive adjustment to allowed revenue as specified for Regulatory Year t for the licensee in Table 3 in Appendix 1, expressed in £m ~~million~~ in 2012/13 prices.

$TQBT_t$ (*LVSSB Time to Quote target term*) means the target time taken to produce a LVSSB quotation for Regulatory Year t , and ~~The value of this term~~ for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is 11.73 Working Days.

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition

Before issuing any such a direction, the Authority will ~~must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will consider these along with~~. ~~When directing the value of the TQBT term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to such~~ existing industry performance data as may be relevant.

$TQBP_t$ (*LVSSB Time to Quote performance term*) means the licensee's average time taken to produce a LVSSB quotation in respect of the relevant Distribution System for Regulatory ~~Formula~~-Year t .

$TQBI_t$ (*LVSSB Time to Quote incentive rate term*) means the incentive rate for the LVSSB Time to Quote term for Regulatory Year t , as specified. ~~The value of this term~~ for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 ~~is specified in Table 4 in Appendix 1~~.

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.

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Before issuing any such a direction, the Authority ~~will must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and~~. ~~When directing the value of the TQBI term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must will~~ consider these along with give consideration to such existing industry performance data as may be relevant.

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Part D: Adjustments arising from the TCA term

~~2F.8~~ 2F.9 In the calculation of the TTC_t term, the term TCA_t refers to the LVSSA Time to Connect term.

~~2F.9~~ 2F.10 The value of the TCA_t term is derived in accordance with the following formulae:

If $TCAP_t > TCAT_t$, then $TCA_t = 0$

otherwise:

$TCA_t = \min(TCARE_t, (TCAT_t - TCAP_t) \times TCAI_t)$

where:

$TCARE_t$ (*LVSSA Time to Connect revenue exposure term*) means the maximum positive adjustment to allowed revenue as specified for Regulatory Year t for the licensee in Table 5 in Appendix 1, expressed in £-m ~~million~~ in 2012/13 prices.

$TCAT_t$ (*LVSSA Time to Connect target term*) means the target time taken from LVSSA connection offer acceptance to completion for Regulatory Year t , ~~and~~. ~~The value of this term for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is 42.08 Working Days.~~

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.

Before issuing any such a direction, the Authority ~~will must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will consider these along with~~. ~~When directing the value of the TCAT term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to such~~ existing industry performance data as may be relevant.

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$TCAP_t$ (*LVSSA Time to Connect performance term*) means the licensee's average time taken from LVSSA connection offer acceptance to completion, in respect of the relevant Distribution System for Formula Year t .

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TCAI_t (*LVSSA Time to Connect incentive rate term*) means the incentive rate for the LVSSA Time to Connect term for Regulatory Year *t*, ~~and . The value of this term for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is specified in Table 6 in Appendix 1.~~

~~The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.~~

Before issuing any such a direction, the Authority ~~will must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will consider these along with.~~ When directing the value of the TCAI term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to such existing industry performance data as may be relevant.

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Part E: Adjustments arising from the TCB term

~~2F.10~~ **2F.11** In the calculation of TTC_t , the term TCB_t refers to the LVSSB Time to Connect term.

~~2F.11~~ **2F.12** The value of the TCB_t term is derived in accordance with the following formulae:

If $TCBP_t > TCBT_t$, then $TCB_t = 0$

otherwise:

$TCB_t = \min(TCBRE_t, (TCBT_t - TCBP_t) \times TCB_t)$

where:

TCBRE_t (*LVSSB Time to Connect revenue exposure term*) means the maximum positive adjustment to allowed revenue as specified for Regulatory Year *t* for the licensee in Table 7 in Appendix 1, expressed in £-million in 2012/13 prices.

TCBT_t (*LVSSB Time to Connect target term*) means the target time ~~taken~~ from LVSSB connection offer acceptance to completion for Regulatory Year *t*, ~~and . The value of this term is for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is 52.70 Working Days.~~

The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.

Before issuing any such a direction, the Authority ~~will must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections, and will consider these along~~

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~~with . When directing the value of the TCBT term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to such existing industry performance data as may be relevant.~~

TCBP_t (LVSSB Time to Connect performance term) means the licensee's average performance time ~~taken~~ from LVSSB connection offer acceptance to completion, in respect of the relevant Distribution System for Regulatory Formula Year t.

TCBI_t (LVSSB Time to Connect incentive rate term) means the incentive rate for the LVSSB Time to Connect term for Regulatory Year t, and ~~The value of this term for Regulatory Years 2015/16, 2016/17, 2017/18 and 2018/19 is specified in Table 8 in Appendix 1.~~

~~The Authority will notify the licensee of the value of this term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 in a direction given for the purposes of this condition.~~

Before issuing any such ~~a~~ direction, the Authority will~~must~~ consult for a period of at least 28 days, within which the licensee and all other Distribution Service Providers may make representations ~~or objections~~, and will consider these along - ~~When directing the value of the TCBI term for 2019/20, 2020/21, 2021/22 and 2022/23 the Authority must give consideration to~~ with such existing industry performance data as may be relevant.

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Part F: Interpretation

~~2F.12~~ F.13 For the purpose of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Allowed Distribution Network Revenue	XX
Distribution System	XX
LVSSA	XX
LVSSB	XX
Regulatory Year t	XX

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Time to Connect	XX
Time to Connect	XX
Incentive	
Time to Quote	XX

APPENDIX 1- Maximum revenue exposure and incentive rate, by licensee, for each element of the Time to Connect Incentive by licensee _____ (£m, 2012/13 prices)

Table 1: TQARE_t – Maximum revenue exposure for the LVSSA Time to Quote term (£m, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWALES	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
SWEST	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table 2: TQAI_t – Incentive rate for the LVSSA Time to Quote term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23
EMID	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
SWALES	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
SWEST	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table 3: TQBRE_t – Maximum revenue exposure for the LVSSB Time to Quote term (£-m in million, 2012/13 prices) in relation to performance in the Regulatory years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWALES	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
SWEST	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

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Table 4: TQBI_t – Incentive rate for the LVSSB Time to Quote term (£ million, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgY								
WMID	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
EMID	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
SWALES	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
SWEST	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 5: TCARE_t – Maximum revenue exposure for the LVSSA Time to Connect term (£ million, in 2012/13 prices) in relation to performance in the Regulatory years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgYNPgY								
WMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWALES	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
SWEST	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 6: TCAI_t – Incentive rate for the LVSSA Time to Connect term (£m_{million}, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgN Y								
WMID	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
EMID	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
SWALES	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
SWEST	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 7: $TCBRE_t$ – Maximum revenue exposure for the LVSSB Time to Connect term (£m million, in 2012/13 prices) in relation to performance in the Regulatory years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgYNPgY								
WMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SWALES	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
SWEST	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 2: Electricity Distribution Revenue Restriction

Table 8: TCBI_t – Incentive rate for the LVSSB Time to Connect term (£m_{million}, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

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Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgN Y								
WMID	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
EMID	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
SWALES	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
SWEST	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

CRC 2G. The Losses Discretionary Reward

Introduction

- 2G.1 This condition sets out the mechanism for calculating the amount of the LDR_t (the Losses Discretionary Reward) term.
- 2G.2 The LDR_t term in Part D of CRC 2A (Restriction of Allowed Distribution Network Revenue) provides for a reward to be applied (by means of a positive adjustment to the incentive revenue adjustment term (IP_t), to the extent that the licensee meets the criteria in relation to its activities associated with managing electricity ~~Distribution~~ Losses set out in the Losses Discretionary Reward Guidance Document (“LDRGD”).
- 2G.3 Part C of this condition makes provision for the modification of the LDRGD.

Part A: Assessment of the Losses Discretionary Reward

- 2G.4 In order to be considered for the Losses Discretionary Reward, the licensee must demonstrate that it has met the criteria in respect of Regulatory Year t provided for in the LDRGD, in accordance with such procedures and timescales as are set out in that document.
- 2G.5 If the Authority considers that the licensee has demonstrated that it has met the criteria referred to in paragraph 2G.4, it may determine a positive adjustment to the IP_t in accordance with Part B of this condition.
- 2G.6 In addition to making provision for the matters mentioned in paragraph 2G.4, the LDRGD will also make provision for:
- (a) the appointment by the Authority, where it considers it to be appropriate, of persons to assist it in the assessment of the licensee’s submissions and to make recommendations based on specified areas of assessment;
 - (b) the specified areas of assessment to be considered; and
 - (c) the manner and process by which the licensee's submissions will be assessed against those specified areas and by which the Authority will determine any reward.

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Part B: Calculation of the LDR term

- 2G.7 For the Regulatory Years beginning on 1 April 2015, 1 April 2016, 1 April 2018, 1 April 2020 and 1 April 2022, the value of LDR_t will be equal zero.
- 2G.8 For all other Regulatory Years t , the value of the LDR_t term is derived in accordance with the following formula:

$$LDR_t = LDR_{t-1} \times RPIF_t \times PVF_{t-1}$$

Chapter 2: Electricity Distribution Revenue Restriction

where:

- $LDRO_{t-1}$ means the positive adjustment (if any) determined by the Authority in respect of the licensee's award against the criteria set out in the Losses Discretionary Reward Guidance Document, in ~~the~~ Regulatory Year $t-1$.
- $RPIF_t$ has the meaning given in Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue).

- 2G.9 The value of the LDRO term will be determined by the Authority:
- (a) by 30 November 2016 (for Regulatory Year 2017/18) for any award in respect of the first tranche of the Losses Discretionary Reward;
 - (b) by 30 November 2018 (for Regulatory Year 2019/20) for any award in respect of the second tranche of the Losses Discretionary Reward; ~~and~~
 - (c) by 30 November 2020 (for Regulatory Year 2021/22) for any award in respect of the third tranche of the Losses Discretionary Reward.
- 2G.10 The maximum value of $LDRO_{t-1}$ that may be determined by the Authority for the Relevant Regulatory Year has the value specified in Table 1 in Appendix 1, expressed in 2012/13 prices.

Part C: The process to issue or modify the Losses Discretionary Reward Guidance Document

- 2G.11 The Authority will issue, and may modify, the LDRGD by issuing a direction for that purpose to every licensee in whose licence this condition has effect.
- 2G.12 A direction issued by the Authority under paragraph 2G.11 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to all licensees in whose licence this condition has effect, set out the text of the LDRGD ~~(or the modifications to it)~~ that it proposes to direct;
 - (b) specified in the Notice the reasons for the Authority's ~~proposals~~ proposed modifications;
 - (c) specified in the Notice the date on which it proposes that the provisions of the document ~~to be issued~~ ~~(or modifications to it)~~ should take effect;
 - (d) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (e) considered any representations duly received in response to the Notice.

Part D: Interpretation

- 2G.13 For the purposes of this condition:

Chapter 2: Electricity Distribution Revenue Restriction

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Authority’s Website XXX

~~Distribution~~ XX

~~Losses~~Distribution

Losses

Losses XX

Discretionary

Reward Guidance

Document

Relevant Regulatory XX

Year

APPENDIXappendix 1

Table 1: Maximum value of the Losses Discretionary Reward
(£m in 2012/13 prices)~~across all licensees~~

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	To be awarded in Regulatory Year (ie t-1)							
Tranche	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
First		£8m						
Second				£10m				
Third						£14m		

CRC 2H. The Network Innovation Allowance

Introduction

- 2H.1 This condition establishes arrangements to be known as the Network Innovation Allowance (NIA) for the purpose of calculating the value of the NIA term that applies in Part B of CRC 2A (Restriction of Allowed Distribution Network Revenue) with respect to the funding of innovative projects carried out by the licensee.
- 2H.2 This condition also makes appropriate provision for arrangements relating to the regulation, administration, and governance of the NIA.
- 2H.3 The effect of the application of the NIA term in Part B of CRC 2A is to adjust the calculation of the licensee's Allowed Distribution Network Revenue (whether upwards or downwards) in order to fund investment in innovation under the NIA.

Part A: Calculation of the amount of the NIA term

- 2H.4 For the purposes of Part B of CRC 2A, the NIA adjustment for the Regulatory Year t is derived in accordance with the following formula (in this condition, the "Principal Formula"):

$$NIA_t = ANIA_t - NIAR_t$$

- 2H.5 For the purposes of the Principal Formula:

NIA_t means the total allowed NIA adjustment in Regulatory Year t .

$ANIA_t$ means the total Allowable NIA Expenditure in Regulatory Year t and is derived in accordance with the appropriate formula set out in Part B below.

$NIAR_t$ means an amount recovered by the licensee in relation to the Regulatory Year t or a previous Regulatory Year under the NIA that the Authority has determined, in accordance with provisions set out in paragraph 2H.7 and the NIA Governance Document, to be unrecoverable (see Part C below).

- 2H.6 Expenditure incurred by the licensee may only be recovered under the NIA if it is Allowable NIA Expenditure.

Part B: Calculation of Allowable NIA Expenditure (ANIA)

- 2H.7 For the purposes of the Principal Formula the amount of ANIA is derived from the following formula:

$$ANIA_t = \min((PTRA \times ENIA_t) + BPC_t, (NIAV \times BR_{t_j}))$$

where:

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Chapter 2: Electricity Distribution Revenue Restriction

PTRA	is the pass-through factor and has the value of 0.9.
ENIA _t	means the Eligible NIA Expenditure for Regulatory Year t incurred by the licensee in respect of Eligible NIA Projects as calculated by the licensee in accordance with the NIA Governance Document and reported to the Authority in accordance with standard condition 46 (Regulatory Instructions and Guidance).
BPC _t	<p>means the Eligible NIC Bid Preparation Costs for the Regulatory Year t as calculated by the licensee in accordance with this condition and reported to the Authority in accordance with standard condition 46 (Regulatory Instructions and Guidance);</p> <p><u>but (provided that, where the licensee is part of an Electricity Distribution Group), the amount of such costs recoverable by all of the licensees in that group cannot (except insofar as the Authority consents otherwise) be more in Regulatory Year t than the lower of:</u></p> <p class="list-item-l1">(a) £175,000 in total; or</p> <p class="list-item-l1">(b) — (b) 5% per cent of the amount applied for by the group under <u>the Network Innovation Competition, as defined in CRC 5A (the Network Innovation Competition).</u></p> <p>(whichever is less in the Regulatory Year t except insofar as the Authority consents otherwise).</p>
NIAV	means the licensee's NIA Percentage, and has the value that is attributed to the licensee in Appendix 1 (which has effect as part of this condition).
BR _t	means the Base Demand Revenue in Regulatory Year t, and is derived in accordance with Part C of CRC 2A.

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- 2H.8 For the purposes of the NIA, no more than 25 ~~per cent~~% of the Eligible NIA Expenditure in Regulatory Year t may be spent on the licensee's internal resources except insofar as the Authority otherwise directs.

Part C: Treatment of Unrecoverable Expenditure

- 2H.9 In any Regulatory Year t, the Authority may, by not later than 30 September in that year, specify set, by direction given to the licensee, an amount for NIAR_t that will reduce the licensee's NIA revenue by the amount that the Authority has determined to be unrecoverable in accordance with the relevant provisions of the NIA Governance Document.

Part D: The NIA Governance Document

Chapter 2: Electricity Distribution Revenue Restriction

- 2H.10 The Authority will issue, and may from time to time revise, a document to be known as the NIA Governance Document; for purposes connected with the regulation, governance, and administration of the NIA under this condition.
- 2H.11 The NIA Governance Document may, in particular, ~~without limitation~~, make appropriate provision about or impose requirements in respect of:
- (a) the eligibility criteria that projects must meet before Eligible NIA Projects can be started;
 - (b) the information that is to be published by the licensee before Eligible NIA Projects can be started;
 - (c) the circumstances in which the licensee will require permission from the Authority before beginning an Eligible NIA Project;
 - (d) the processes and procedures that will be in place for the assessment and approval (where necessary) of Eligible NIA Projects;
 - (e) arrangements for ensuring that relevant learning from Eligible NIA Projects can be captured and disseminated by the licensee to other Electricity Distributors and Transmission Licensees;
 - (f) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIA Governance Document);
 - (g) arrangements relating to the treatment of intellectual property rights in respect of Eligible NIA Projects; and
 - (h) any other matters relating to the regulation, governance, or administration of the NIA.
- 2H.12 Where any provisions of the NIA Governance Document requires the compliance of the licensee, the licensee must comply with that ~~those~~ provisions as if the document were part of this condition.

Part E: Procedure for issuing the NIA Governance Document

- 2H.13 Before issuing the NIA Governance Document under this condition, the Authority, by Notice given to the licensee and all other Electricity Distributors with a condition of similar effect to this condition in their licence, will:
- (a) state that it proposes to issue the NIA Governance Document, and specify the date on which it proposes that this should take effect;
 - (b) set out the text of the NIA Governance Document and the Authority's reasons for proposing to issue it; and
 - (c) specify the date (which will not be less than a period of 28 days from the date of the Notice) within which representations with respect to the proposed NIA Governance Document may be made.

Chapter 2: Electricity Distribution Revenue Restriction

- 2H.14 The Authority will consider any representations that are duly made and not withdrawn.
- 2H.15 The requirements of paragraph 2H.13 may be satisfied by action taken by the Authority before, as well as by action taken after, the coming into force of this condition.
- 2H.16 In paragraph 2H.13 “issuing ~~and revising~~ the NIA Governance Document” includes issuing any revision of it, and the procedure provided for under that paragraph will apply to any such revision.

Part G: Interpretation

- 2H.17 Defined terms are to be read and given effect subject to any further clarification that ~~may~~might be set out in the NIA Governance Document in relation to such terms.
- 2H.18 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

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APPENDIX 1: NIA Percentage

(see the NIAV term under Part B of this condition)

Licensee	NIA Percentage (%)
ENWL	
NPgN	
NPgY NPgY	
WMID	0.50
EMID	0.50
SWALES	0.50
SWEST	0.50
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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Chapter 2: Electricity Distribution Revenue Restriction

CRC 2I. Not used

CRC 2J. Low Carbon Networks Fund

Introduction

- 2J.1 This condition makes provision for the maintenance of arrangements (known as the Low Carbon Networks Fund) for determining the amount of the LCN term that applies in CRC 2A (Restriction of Allowed Distribution Network Revenue) for the purpose of incentivising the development of low carbon networks.
- 2J.2 The arrangements to which paragraph 2J.1 refers will apply in relation to the funding, regulation, and administration of:
- (a) Low Carbon Networks Fund projects that at any time within the period from 1 April 2010 to 31 March 2015 were the subject of a direction under Part C of CRC 13 (Low Carbon Networks Fund) of this licence in the form in which it was in force at 31 March 2015; and
 - (b) Low Carbon Networks Fund projects that at any time within that period were commenced pursuant to the provisions of that condition relating to the ~~First Tier~~First-Tier Funding Mechanism.

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Part A: Funding mechanisms for Low Carbon Networks Fund functions

- 2J.3 The following functions are to be discharged by the Low Carbon Networks Fund:
- (a) the funding of Eligible LCN Fund Projects raised through revenues contributed through the licensee's Use of System Charges ("the First Tier Funding Mechanism") that have commenced between 1 April 2010 and 31 March 2015;
 - ~~(a)~~(b) the recovery of funding for Eligible LCN Fund Projects raised through revenues contributed through the licensee's Use of System Charges ~~between 1 April 2010 and 31 March 2015~~ ("the ~~First Tier~~First-Tier Funding Mechanism") commenced between 1 April 2010 and 31 March 2015 that the Authority determines to be unrecoverable; and
 - ~~(b)~~(c) the funding of Eligible LCN Fund Projects and awards through revenues contributed through the Use of System Charges of all Distribution Services Providers ("the ~~Second Tier~~Second-Tier and Discretionary Funding Mechanism") in accordance with Part C below and the LCN Fund Governance Document.
- 2J.4 The amount of the LCN term that is to be incorporated into the Allowed Distribution Network Revenue in accordance with the provisions of CRC 2A in respect of any Regulatory Year comprises the total of the allowed revenues of the licensee recovered from Use of System Charges under each particular funding mechanism in that year.

Chapter 2: Electricity Distribution Revenue Restriction

- 2J.5 Accordingly, for the purposes of Part B of CRC 2A, which provides for the calculation of the licensee's Allowed Distribution Network Revenue, the amount of the LCN adjustment in Regulatory Year t is derived from the following formula (in this condition, the "LCN Formula"):

$$LCN_t = LCN2_t - LCN1_t$$

$$LCN_t = LCN1_t + LCN2_t - LCN3_t$$

where:

- (a) LCN1_t is an amount determined under the First Tier Funding Mechanism in accordance with Part B of this condition and the LCN Fund Governance Document;
- (a)(b) LCN2_t is an amount determined under the ~~Second Tier~~ Second-Tier and Discretionary Funding Mechanism in accordance with ~~Part B~~ Part C of this condition and the LCN Fund Governance Document; and
- (b)(c) LCN3_t is an amount recovered by the licensee in relation to a previous Regulatory Year under the ~~First Tier~~ First-Tier Funding Mechanism that the Authority has determined, in accordance with the provisions set out in the LCN Fund Governance Document, to be unrecoverable.

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Part B: The First Tier Funding Mechanism

- 2J.6 The First Tier Funding Mechanism relates to the recovery by the licensee of:
- (d) First Tier Funding;
- (e) True up of any underspend or overspend against recovery in previous year t-2;
- 2J.7 First Tier Funding is the aggregate (for the licensee) of all the Approved Amounts of First Tier projects commenced in the period between 1 April 2010 and 31 March 2015, which will be spent after 1 April 2015. The assessment of the amount will be carried out in accordance with the Governance document in the 2015/16 Regulatory Year. The assessment will specify the amounts that can be recovered in each year from 1 April 2015.
- 2J.8 True up of any underspend or overspend against revenues received in previous year t-2 is the difference between actual expenditure in year t-2 and recovered revenues in year t-2 on First Tier projects. True ups in year t will relate to costs and revenues from year t-2.

Comment [MAA3]: This will require an amendment to the governance document to allow the carry over of funding into RIIO-ED1 and to establish an assessment process for outstanding expenditure.

Part ~~BC~~ C: The ~~Second Tier~~ Second-Tier and Discretionary Funding Mechanism

Chapter 2: Electricity Distribution Revenue Restriction

- ~~2J.6~~2J.9 The ~~Second-Tier~~Second-Tier and Discretionary Funding Mechanism relates to the recovery by, and apportionment among, the licensee and other Distribution Services Providers of:
- (a) ~~Second-Tier~~Second-Tier Funding;
 - (b) True up of any underspend against recovery in previous year t-2;
 - ~~(b)~~(c) Discretionary Funding;
 - ~~(c)~~(d) Halted Project Revenues;
 - ~~(d)~~(e) Disallowed Expenditure; and
 - ~~(e)~~(f) Returned LCN Fund Royalties
- ~~2J.7~~2J.10 ~~Second-Tier~~Second-Tier Funding is the aggregate (for the licensee and all other Distribution Services Providers) of all the Approved Amounts in the 2015/16 Regulatory Year.
- 2J.11 True up of any underspend against revenues received in previous year t-2 is the difference between actual expenditure in year t-2 and recovered revenues in the year t-2 on Second Tier projects. Any overspends require the licensee to provide a modification to a Project Direction to be approved by the Authority in accordance with the Governance Document. True ups in year t will relate to costs and revenues from year t-2.
- ~~2J.8~~2J.12 Discretionary Funding is the aggregate (for the licensee and all other Distribution Services Providers) of the additional funding awarded by the Authority, on a discretionary basis in accordance with the LCN Fund Governance Document, in respect of Eligible LCN Fund Projects.
- ~~2J.9~~2J.13 Halted Project Revenues are revenues received (whether by the licensee or another Distribution Services Provider) under the ~~Second-Tier~~Second-Tier and Discretionary Funding Mechanism in respect of an Eligible LCN Fund Project that have not yet been spent, or otherwise committed, at the time that the Authority requires that Eligible LCN Fund Project to be halted in accordance with the provisions of the LCN Fund Governance Document or those of the relevant Project Direction.
- ~~2J.10~~2J.14 Disallowed Expenditure is revenue received (whether by the licensee or another Distribution Services Provider) under the ~~Second-Tier~~Second-Tier and Discretionary Funding Mechanism that the Authority determines not to have been spent in accordance with the provisions of the LCN Fund Governance Document or those of the relevant Project Direction.
- ~~2J.11~~2J.15 Returned LCN Fund Royalties are the revenues earned from intellectual property generated through ~~Second-Tier~~Second-Tier LCN Fund projects (whether by the licensee or another Distribution Services Provider), less Directly Attributable Costs, and that are~~is~~ payable to customers under the ~~Second-Tier~~Second-Tier and

Chapter 2: Electricity Distribution Revenue Restriction

Discretionary Funding Mechanism, and ~~are~~^{is} calculated in accordance with the provisions of the LCN Fund Governance Document.

~~2J.12~~2J.16 For the purpose of paragraph 2J.13~~11~~, Directly Attributable Costs are costs relating to the maintenance and management of intellectual property generated through ~~Second Tier~~Second-Tier LCN Fund projects (whether by the licensee or another Distribution Services Provider) and must not have been remunerated by Use of System Charges, charges for Metering Point Administration Service, Legacy Metering Equipment Charges, or revenue from Data Services or Directly Remunerated Services, or by the ~~Second Tier~~Second-Tier and Discretionary Funding Mechanism.

~~2J.13~~2J.17 For the purposes of the LCN_t Formula, LCN2_t is ~~to be~~ the amount specified for Regulatory Year t that is to be recovered by each Distribution Services Provider as determined by the Authority under paragraph 2J.16 in relation to:

- (a) the ~~Second Tier~~Second-Tier Funding specified for Regulatory Year t;
- (b) any true up for underspend against revenues received specified for Regulatory Year t;
- ~~(b)~~(c) any Discretionary Funding specified for Regulatory Year t;
- ~~(c)~~(d) any Halted Project Revenues specified for Regulatory Year t;
- ~~(d)~~(e) any Disallowed Expenditure specified for Regulatory Year t; and
- ~~(e)~~(f) any Returned LCN Fund Royalties specified for Regulatory Year t.

~~2J.14~~2J.18 In each Regulatory Year t, as provided for by the LCN Fund Governance Document, the Authority will calculate and, by direction given to all of the Distribution Services Providers, specify in accordance with the appropriate provisions set out in the LCN Fund Governance Document:

- (a) the value for LCN2_t for each Distribution Services Provider (being the amount to be recovered by each Distribution Services Provider through Use of System Charges in order to contribute to its own or another Distribution Services Provider's ~~Second Tier~~Second-Tier Funding and Discretionary Funding for that Regulatory Year); and
- (b) the net amounts to be transferred between Distribution Services Providers in order to ensure that each Distribution Services Provider receives an amount (if any) equal to the proportion of the ~~Second Tier~~Second-Tier Funding and Discretionary Funding for that Regulatory Year that is attributable to the licensee's Eligible LCN Fund Projects (adjusted to take into account any Halted Project Revenue, Returned LCN Fund Royalties, and Disallowed Expenditure); and
- ~~(c)~~ the manner in which and the timescale over which the net amounts referred to in 2J.14(b) are to be transferred.

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Chapter 2: Electricity Distribution Revenue Restriction

~~2J.15(c)~~ The licensee must comply with any direction issued by the Authority under paragraph 2J.16.

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~~2J.16~~ 2J.19 Eligibility, assessment, implementation, and other relevant matters relating to Eligible LCN Fund Projects under the ~~Second-Tier~~ Second-Tier and Discretionary Funding Mechanism are provided for in or pursuant to the LCN Fund Governance Document issued by the Authority under Parts D and E of this condition.

Part **CD**: Unrecoverable expenditure

~~2J.17~~ 2J.20 For the purposes of the LCN_t Formula, the amount of LCN_t+3_t is an amount recovered by the licensee in relation to Regulatory Year t or a previous Regulatory Year under the ~~First-Tier~~ First-Tier Funding Mechanism that the Authority has determined, in accordance with the provisions set out in the LCN Fund Governance Document, to be unrecoverable.

~~2J.18~~ 2J.21 In any Regulatory Year t, the Authority may set, by direction given to the licensee, an amount for LCN_t+3_t that will reduce the licensee's Allowed Distribution Network Revenue by the amount that the Authority has determined to be unrecoverable.

Part **ED**: The LCN Fund Governance Document

~~2J.19~~ 2J.22 The Authority will issue, and may from time to time revise, a document, to be known as the LCN Fund Governance Document, for purposes connected with the regulation, governance, and administration of the Low Carbon Networks Fund.

~~2J.20~~ 2J.23 The LCN Fund Governance Document may, without limitation, make appropriate provision about or impose requirements in respect of:

- (a) the eligibility criteria to be applied ~~by~~_{by} and information to be provided to ~~the Authority~~_{the Authority} in relation to the assessment and approval of Eligible LCN Fund Projects;
- (b) the criteria against which the funding of such projects will be assessed and approved (where necessary);
- (c) the process and procedures that will be in place for the assessment, approval and financing of such projects' funding (where necessary);
- (d) the arrangements for ensuring that relevant matters learnt from the implementation of Eligible LCN Fund Projects can be captured and disseminated;
- (e) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the LCN Fund Governance Document);

Chapter 2: Electricity Distribution Revenue Restriction

- (f) arrangements relating to intellectual property rights, including Returned LCN Fund Royalties, in respect of Eligible LCN Fund Projects; and
- (g) any other matters related to the regulation, governance, or administration of the Low Carbon Networks Fund.

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~~2J.21~~ Where any provision of the LCN Fund Governance Document requires the compliance of the licensee, the licensee must comply with that provision as if the document were part of this condition. ~~The licensee must comply with the applicable provisions of the LCN Fund Governance Document as if it formed part of this condition.~~

~~2J.24~~

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Part EF: Procedure for issuing the LCN Fund Governance Document

~~2J.22~~ 2J.25 Before issuing the LCN Fund Governance Document under this condition, the Authority ~~by Notice given to all Distribution Services Providers,~~ will:

- (a) ~~by Notice given to all Distribution Services Providers,~~ state that it proposes to issue the document, and specify the date on which it proposes that this should take effect;
- (b) set out in that Notice the text of the document and the Authority's reasons for proposing it; ~~and~~
- (c) specify in that Notice the date (which ~~will must~~ not be less than a period of 28 days from the date of the Notice) within which representations ~~or objections~~ with respect to the Authority's proposal may be made; ~~and~~
- ~~(e)~~(d) consider any representations duly received in response to the Notice.

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~~2J.23~~ The Authority will consider any representations or objections that are duly made and not withdrawn.

~~2J.24~~ 2J.26 The requirements of paragraphs ~~2J.21-2J.24 and 2J.25~~ may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.

~~2J.25~~ 2J.27 In paragraph 2J.21~~24~~, "issuing the LCN Fund Governance Document" includes issuing any revision of it and the procedure provided for ~~in that at~~ paragraph ~~2J.24~~ will apply to any such revision.

Part FG: Interpretation

~~2J.26~~ 2J.28 For the purposes of this condition:

Chapter 2: Electricity Distribution Revenue Restriction

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Approved Amount	XX
Allowed Distribution	XX
Network Revenue	
Data Services	XX
Directly Attributable Costs	XX
Disallowed Expenditure	XX
Discretionary Funding	XX
Distribution Services Provider	XX
Eligible LCN Fund Project	XX
First-Tier <u>First-Tier</u> Funding Mechanism	XX
Halted Project Revenues	XX
LCN Fund Governance Document	XX
LCNt Formula	XX
Legacy Metering Equipment Charges	XX
Metering Point Administration Service	XX
Project Direction	XX
Regulatory Year	XX
Returned LCN Fund Royalties	XX
Second-Tier <u>Second-Tier</u> and Discretionary Funding Mechanism	XX
Second-Tier <u>Second-Tier</u> Funding	XX
Use of System Charges	XX

CRC 2K. Margins on Licensee's Connection Activities

Introduction

2K.1 This condition:

- (a) prohibits the licensee from charging a Margin in a Connection Charge that relates to any of its Connection Activities in an Excluded Market Segment of the Local Connections Market;
- (b) except where the Authority directs otherwise, allows the licensee to charge an Unregulated Margin in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market where the Authority has determined that effective competition has been established;
- (c) provides a mechanism for the Authority to direct the level of Margin that a licensee may charge in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market where the Authority has not determined that effective competition has been established; and
- (d) provides a mechanism for the Authority to direct the licensee to repay such of the Margin charged in a Connection Charge that relates to any of its Connection Activities as the Authority considers appropriate, where the Legal Requirements Test has ceased to be satisfied.

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Part A: The principal restrictions

2K.2 The licensee must not charge a Margin in a Connection Charge that relates to any of its Connection Activities in an Excluded Market Segment of the Local Connections Market.

2K.3 Unless directed to do otherwise by the Authority under paragraph 2K.4, the licensee must charge a Margin of four per cent in a Connection Charge that relates to any of its Connection Activities in a Relevant Market Segment of the Local Connections Market where the Authority has not determined that effective competition has been established.

2K.4 The Authority may, having first consulted with the licensee, issue a direction amending the level of Margin that the licensee must charge under paragraph 2K.3. ~~in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market where the Authority has not determined that effective competition has been established.~~

2K.5 The licensee may charge an Unregulated Margin in Relevant Market Segments of the Local Connections Market where the Authority has determined, in respect of any Relevant Market Segment, that the licensee is entitled (but not obliged) to charge an

Chapter 2: Electricity Distribution Revenue Restriction

Unregulated Margin in Connection Charges in relation to its Connection Activities in the Relevant Market Segment.

- 2K.6 The licensee may also charge an Unregulated Margin in a Connection Charge that relates to any of its Connection Activities in a Relevant Market Segment of the Local Connection Market where the Authority did not, within four months of receiving a Competition Notice from the licensee, make a determination in respect of a Relevant Market Segment to which that Competition Notice relates.
- 2K.7 The provisions of paragraph 2K.5 and 2K.6 are to be treated as placing no limit on the amount of the Unregulated Margin that the licensee may charge in a Connection Charge that relates to any of its Connection Activities in the Relevant Market Segment of the Local Connections Market.

Part B: Provisions where the Legal Requirements Test has ceased to be satisfied

- 2K.8 Where the Authority at any time determines that the Legal Requirements Test has ceased to be satisfied, it may:
- (a) having first consulted with the licensee, issue a direction specifying the level of Margin that the licensee must charge in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market in such cases and until such time as are specified in or determined under the direction; ~~and~~
 - (b) issue to the licensee a Clawback Direction in accordance with the provisions of this licence condition.
- 2K.9 A Clawback Direction is a direction requiring the licensee to make repayment of some or all of the monetary value of the Margin that it had charged in its Connection Charges in relation to its Connection Activities in a Relevant Market Segment of the Local Connections Market during a specified period of time, being:
- (a) if the Authority has issued a direction under paragraph 2K.4, the difference between the ~~Unregulated Margin specified in that direction~~ and a level of margin specified by the Authority in the Clawback Direction, but not less than zero; and
 - (b) in all other cases, the difference between the Unregulated Margin and ~~4~~four percent, but not less than zero.
- 2K.10 Any Clawback Direction issued by the Authority must specify both the period of time to which it relates and the proportion of the Margin that the Authority requires the licensee to repay.
- 2K.11 Where a Clawback Direction is issued by the Authority, the specified period of time to which 2K.10 refers may not commence earlier than the date ~~that~~which the

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Chapter 2: Electricity Distribution Revenue Restriction

Authority determines to be the earliest date on which the Legal Requirements Test ceased to be satisfied.

- 2K.12 For the purposes of the Clawback Direction, a Margin is treated as having been charged during a period of time if it:
- (a) became due to the licensee under a connection agreement entered into during that period; and
 - (b) was paid to and received by the licensee under that agreement.
- 2K.13 Where a Clawback Direction is issued the licensee must take all reasonable steps to:
- (a) identify all those persons who were charged the Margin to which the Clawback Direction relates; and
 - (b) repay to each such person, as soon as is practicable, a sum equivalent to the proportion of the Margin that that person paid to the licensee.
- 2K.14 Where, within one year of the date of the Clawback Direction and despite having taken all reasonable steps to do so, the licensee has been unable to repay any sums representing Margins to which a Clawback Direction applies, it must notify the Authority of the aggregate amount of the sums remaining unpaid.
- 2K.15 The aggregate amount notified to the Authority will constitute the value of the AUM_t term for the purposes of CRC 2A (Restriction of Allowed Distribution Network Revenue).
- 2K.16 Where a Margin became due to the licensee under a connection agreement entered into during a period of time specified in a Clawback Direction, but has not been paid to and received by the licensee at the date of the direction, the licensee must waive its right to recover such proportion of that Margin as is specified in the Clawback Direction.

Part C: Reporting requirements

- 2K.17 For each market segment where the licensee is able to earn an Unregulated Margin in accordance with the provisions of paragraphs 2K.5 and 2K.6, the licensee must submit to the Authority by not later than 30 September in each relevant Regulatory Year a report that explains:
- (a) the extent to which the evidence relied on by the licensee in its Competition Notice and any associated evidence to establish that the Legal Requirements Test and Competition Test were satisfied is still accurate; and
 - (b) where appropriate, how change has occurred in the Relevant Market Segment that is the subject of ~~such~~the evidence described in paragraph 2K.17(a).
- 2K.18 The report must be accompanied by such evidence as the licensee considers necessary to establish that the evidence provided by the licensee in its Competition Notice and any associated evidence is still accurate or has changed.

Chapter 2: Electricity Distribution Revenue Restriction

Part D: Interpretation

2K.19 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Clawback Direction	XX
Competition Notice	XX
Competition Test	XX
Connection Activities	XX
Connection Charge	Xx
Excluded Market Segment	XX
Legal Requirements Test	XXX
Local Connections Market	XX
Margin	XX
Relevant Market Segment	XX
Unregulated Margin	XX

Appendix 1

Local Connections Market Segments

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Part 1: Relevant Market Segments

A1.1 For the purposes of this condition, the Relevant Market Segments of the Local Connections Market are:

- (a) each of the nine segments listed in paragraphs A1.2 to A1.4, defined by reference to the nature and volume of the Connection Activities and the work associated with them; or
- (b) any alternative segments that are specified in accordance with paragraphs A1.5 to A1.9 below.

Demand Connections

A1.2 In respect of Metered premises owned or occupied by Demand Customers:

- (a) LV work: low voltage Connection Activities involving only low voltage work, other than in respect of Excluded Market Segments.
- (b) HV work: low voltage or high voltage Connection Activities involving high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment).
- (c) HV and EHV work: low voltage or high voltage Connection Activities involving extra high voltage work.
- (d) EHV work and above: extra high voltage and 132kV Connection Activities.

Distributed Generation

A1.3 In respect of Metered premises in which the connection involves the connection of Relevant DG:

- (a) LV work: low voltage Connection Activities involving only low voltage work.
- (b) HV and EHV work: any Connection Activities involving work at high voltage or above.

Unmetered Connections

A1.4 In respect of unmetered premises:

- (a) LA work: nNew Connection Activities in respect of local authority premises.
- (b) PFI work: nNew Connection Activities under private finance initiatives.
- (c) Other work: all other non-local authority and non-PFI unmetered connections work.

Chapter 2: Electricity Distribution Revenue Restriction

Alternative Relevant Market Segments

- A1.5 The licensee may give to the Authority a Competition Notice that, instead of relating to one or more of the segments listed in paragraphs A1.2 to A1.4, relates (in whole or in part) to one or more alternative segments.
- A1.6 For the purposes of paragraph A1.5, an alternative segment is one that consists of one or more subsets, or combinations of subsets, of any of the segments listed in paragraphs A1.2 to A1.4.
- A1.7 ~~If Where~~ the Authority accepts the alternative segments:
- (a) those segments will become, for the purposes of Parts A to E of this condition, Relevant Market Segments; and
 - (b) the Authority may determine consequential amendments required to the other segments listed in paragraphs A1.2 to A1.4, and any amended segments will become, for the purposes of Parts A to E of this condition, Relevant Market Segments.
- A1.8 ~~If Where~~ the Authority rejects the alternative segments, it may not proceed to make a determination in relation to the Competition Notice except in respect of any segments listed in paragraphs A1.2 to A1.4 to which the Notice also relates.

Part 2: Excluded Market Segment

- A1.9 For the purposes of this condition, and subject to paragraph A1.2 (b) above, the Excluded Market Segment of the Local Connections Market ~~comprises is the combination of the~~ following two ~~Excluded Market S~~segments relating to Metered premises that are owned or occupied by Demand Customers and defined by reference to the nature and volume of the Connection Activities:
- (a) ~~Excluded Market Segment 1 means LVSSA): sSingle LV single phase service connection.~~
 - (b) ~~Excluded Market Segment 2 means (LVSSB): sSmall LV projects: 2 _4 LV single phase domestic services or for connections to 1 _4 LV single phase domestic premises involving an extension to the LV network or a single two or three phase whole current metered connection (not requiring an extension to the LV network).~~

Comment [RNE4]: This wording is different to the LVSSA and LVSSB definitions

CRC 2L. Revenue adjustments in respect of performance failures

Introduction

- 2L.1 This condition applies for the purpose of adjusting Allowed Distribution Network Revenue, where the sum of payments made by the licensee with reference to the Connection Regulations and any Distributed Generation Connection Standards prescribed by the Authority in a DG Standards Direction issued under standard condition 15A (Connection Policy and Connection Performance) exceeds the revenue exposure cap specified ~~for against the licensee's name~~ in Appendix 1 of this condition.

Part A: Calculation of the CGSRA term

- 2L.2 For the purposes of Part B of CRC 2A (Restriction of Allowed Distribution Network Revenue):

CGSRA_t means the adjustment to Allowed Distribution Network Revenue for payments made by the licensee in respect of failures to achieve performance standards pursuant to the requirements of the Connection Regulations and of any Distributed Generation Connection Standards prescribed by the Authority in a DG Standards Direction issued under standard condition 15A (Connection Policy and Connection Performance), where the sum of those payments exceeds the revenue exposure cap specified for the licensee in Appendix 1.

The value of this term is calculated ~~in accordance with the following~~ using the formula below:

$$\text{If } \sum_{2015/16}^{t-2} \text{CGSPM}_t > (\text{TCGSR} \times \text{RPIA}_t) \text{ then:}$$
$$\text{CGSRA}_t = \sum_{2015/16}^{t-2} \text{CGSPM}_t - (\text{TCGSR} \times \text{RPIA}_t)$$

~~and if~~ not, then the value of CGSRA_t is zero.

where:

CGSPM_t (*the connection guaranteed standards payments made term*) means the total amount of the payments in Regulatory Year t that have been made by the licensee to Customers in respect of failures to meet the requirements of the Connection Regulations and of any Distributed Generation Connection Standards prescribed by the Authority in a DG Standards Direction issued under standard condition 15A.

Chapter 2: Electricity Distribution Revenue Restriction

TCGSR *(the total connection guaranteed standards revenue exposure term)* means the maximum amount of Allowed Distribution Network Revenue that is exposed for the duration of eight successive Regulatory Years beginning on 1 April 2015 to the requirements of the Connection Regulations and of any Distributed Generation Connection Standards prescribed by the Authority in a DG Standards Direction issued under standard condition 15A, and has the value specified ~~for the~~ against the licensee's name in Appendix 1 of this condition.

RPIA_t has the value given to it by Part C of CRC 2A.

Part B: Interpretation

2L.3 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Connection Regulations XX

APPENDIX 1

Total RIIO-ED1 revenue exposure to payments under the Connection Regulations and any Distributed Generation Connection Standards (TCGSR)
(£m ~~in million~~ 2012/13 prices)

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Licensee	TCGSR (£m)
ENWL	
NPgN	
NPgY NPgY	
WMID	11.3
EMID	11.0
SWALES	5.2
SWEST	7.8
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

**CRC 2M. [Adjustment of licensee's revenues for the residual
distribution losses incentive]**

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CHAPTER 3: ANNUAL ITERATION PROCESS – ADJUSTMENTS TO THE REVENUE RESTRICTION

CRC 3A. Legacy price control adjustments

|

Draft

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

CRC 3B. Determination of PCFM Variable Values relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments

Introduction

- 3B.1 The Totex Incentive Mechanism provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented by a difference, in respect of a given Regulatory Year, between:
- (a) the licensee's allowed Totex expenditure; and
 - (b) the licensee's actual Totex expenditure.
- 3B.2 The "specified share" referred to in paragraph 3B.1 is represented by the Totex Incentive Strength Rate, as ~~specified set down against the licensee's name in the table at in~~ Appendix 1 ~~of to~~ this condition.
- 3B.3 This condition establishes the basis for determining PCFM Variable Values for the licensee's actual Totex expenditure, in relation to the Totex Incentive Mechanism, that are to be used for the purposes of the Annual Iteration Process for the ED1 Price Control Financial Model in accordance with CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).
- 3B.4 The application of the mechanisms referred to in this condition ensures that, as a consequence of the Annual Iteration Process:
- (a) the value of the term MOD for the licensee as calculated for Regulatory Year t for the purposes of CRC 2A (Restriction of Allowed Distribution Network Revenue) will result in an adjustment of the licensee's Base Demand Revenue; and
 - (b) relevant adjustments will be made to the licensee's Regulatory Asset Value ("RAV") balance,
- to reflect the licensee's performance under the Totex Incentive Mechanism, in accordance with the methodology set out in chapter 6 of the ED1 Price Control Financial Handbook.
- 3B.5 Totex Incentive Mechanism Adjustments are applied under the Annual Iteration Process for the ED1 Price Control Financial Model, and calculation of these adjustments uses the Totex Capitalisation Rate ~~specified for set down against the licensee's name in~~ the table at Appendix 1 ~~of to~~ this condition, which is a fixed value contained in the ED1 Price Control Financial Model.
- 3B.6 This condition provides for the determination and direction of revisions to the ~~sevensix~~ PCFM Variable Values that relate to the licensee's actual Totex expenditure.

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- 3B.7 The PCFM Variable Values that relate to the licensee's allowed Totex expenditure are specified in other CRCs of this licence, and are further explained~~scheduled~~ in the methodology set out in chapter 6 of the ED1 Price Control Financial Handbook.
- 3B.8 This condition must be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments) and CRC 4B.

Part A: Process for determining PCFM Variable Values relating to actual Totex for the Totex Incentive Mechanism

- 3B.9 This Part A provides for the determination and direction of revised PCFM Variable Values for:
- (a) actual load-related capex expenditure (ALC values);
 - (b) actual non-load related capex expenditure ~~—~~ asset replacement (ANLR values);
 - (c) actual non-load related capex ~~—~~ other (ANLO values);
 - (d) actual faults expenditure (AFE values);
 - (e) actual 100 ~~per cent~~^{0%} ~~“revenue pool”~~ expenditure (ARP values);
 - (f) actual controllable opex expenditure (ACO values); and
 - (g) actual tree cutting expenditure (TRE values),
- together “actual Totex values” and each having the meaning given in chapter 6 of the ED1 Price Control Financial Handbook.
- 3B.10 Subject to paragraph 3B.11, the Authority will, by 30 November in each Regulatory Year t-1:
- (a) determine revised actual Totex values for the licensee for Regulatory Year t-2; and
 - (b) issue a direction in accordance with the provisions of Part B of this condition specifying the revised values that have been determined and the Regulatory Years to which they relate,
- in each case in accordance with the methodology contained in chapter 6 of the ED1 Price Control Financial Handbook.
- 3B.11 The first Regulatory Year in which the Authority will make a determination pursuant to paragraph 3B.10 is Regulatory Year 2016/17.
- 3B.12 The Authority may also direct revisions to actual Totex values for the licensee for Regulatory Years earlier than Regulatory Year t-2, where that is necessary to take into account any restatement of, or correction to, Specified Information submitted in accordance with the RIGs issued under standard condition 46 (Regulatory Instructions

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

and Guidance). Any directions under this paragraph will be made in accordance with the provisions of Part B of this condition.

- 3B.13 Where the Authority directs any revised actual Totex values for the licensee for Regulatory Years earlier than Regulatory Year $t-2$, the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

Part B: Procedure to be followed for direction by the Authority of revised PCFM Variable Values relating to the licensee's actual Totex ~~by the Authority~~

- 3B.14 Subject to ²⁷ and in accordance with ₁ the provisions of Part A of this condition, revised actual Totex values for the licensee, determined by the Authority, will be directed by the Authority by 30 November in each Regulatory Year $t-1$.
- 3B.15 A direction under paragraph 3C.14 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised actual Totex values that it proposes to direct;
 - (b) stated in that Notice that those values have been determined in accordance with the provisions of Parts A of this condition;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (d) considered any representations duly received in response to the Notice.
- 3B.16 Where the Authority directs any revised actual Totex values for Regulatory Years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.
- 3B.17 If ₁ for any reason in any Regulatory Year $t-1$, the Authority does not make a direction in relation to revised actual Totex values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and in any event before directing a value for MOD _{t} for the licensee under that paragraph.

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Part C: Interpretation

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

3B.18 Expressions used in this condition are to be read and given effect subject to any further explanation or elaboration within the ED1 Price Control Financial Methodologies that may be applicable to them.

3B.19 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process XX

Authority XX

Authority's Website XX

Base Demand Revenue XX

ED1 Price Control XX

Financial Handbook

ED1 Price Control XX

Financial Instruments

ED1 Price Control XX

Financial Methodologies

ED1 Price Control XX

Financial Model

PCFM Variable Value XX

Regulatory Asset Value
(RAV) XX

Regulatory Year t XX

Time Value of Money
Adjustment XX

Totex XX

Totex Capitalisation
Rate XX

Totex Incentive
Mechanism XX

Totex Incentive
Mechanism Adjustment XX

Totex Incentive Strength
Rate XX

APPENDIX 1: Totex Incentive Strength Rate and Totex Capitalisation Rate

(see the introduction to this condition)

Licensee	Totex Incentive Strength Rate (%)	Totex Capitalisation Rate (%)
ENWL		
NPgN		
NPgY NPgY		
WMID	70.00	80.00
EMID	70.00	80.00
SWALES	70.00	80.00
SWEST	70.00	80.00
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

CRC 3C. Specified financial adjustments

Introduction

3C.1 This condition provides for the determination of:

- (a) revisions to the PCFM Variable Values for the licensee relating to the items specified in Parts A to C of this condition; and
- (b) the Regulatory Years to which ~~those~~ the revised values referred to in 3C.1(a) relate,

for use in the Annual Iteration Process for the ED1 Price Control Financial Model as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).

3C.2 The application of the mechanisms set out in this condition means that, as a consequence of the Annual Iteration Process, the value of the term MOD as calculated for Regulatory Year t for the purpose of CRC 2A (Restriction of Allowed Distribution Network Revenue) will result in an adjustment to the licensee's Base Demand Revenue in a manner that reflects the licensee's:

- (a) revenue allowances for its Pension Scheme Established Deficit repair payments;
- (b) revenue allowances for its tax liabilities; and
- (c) allowed percentage cost of corporate debt,

as determined under the methodologies set out in chapters 3, 4 and 5, respectively, of the ED1 Price Control Financial Handbook, respectively.

3C.3 This condition should be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments) and CRC 4B.

Part A: Revenue allowances for Pension Scheme Established Deficits

3C.4 This Part A provides for the determination and direction of revised PCFM Variable Values for Pension Scheme Established Deficit revenue allowances (EDE Values).

3C.5 Subject to paragraph 3C.6, the Authority will, by 30 November in each Regulatory Year t-1, determine whether any EDE Values for the licensee should be revised as a result of:

- (a) an actuarial valuation of any defined-benefit pension scheme in respect of which the licensee is either the principal employer or a participating employer;
- (b) a review of ~~any~~ the valuations referred to in 3C.5(a) and of the reasonableness of the licensee's Pension Scheme Established Deficit funding levels; and
- (c) a review of the level of payments actually made by the licensee to a relevant pension scheme,

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

in each case in accordance with the methodology contained in chapter 3 of the ED1 Price Control Financial Handbook.

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3C.6 The first Regulatory Year in which the Authority will make a determination pursuant to paragraph 3C.5 is Regulatory Year ~~2016/17~~ 2015/16.

3C.7 If the Authority determines under paragraph 3C.5 that, in accordance with the methodologies contained in chapter 3 of the ED1 Price Control Financial Handbook, any EDE Values for the licensee are to be revised, it will, by 30 November in the same Regulatory Year t-1, issue a direction in accordance with the provisions of Part D of this condition specifying the revised EDE Values that have been determined and the Regulatory Years to which they relate.

3C.8 Where the Authority directs any revised EDE Values for Regulatory Years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t, and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

Part B: Tax liability allowances

3C.9 This Part B provides for the determination and direction of revised PCFM Variable Values for the licensee for:

(a) tax liability revenue allowance adjustments in respect of tax trigger events (TTE Values); and

(b) tax liability revenue allowance adjustments in respect of the licensee's gearing levels and corporate debt interest costs (TGIE Values).

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3C.10 The TTE Values and TGIE Values for the licensee for each Regulatory Year are zero as at 1 April 2015.

3C.11 Subject to paragraph 3C.12, the Authority will, by 30 November in each Regulatory Year t-1, determine whether any TTE Values for the licensee should be revised as a result of one or more tax trigger events in accordance with the methodology contained in chapter 4 of the ED1 Price Control Financial Handbook.

3C.12 The first Regulatory Year in which the Authority will make a determination of the type referred to in paragraph 3C.11 is Regulatory Year 2015/16.

3C.13 Subject to paragraph 3C.14, the Authority will, by 30 November in each Regulatory Year t-1, determine whether any TGIE Values for the licensee should be revised as a result of a review of:

(a) the licensee's actual level of gearing; and

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

(b) the level of debt interest charges actually incurred by the licensee,

in each case in accordance with the methodology contained in chapter 4 of the ED1 Price Control Financial Handbook.

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3C.14 The first Regulatory Year in which the Authority will make a determination pursuant to paragraph 3C.13 is Regulatory Year 2016/17.

3C.15 If the Authority determines under paragraph 3C.11 or 3D.13 that, in accordance with the methodologies contained in chapter 4 of the ED1 Price Control Financial Handbook, any TTE Values or TGIE Values are to be revised, it will by 30 November in the same Regulatory Year t-1 issue a direction in accordance with the provisions of Part D of this condition specifying the revised TTE Values and TGIE Values that have been determined and the Regulatory Years to which they relate.

3C.16 Where the Authority directs any revised TTE Values or TGIE Values for Regulatory Years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t, and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

Part C: Allowed percentage cost of corporate debt

3C.17 This Part C provides for the determination and direction of revised PCFM Variable Values for the licensee's allowed percentage cost of corporate debt (CDE Values).

3C.18 Subject to paragraph 3C.20, the Authority will by 30 November in each Regulatory Year t-1:

(a) determine a revised CDE Value for the licensee for Regulatory Year t and each subsequent Regulatory Year in accordance with the methodology contained in chapter 5 of the ED1 Price Control Financial Handbook; and

(b) issue a direction in accordance with the provisions of Part D of this condition specifying the revised CDE Values that have been determined and the Regulatory Years to which they relate.

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3C.19 The Authority may also revise the CDE Value for a Regulatory Year earlier than Regulatory Year t where necessary to take into account data updates referred to in the methodology contained in chapter 5 of the ED1 Price Control Financial Handbook.

3C.20 The first Regulatory Year in which the Authority will make a determination pursuant to paragraph 3C.18 is Regulatory Year 2015/16.

3C.21 Where the Authority directs any revised CDE Values for Regulatory Years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of

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Money Adjustment, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

Part D: Procedure to be followed for direction of revised PCFM Variable Values relating to specified financial adjustments by the Authority

- 3C.22 Subject to, and in accordance with, the provisions of Parts A, B and C of this condition, revised EDE, TTE, TGIE and CDE Values for the licensee, as determined by the Authority, will be directed by the Authority by 30 November in each Regulatory Year $t-1$.
- 3C.23 A direction under paragraph 3C.22 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised values that it proposes to direct;
 - (b) stated in that Notice that any revised EDE values have been determined in accordance with the provisions of Part A of this condition;
 - (c) stated in that Notice that any revised TTE and TGIE values have been determined in accordance with the provisions of Part B of this condition;
 - (d) stated in that Notice that any revised CDE values have been determined in accordance with the provisions of Part C of this condition;
 - (e) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (f) considered any representations duly received in response to the Notice.
- 3C.24 Where the Authority directs any revised EDE, TTE, TGIE and CDE values for Regulatory Years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, as set out in CRC 4A, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.
- 3C.25 If, for any reason in any Regulatory Year $t-1$, the Authority does not make a direction in relation to revised EDE, TTE, TGIE and CDE values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and in any event before directing a value for MOD $_t$ for the licensee under that paragraph.

Part E: Interpretation

- 3C.26 For the purposes of this condition:

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Authority's Website	XX
Base Demand Revenue	XX
ED1 Price Control Financial Handbook	XX
ED1 Price Control Financial Instruments	XX
ED1 Price Control Financial Methodologies	XX
ED1 Price Control Financial Model	XX
PCFM Variable Value	XX
Pension Scheme Established Deficit	XX
Regulatory Year t	XX
Time Value of Money Adjustment	XX

CRC 3D. The Innovation Roll-out Mechanism

Introduction

- 3D.1 This condition establishes a mechanism for determining any appropriate revisions to PCFM Variable Values relating to Innovation Roll-out allowed expenditure (“IRM” values) and the Regulatory Years to which those revisions relate, for use in the Annual Iteration Process for the ED1 Price Control Financial Model, as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).
- 3D.2 This condition should be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments) and CRC 4B.

Part A: General considerations applying to this condition

- 3D.3 All IRM values for the licensee are set at zero at 1 April 2015.
- 3D.4 The IRM value relating to a particular Regulatory Year represents the total amount of the licensee’s Innovation Roll-out allowed expenditure (in 2012/13 prices) for that Regulatory Year.
- 3D.5 The application of the mechanism set out in this condition provides for:
- (a) the licensee to propose adjustments to its IRM values during either of the two windows specified in Part D of this condition;
 - (b) determinations by the Authority in relation to proposals by the licensee under paragraph 3D.5(a); and
 - (c) the direction, where applicable, of revised IRM values.
- 3D.6 The determination and direction of revised IRM values will result in adjustments under the Totex Incentive Mechanism, described in chapter 6 of the ED1 Price Control Financial Handbook, to the licensee’s Base Demand Revenue that take account of approved changes in its allowed expenditure on Innovation Roll-out.
- 3D.7 The adjustments referred to in paragraph 3D.6 will be applied as a consequence of the Annual Iteration Process for the ED1 Price Control Financial Model, and will be reflected in the value of the term MOD as derived for Regulatory Year t for the purposes of Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue).

Part B: Features that qualify an Innovation Roll-out for additional funding

- 3D.8 The Roll-out by the licensee of a Proven Innovation will be eligible for additional funding within the Price Control Period (and constitute a “Relevant Adjustment”)

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only if the Authority is satisfied that the activity funded through the Relevant Adjustment:

- (a) will deliver Carbon Benefits or any wider environmental benefits;
- (b) will provide long-term value for money for electricity consumers;
- (c) will not enable the licensee to receive commercial benefits from the Roll-out within the remainder of the Price Control Period (for instance, where the Roll-out of a Proven Innovation will lead to cost savings (including benefits from other incentive mechanisms) equal to or greater than its implementation costs within the Price Control Period); and
- (d) will only be used to fund the Roll-out of a Proven Innovation.

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Part C: Requirements for the proposal of Relevant Adjustments

~~3D.9~~ 3D.9 The licensee may by Notice to the Authority, in accordance with Parts C, D and E of this condition, propose a Relevant Adjustment within the meaning of Part B of this condition to recover Innovation Roll-out Costs where these costs would constitute a material amount, as specified for the licensee in Appendix 1 of this condition, within the meaning of paragraph 3D.10.

~~3D.10~~ 3D.9 A material amount is the amount of the Innovation Roll-out Costs, when multiplied by the licensee's Totex Incentive Strength Rate as set out in Appendix 1 of CRC 3B (Determination of PCFM Variable Values relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments), that exceeds or is likely to exceed 1 per cent of the licensee's materiality threshold amount, as set out in Appendix 1 of this condition.

~~3D.11~~ 3D.10 A Relevant Adjustment is an adjustment:

- (a) that the licensee believes will enable it to recover Innovation Roll-out Costs associated with a single Proven Innovation that would not otherwise be recoverable under the Charge Restriction Conditions; and
- (b) that applies only in respect of Innovation Roll-out Costs that have not yet been incurred.

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Part D: Application windows for Relevant Adjustment proposals

~~3D.12~~ 3D.11 There are two application windows during which a Relevant Adjustment may be proposed by Notice served under Part C of this condition:

- (a) the first application window opens on 1 May 2017 and closes on 31 May 2017; and
- (b) the second application window opens on 1 May 2019~~20~~ and closes on 31 May 2020~~19~~.

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~~3D.133~~D.12 A Relevant Adjustment may be proposed during either of the application windows, provided that in each case the proposal complies with the provisions of paragraphs 3D.10 and 3D.11.

Part E: Other requirements relating to the licensee's proposal

~~3D.143~~D.13 A Notice served by the licensee under Part C of this condition must in all cases:

- (a) state any statutory obligations or any requirements of this licence to which the Notice relates;
- (b) describe the Proven Innovation that the licensee proposes to Roll-out;
- (c) propose the amount of the Relevant Adjustment and set out, by reference to the Innovation Roll-out Costs, the basis on which the licensee has calculated the Relevant Adjustment;
- (d) demonstrate that the costs to be recovered through the Relevant Adjustment will be a material amount for the purposes of paragraph ~~3D.93D.10~~ of this condition;
- (e) demonstrate how each of the criteria set out in Part B of this condition will be fulfilled by the Roll-out using the additional funding sought;
- (f) propose relevant outputs or other end products against which the Roll-out will be assessed;
- (g) set out the revisions to IRM values that the licensee considers should be made to implement the Relevant Adjustment; and
- (h) state the date from which it is proposed that the Relevant Adjustment would have effect ("the adjustment date") and the Regulatory Years to which the Relevant Adjustment would apply.

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~~3D.153~~D.14 The adjustment date must not be a date that is earlier than:

- (a) 1 April 2018 in the case of a Relevant Adjustment proposed during the first application window; and
- (b) 1 April ~~2020~~2021 in the case of a Relevant Adjustment proposed during the second and final application window.

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Part F: Authority's determination of a Relevant Adjustment

~~3D.163~~D.15 Where the licensee serves a Notice under Part C of this condition, the Authority may, within four months of the close of the application window during which the Notice was submitted to the Authority, determine whether the proposed Relevant Adjustment should be made.

~~3D.173~~D.16 In determining any Relevant Adjustment under this Part F, the Authority will:

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- (a) consult the licensee;
- (b) have particular regard to the purposes of this condition and the contents of the licensee's proposal under Part B of this condition; and
- (c) take no account of the financial performance of the licensee relative to any of the assumptions, whether expressed or implied, by reference to which the Charge Restriction Conditions were framed.

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Part G: Determination by the Authority of revisions to IRM values

~~3D.183~~ ~~D.17~~ This part G sets out the basis for determining revisions to IRM values for use in the Annual Iteration Process for the ED1 Price Control Financial Model.

~~3D.193~~ ~~D.18~~ The Authority will, by 30 November in each Regulatory Year t-1:

- (a) determine whether any of the IRM values in the ED1 Financial Model should be revised to reflect any determinations made by the Authority under Part F of this condition; and
- (b) issue a direction, in accordance with the provisions of Part H of this condition, specifying any revised IRM values determined under paragraph 3D.18~~19~~(a) and the Regulatory Years to which they relate.

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Part H: Procedure for direction of revised IRM values by the Authority

~~3D.203~~ ~~D.19~~ Subject to, and in accordance with, the provisions of Part G of this condition, revised IRM values for the licensee, as determined by the Authority, will be directed by the Authority by 30 November in each Regulatory Year t-1.

~~3D.213~~ ~~D.20~~ A direction under paragraph 3D.20 will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee set out all of the revised IRM values that it proposes to direct;
- (b) stated in that Notice that those values have been determined in accordance with the provisions of Part G of this condition;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) considered any representations duly received in response to the Notice.

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~~3D.223~~ ~~D.21~~ Where the Authority directs any revised IRM values relating to Regulatory Years earlier than Regulatory Year t, the effect of using those revised IRM values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, as set out in CRC 4A, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t, and, for the

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avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

~~3D.233~~^{3D.22} If, for any reason in any Regulatory Year t-1, the Authority does not make a direction in relation to revised IRM values by 30 November, the Authority will direct the values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B₂ and, in any event, before directing a value for MOD_t for the licensee under that paragraph.

Part I: Interpretation

~~3D.243~~^{3D.23} For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

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APPENDIX 1: Materiality threshold amount

(see Part C of this condition)

Licensee	£m (in 2012/13 prices)
ENWL	
NPgN	
NPgY NPgY	
WMID	409.2x
EMID	411.0x
SWALES	211.5x
SWEST	305.9x
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

CRC 3E. Smart Meter Roll-out Costs

Introduction

3E.1 This condition establishes ~~a~~ mechanisms to:

- (a) specify the opening values of the licensee's allowed expenditure (~~"Smart Meter allowed expenditure"~~, or ~~"SMAE"~~) for Smart Meter Roll-out Costs;
- (b) specify the basis on which the licensee's opening levels of SMAE can be revised;
- ~~(b)~~(c) determine any appropriate revisions to the PCFM Variable Values relating to SMAE values and the Regulatory Years to which ~~those~~ revised SMAE values relate for use in the Annual Iteration Process for the ED1 PCFM, as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model); and
- ~~(e)~~(d) specify the chapter in the ED1 Price Control Financial Handbook that provides further information on the determination and direction of revised SMAE values.

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3E.2 The SMAE values as at 1 April 2015 are equal to the amounts of allowed expenditure that were included in the calculation of Opening Base Revenue Allowances for the licensee at the beginning of the Price Control Period.

3E.3 The application of the mechanisms set out in this condition provides for:

- (a) the specification of the opening SMAE values at 1 April 2015;
- (b) ~~the determination in each Regulatory Year t of one or more revisions to those SMAE values based on actual activity levels in Regulatory Year t-2; and~~
- (c) the direction of revised SMAE values so that, as a consequence of the Annual Iteration Process, the value of the term MOD as calculated for Regulatory Year t for the purposes of Part C of ~~CRC Charge Restriction Condition 2A~~ (Restriction of Allowed Distribution Network Revenue) will result in an adjustment of the licensee's Allowed Distribution Network Revenue in a manner that:
 - (i) reflects allowed expenditure amounts determined under Part C of this condition; and
 - (ii) takes account of revised levels of SMAE for the purposes of the Totex Incentive Mechanism Adjustment.

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3E.4 This condition should be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments), CRC 4B and chapter 8 of the ED1 Price Control Financial Handbook.

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Restriction*

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

Part A: Smart Metering allowed expenditure (SMAE) values at 1 April 2015

3E.5 Table 1 (below) in this condition sets out the opening SMAE values for the licensee as at 1 April 2015, in 2012/13 prices for each Regulatory Year in the Price Control Period.

Table 1: Opening SMAE values for the licensee ~~Baseline Expenditure for Smart Meter Roll-out Costs (£m in 2012/13 prices)~~

Licensee's Opening SMAE values (£m)	4B.1 Regulatory Year							2021/22	2022/23
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21			
ENWL									
NPgGN									
NPGYNPgY									
WMID	0.78	1.29	1.92	2.25	2.26	1.59	-	-	
EMID	0.91	1.65	2.15	2.39	2.22	1.56	-	-	
SWALES	0.36	0.64	0.94	1.15	1.12	0.73	-	-	
SWEST	0.57	1.00	1.33	1.47	1.41	1.00	-	-	
LPN									
SPN									
EPN									
SPD									
SPMW									
SSEH									
SSES									

3E.6 The baseline expenditure set out in Table 1 in this condition has been reflected in:

- the licensee's Opening Base Revenue Allowances, as specified for set against the licensee's name in Appendix 1 to CRC 2A; and
- SMAE values contained in the PCFM Variable Values Table for the licensee as set out contained in the ED1 Price Control Financial Model as at 1 April 2015.

3E.7 The licensee must report on the total volume of Smart Meter Installations carried out in its Distribution Services Area in each Regulatory Year and the total number of

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cases where it has been required to intervene (“Smart Meter Interventions”) in each Regulatory Year in accordance with the RIGs issued under standard condition 46 (Regulatory Instructions and Guidance).

Part B: Determination of revised SMAE values

3E.8 In each Regulatory Year t the value of SMAE for the Regulatory Year $t-2$ will be revised in accordance with ~~to reflect~~ the following formulae:

$$\text{SMAE}_{t-2} = (\text{SMV}_{t-2,1} \times \text{SMUC} \times \text{TF}_1) + (\text{SMV}_{t-2,2} \times \text{SMUC} \times \text{TF}_2) + (\text{SMV}_{t-2,3} \times \text{SMUC} \times \text{TF}_3) + (\text{SMV}_{t-2,4} \times \text{SMUC} \times \text{TF}_4)$$

(with the resulting value being divided by 1,000,000)

where:

- $\text{SMV}_{t,i}$ means the number of Smart Meter Interventions in the licensee’s Distribution Services Area in Regulatory Year t in volume band i , its value being calculated in accordance with Table 2 (below).
- SMV_t means the total number of Smart Meter Interventions in the licensee’s Distribution Services Area in Regulatory Year t ~~where the licensee has been required to intervene.~~
- SMUC means the licensee’s allowed unit cost of Smart Meter Interventions specified in Table 3 in Appendix 1 ~~of to this condition (which, following consultation with the licensee, may be subject to revision to take account of unforeseen circumstances, as specified in a direction by the Authority).~~
- TF_i means the tapering factor for the licensee in volume band i , as set out in its values being calculated in accordance with Table 2 (below), and subject to any revision, following consultation with the licensee, as may be necessary to take account of unforeseen circumstances, as specified in a direction by the Authority.
- TSMV_t means the total number of Smart Meter Installations in the licensee’s Distribution Services Area in Regulatory Year t .

Table 2: Calculation of the licensee’s tapering factor

Volume Band i	$\text{SMV}_{t,i}$	TF_i
1	$\min(\text{SMV}_t, 0.1 \times \text{TSMV}_t)$	1
2	$(\min(\max((\text{SMV}_t - 0.1) \times \text{TSMV}_t, 0), 0.05 \times \text{TSMV}_t))$	0.75
3	$(\min(\max((\text{SMV}_t - 0.15) \times \text{TSMV}_t, 0), 0.05 \times \text{TSMV}_t))$	0.5
4	$\max(\text{SMV}_t - 0.2 \times \text{TSMV}_t, 0)$	0.25

TSMV_t means the total number of smart meters installed in the licensee’s

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~~distribution service area in year t.~~

Part C: Direction of revisions to SMAE values by the Authority

3E.9 Subject to paragraphs 3E.10 and 3E.11, the Authority will by 30 November in each Regulatory Year t-1, or as soon as reasonably practicable thereafter, issue a direction, in accordance with the provisions of Part D of this condition, specifying a revised SMAE value for Regulatory Year t-2.

3E.10 The first Regulatory Year t-1 in which the Authority will issue a direction under paragraph 3E.9 is Regulatory Year 2015/16, for the purposes of the Annual Iteration Process that will take place by 30 November 2015.

3E.11 The Authority may also include in a direction given under paragraph 3E.9 revisions to SMAE values for Regulatory Years earlier than Regulatory Year t-2 provided that:

- (a) the revisions are necessary because one or more of the values used in the previous determination of the SMAE values concerned has been restated by the licensee under a requirement of this licence;
- (b) the revised SMAE values have been determined in accordance with the formula set out in paragraph 3E.8 of this condition; and
- (c) ~~the revisions do not apply to any Regulatory Year “Regulatory Years earlier than Regulatory Year t-2” can be no earlier than Regulatory Year 2015/16.~~

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3E.12 The Authority may also revise the SMAE value for a Regulatory Year (a “further revision”), ~~even though that notwithstanding that the SMAE values concerned may have been previously revised,~~ provided that:

- (a) the further revision is necessary to reflect a review by the Authority of the SMAE value that is applicable for that ~~values of the terms in respect of the earlier Regulatory Years~~ or to correct errors in relation to that ~~those~~ values;
- (b) the further revised SMAE value ~~for the earlier Regulatory Years~~ is calculated in accordance with the formula set out in Part B of this condition;
- (c) the further revised SMAE value ~~for the earlier Regulatory Years~~ is specified in a direction issued in accordance with the provisions of Part D of this condition; and
- (d) the further revision does not apply to any Regulatory Year “Regulatory Years earlier than Regulatory Year t-2” can be no earlier than Regulatory Year 2015/16.

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Part D: Procedure to be followed for the determination and direction of revised SMAE values

3E.13 Subject to, and in accordance with, the provisions of Part C of this condition, revised SMAE values for the licensee will be directed by the Authority by 30 November in each Regulatory Year t-1.

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- 3E.14 A direction under paragraph 3E.13 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised SMAE values that it proposes to direct;
 - (b) stated in that Notice that those values have been determined in accordance with the provisions of Part C of this condition;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
 - (d) considered any representations duly received in response to the Notice.
- 3E.15 Where the Authority directs any revised SMAE values for Regulatory Years earlier than Regulatory Year t_1 , the effect of using those revised SMAE values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment as set out in CRC 4A, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t_1 and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.
- 3E.16 If, for any reason in any Regulatory Year $t-1$, the Authority does not make a direction in relation to revised SMAE values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and in any event before directing a value for MOD $_t$ for the licensee under that paragraph.

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Part E: Interpretation

- 3E.17 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Distribution Services Area	XX
ED1 Price Control	XX
Financial Handbook	
ED1 Price Control	XX
Financial Model	
Electricity Distributor	XX
PCFM Variable Value	XX
Price Control Period	XXX
Regulatory Year	XX

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Smart Meter Installation	XXX
Smart Meter Intervention	Xx
Smart Meter Roll-out	XX
Costs	
Time Value of Money	XX
Adjustment	
Totex Incentive	XX
Mechanism Adjustment	

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APPENDIX 1

Table 3: Allowed unit cost of smart meter call-outs (£m in 2012/13 prices)

Licensee	SMUC (£ per site)
ENWL	
NPgGN	
NPgGN NPGYNPgy	
WMID	212.7
EMID	212.2
SWALES	220.5
SWEST	216.4
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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APPENDIX 2 Table 4:

On-site physical activities

Cut-out changes	B.2 Work carried out on cut-outs in respect of a Smart Meter Installation.
B.3 Service Inspection	Inspections carried out in respect of a Smart Meter Installation.
Service Alterations	Work carried out by the licensee to relocate customers' electricity service (supply cable and service cut-out) to an alternative location.
Abortive Calls	Incidences where the licensee is called out to conduct work in respect of a Smart Meter Installation and the customer is not present when the engineer arrives.
Asbestos Meter boards	Work to replace the licensee's cut-outs and meter boards where the meter board has been found to contain asbestos during a Smart Meter Installation.
Miscellaneous repairs/Safety repairs (SM)	Additional repair work carried out by the licensee in respect of a Smart Meter Installation, not covered in any other reporting category.

THE PROVISION OF THE MAIN TEXT OF CRC 3E TO WHICH THIS LIST RELATES IS PRESUMABLY THE AMENDED DEFINITION OF SMART METER INTERVENTION?

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CRC 3F. Arrangements for the recovery of uncertain costs

Introduction

3F.1 This condition establishes a mechanism:

- (a) to specify the basis on which the licensee's opening levels of allowed expenditure on uncertain cost activities, as specified in Table 1, can be revised; and
- (b) to determine any appropriate revisions to PCFM Variable Values for the licensee relating to uncertain cost activities and the Regulatory Years to which they relate, for the purposes of the Annual Iteration Process for the ED1 Price Control Financial Model as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).

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3F.2 The categories of cost related to uncertain cost activities referred to in this condition and the associated PCFM Variable Values are set out in Table 1 below:

Table 1: Categories of costs related to uncertain cost activities and associated PCFM Variable Values

Category of cost	PCFM Variable Value name
High-Value High-Value Project Costs	UCHVP values
Enhanced Physical Site Security Costs	UCEPS values
Specified Street Works Costs	UCSSW values

3F.3 The PCFM Variable Value for the licensee, for each uncertain cost activity, for a particular Regulatory Year, revised in accordance with this condition as applicable, represents the total amount of allowed Totex expenditure (in 2012/13 prices) for that uncertain cost activity for that Regulatory Year.

3F.4 The PCFM Variable Value for the licensee, for each uncertain cost activity and each Regulatory Year, as at 1 April 2015 (i.e. before any revisions have been made under the provisions of this condition), are set out in Appendix 1, 2 and 3 to this condition and were used in the calculation of the Opening Base Revenue Allowance for the licensee.

3F.5 This condition should be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments) and CRC 4B.

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

Part A: Proposal and determination of revisions ('relevant adjustments') to allowed levels of expenditure on uncertain cost activities

3F.6 This Part provides for:

- (a) the proposal of relevant adjustments by the licensee or by the Authority;
- (b) the determination of relevant adjustments by the Authority; and
- (c) the deeming of relevant adjustments in certain circumstances.

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(a)

Proposal of relevant adjustments

3F.7 Subject to paragraph 3F.8, the licensee may, by Notice to the Authority, and the Authority (subject to paragraph 3F.10) may, by Notice to the licensee, propose a relevant adjustment to ~~be the~~ allowed level of expenditure on any uncertain cost activity listed in Table 1 (above) for any Regulatory Year during the Price Control Period, provided that the proposed change to the level of allowed expenditure:

- (a) is based on information about the actual or forecast level of efficient expenditure on the uncertain cost activity that was either unavailable or did not qualify for inclusion when the licensee's Opening Base Revenue Allowance was derived;
- (b) takes account of any relevant adjustments previously determined under this condition;
- (c) constitutes a material amount as specified for ~~set out against the licensee's name in the tables in~~ Appendix 1, 2 or 3 (as the case may be) of ~~to~~ this condition;
- (d) relates to costs incurred or expected to be incurred after 1 April 2015; and
- (e) constitutes an adjustment to allowed expenditure which that (excluding any Time Value of Money Adjustment under CRC 3B) cannot be made under the provisions of any other condition of this licence.

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3F.8 A proposal made under paragraph 3F.7 must include statements setting out:

- (a) the uncertain cost activity to which the proposal relates;
- (b) the changes to the licensee's allowed level of expenditure that is proposed and the Regulatory Years to which those changes relate; and
- (c) the basis of calculation for the changes to the licensee's allowed level of expenditure.

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(b) Application windows for relevant adjustment proposals

3F.9 The licensee may only give Notice of proposed relevant adjustments during the application window that ~~which~~ opens on 1 May 2019 and closes on 31 May 2019.

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

3F.10 The Authority may only give Notice of its intention to make a relevant adjustment in respect of ~~High Value~~High-Value Project Costs at the end of the Price Control Period during the ~~N~~notice window ~~that~~which opens on 1 December 2023 and closes on 31 December 2023.

(c)

Authority's power to determine relevant adjustments

3F.11 Where a proposal has been duly made under paragraph 3F.7, the Authority ~~will~~may, within four months of the close of the application window, determine any revisions that are to be made to the licensee's allowed level of expenditure for the uncertain cost activity concerned and the Regulatory Years to which those revisions relate, in accordance with the methodologies set out in the following parts of chapter 7 of the ED1 Price Control Financial Handbook:

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- (a) Part 2 — in respect of ~~High Value~~High-Value Project Costs;
- (b) Part 3 — in respect of Enhanced Physical Site Security Costs; and
- (c) Part 4 — in respect of Specified Street Works Costs.

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3F.12 In determining any revision under paragraph 3F.11, the Authority will:

- (a) consult with the licensee and other interested parties;
- (b) have regard to the basis on which the opening level of allowed expenditure for the relevant uncertain cost activities were set for the licensee;
- (c) have regard to comments received about ~~on~~ the Notice; and
- (d) take no account of the general financial performance of the licensee under the price control arrangements set out in the Charge Restriction Conditions of this licence.

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3F.13 A determination under paragraph 3F.11 may confirm, reject, or amend the proposed relevant adjustment.

3F.14 Without limiting the general effect of paragraph 3F.13, a determination by the Authority of a relevant adjustment may specify revisions to the allowed level of expenditure for the relevant uncertain cost activities for the licensee for any Regulatory Year within the period 2015/16 to 2022/23.

3F.15 A determination under paragraph 3F.11 will specify:

- (a) the uncertain cost activities that ~~are~~is the subject of the determination;
- (b) the Regulatory Years to which the determination applies; and
- (c) the revised total level of allowed expenditure (in 2012/13 prices) for the relevant uncertain cost activities specified under 3F.15(a) for each of the Regulatory Years specified under 3F.15(b).

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- ~~3F.16~~ The Authority will notify the licensee of any determination made under paragraph ~~3F.11~~ within 14 days of making the determination concerned.
- ~~3F.17~~ 3F.16 If the Authority has not determined a relevant adjustment in relation to a proposal duly made by the licensee under paragraph 3F.7 within four months of the close of the application window, and the proposal has not been withdrawn, then the relevant adjustment, insofar as it relates to a revision to the allowed level of expenditure on the relevant uncertain cost activities for the licensee for the Regulatory Years specified in the proposal, will be deemed to have been made.

Part B: Procedure to be followed for the determination and direction of revised PCFM Variable Values

- ~~3F.18~~ 3F.17 This Part provides for the determination and direction of revisions to the following PCFM Variable Values for the licensee:
- (a) ~~High Value~~ High-Value Project Costs (UCHVP values)
 - (b) Enhanced Physical Site Security Costs (UCEPS values); and
 - (c) Specified Street Works Costs (UCSSW values).
- ~~3F.19~~ 3F.18 Determinations under paragraph 3F.17~~18~~ are to be made in accordance with the provisions of Part 5 of chapter 7 of the ED1 Price Control Financial Handbook.
- ~~3F.20~~ 3F.19 Revised PCFM Variable Values for the licensee, as determined under paragraph 3F.17~~18~~ will be directed by the Authority by 30 November in Regulatory 2019/20.
- ~~3F.21~~ 3F.20 A direction under paragraph 3F.20~~19~~ will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised PCFM Variable Values that it proposes to direct;
 - (b) stated in that Notice that those values have been determined in accordance with Part B of this condition;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority; and
 - (d) considered any representations duly received in response to the Notice.
- ~~3F.22~~ 3F.21 Where the Authority directs any revised PCFM Variable Value for Regulatory Years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term MOD_t for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD_t .

Part C: Interpretation

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

~~3F.23~~ F.22 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Charge Restriction Conditions	XX
ED1 Price Control Financial Handbook	XX
ED1 Price Control Financial Model	XX
Enhanced Physical Site Security Costs	XX
High Value <u>High-Value</u> Project Costs	XX
Opening Base Revenue Allowance	XX
PCFM Variable Value	XX
Price Control Period	XX
Regulatory Year	XX
Regulatory Year t	XX
Specified Street Works Costs	XX
Time Value of Money Adjustment	XX

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 1(A):

**Opening level of allowed expenditure for ~~High-Value~~High-Value Project Costs
and the material amount for each licensee**

(£m in 2012/13 prices)

(see paragraphs 3F.4 and 3F.7)

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	Opening level of allowed expenditure								Material amount
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
ENWL									
NPgN									
NPgN NPgY									
WMID	-	-	-	-	-	-	-	-	2.9
EMID	-	-	-	-	-	-	-	-	2.9
SWALES	-	-	-	-	-	-	-	-	1.5
SWEST	-	-	-	-	-	-	-	-	2.1
LPN									
SPN									
EPN									
SPD									
SPMW									
SSEH									
SSES									

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 1(B)

Named High-Value Projects and the opening levels of allowed expenditure for each project (£m in 2012/13 prices)

			Opening level of allowed expenditure							
		Named projects	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL										
NPgN										
NPgY										
WMID		-	-	-	-	-	-	-	-	-
EMID		-	-	-	-	-	-	-	-	-
SWALES		-	-	-	-	-	-	-	-	-
SWEST		-	-	-	-	-	-	-	-	-
LPN										
SPN										
EPN										
SPD										
SPMW										
SSEH										
SSES										

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 2:

**Opening level of allowed expenditure for Enhanced Physical Site Security
Costs and the material amount for each licensee
(£m in 2012/13 prices)
(see paragraphs 3F.4 and 3F.7)**

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	Opening level of allowed expenditure								Material amount
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
ENWL									
NPgN									
NPgN									
WMID	-	-	-	-	-	-	-	-	2.9
EMID	-	-	-	-	-	-	-	-	2.9
SWALES	-	-	-	-	-	-	-	-	1.5
SWEST	-	-	-	-	-	-	-	-	2.1
LPN									
SPN									
EPN									
SPD									
SPMW									
SSEH									
SSES									

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 3:

Opening level of allowed expenditure for Specified Street Works Costs and the material amount for each licensee

(£m in 2012/13 prices)

(see paragraphs 3F.4 and 3F.7)

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	Opening level of allowed expenditure								Material amount
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
ENWL									
NPgN									
NPgN									
WMID	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.9
EMID	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.9
SWALES	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	1.5
SWEST	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.1
LPN									
SPN									
EPN									
SPD									
SPMW									
SSEH									
SSES									

CRC 3G. Revising the allowed level of Load-Related Expenditure

Introduction

3G.1 This condition establishes a mechanism to:

- (a) specify the basis on which the licensee's opening level of allowed Load-Related Expenditure can be revised;
- (b) determine ~~any appropriate~~ revisions to PCFM Variable Values for the licensee relating to Load-Related Expenditure (LRRC values) and the Regulatory Years to which they relate for the purposes of the Annual Iteration Process for the ED1 Price Control Financial Model as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model); and
- (c) determine any appropriate revisions to the Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Bands for the purposes of CRC 5G (Net to gross adjustment for Load-Related Expenditure), consistent in line with any revisions made to LRRC values under Part A of this condition under paragraph 3G.1(b).

3G.2 ~~The categories of costs set out in the definition of Load Related Expenditure exclude High Value Project Costs within the meaning of CRC 3F (Arrangements for the recovery of uncertain costs)~~ The LRRC values for the licensee for a particular Regulatory Year, revised in accordance with this condition ~~as applicable~~, represent the total amount of allowed Totex expenditure (in 2012/13 prices) for Load-Related Expenditure for that Regulatory Year, and their values as at 1 April 2015 are set out in Appendix 1.

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3G.2

3G.3 The total of the LRRC values for the Price Control Period for the licensee as at 1 April 2015 (i.e. before any revisions have been made under the provisions ~~of of Part A of this condition~~), ~~LRRC₂₀₁₅~~ (TLRRC_{OV}) are are will equate to the opening values level of allowed expenditure, for each Regulatory Year; for the licensee ~~for Load-Related Expenditure~~ as set out in Appendix 1 ~~of this condition and that which were as~~ used in the determination calculation of the Opening Base Revenue Allowance for the licensee.

3G.4 This condition should be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments) and CRC 4B.

Part A: Proposal and determination of revisions ~~(“relevant adjustments”)~~ to LRRC values the allowed level of Load Related Expenditure

3G.5 This Part provides for:

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- (a) the proposal of revisions to LRRC values (relevant adjustments) ~~relevant adjustments~~ by the licensee and by the Authority;
- (b) the determination of relevant adjustments to LRRC values by the Authority; and
- (c) the deeming of relevant adjustments to LRRC values in certain circumstances.

(a) Proposal of relevant adjustments

3G.6 Subject to paragraph 3G.78, the licensee may, by Notice to the Authority, and the Authority ~~(subject to paragraph 3G.11)~~ may, by Notice to the licensee, propose a relevant adjustment to the LRRC value ~~allowed level of Load-Related Expenditure~~ for any Regulatory Year during the Price Control Period, provided that the proposed change ~~to the level of allowed expenditure~~:

- (a) is based on information about the ~~actual or forecast~~ level of efficient Load-Related Expenditure over the Price Control Period (LRRCF) that was not available ~~to the Authority to the Authority~~ when the licensee's Opening Base Revenue Allowance was ~~determined~~ derived;
- ~~(b) constitutes a material amount, being an amount that satisfies the test in paragraph [3G.7]; and~~
- ~~(b) constitutes a material amount, being an amount that satisfies the test in paragraph [3G.7]; and~~
- ~~(c) constitutes a material amount based on the two criteria as set out when tested in accordance with the two steps set out in paragraphs 3G.8 and 3G.9 based on the two criteria as set out against the licensee's name in the table in Appendix 2 to this condition;~~
- ~~(d) relates to costs incurred or expected to be incurred after 1 April 2015; and~~
- (c) constitutes an adjustment to allowed expenditure ~~that which~~ cannot be made under the provisions of any other Charge Restriction Condition of this licence.

3G.7 ~~The test referred to in paragraph [3G.6] is that the conditions in subparagraphs (a) and (b) below are both is met:~~

$$\text{Max}(\text{LRRCF} - \text{LRRC}_{2015}, \text{LRRC}_{2015} - \text{LRRCF}) > 20\% \times \text{LRRC}_{2015}$$

$$(\text{Max}(\text{TLRRCF} - \text{TLRRC}_{2015\text{OV}}, \text{TLRRC}_{2015\text{OV}} - \text{TLRRCF}) - 20\% \times \text{LRRC}_{2015}) > \text{MA} + (20\% \times \text{TLRRC}_{\text{OV}})$$

Where MA is the material amount set out for the licensee at Appendix 2 of this condition.

3G.8 The relevant adjustment shall be a material amount for the purposes of paragraph [3G.9] only if the test referred to in paragraph [3G.7] is passed.

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

3G.9 A relevant adjustment may be proposed or made under this condition only if it is a material amount.

3G.10 Without prejudice to paragraph [3G.11], a relevant adjustment proposed or made under this condition must not exceed:

(a) $\frac{\text{TLRRCF} - \text{TLRRC}_{2015\text{OV}}}{\text{TLRRC}_{2015\text{OV}}} - (20\% \times \text{TLRRC}_{2015\text{OV}})$

where $\text{TLRRCF} > \text{TLRRC}_{2015\text{OV}}$; or

(b) $\frac{\text{TLRRCF} - \text{TLRRC}_{2015\text{OV}}}{\text{TLRRC}_{2015\text{OV}}} + (20\% \times \text{TLRRC}_{2015\text{OV}})$

where $\text{TLRRCF} < \text{TLRRC}_{2015\text{OV}}$

Comment [PXM5]: Suggest a paragraph is added to clarify the relationship between LRRCF and LRRC

3G.11 In carrying out any calculations pursuant to this condition, allowed and actual Load-Related Expenditure will be considered:

- (a) on an aggregate basis for all activities that comprise Load-Related Expenditure;
- (b) on a total expenditure basis taking account of expenditures incurred or expected to be incurred, over the entire Price Control Period;
- (c) on a net basis - i.e. setting customer contributions off against expenditure;
- (d) net of an adjustment for any expenditures avoided, or that may reasonably be expected to be avoided, as a result of demand-side response or other non-traditional reinforcement solutions; and
- (e) in 2012/13 prices.

For the avoidance of doubt, no account may be taken of any costs that were incurred prior to the commencement of the Price Control Period.

3G.73 3G.12 A Notice given ~~proposal made~~ by the licensee under paragraph [3G.76] must ~~include statements setting out:~~

- (a) the changes to the licensee's LRRC values ~~that the licensee allowed level of Load-Related Expenditure that is proposed~~ for each Regulatory Year in the Price Control Period;
- (b) ~~any consequential the~~ change to the licensee's Specific Customer-Funded ~~Customer-funded~~ Reinforcement Percentage Band ~~soecified in Table 2 of CRC 5G that are is~~ proposed by the licensee;
- (c) the basis of calculation for the ~~proposed~~ changes to the licensee's LRRC values ~~allowed level of Load-Related Expenditure~~; and
- (d) appropriate supporting evidence, including actual and forecast ~~changes movements in network loading, the load indices.~~

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

(b) Application windows for relevant adjustment proposals

~~3G.83~~ 3G.13 The licensee may ~~only~~ give Notice of ~~a~~ proposed relevant adjustment ~~only~~s during the following application windows:

- (a) the first application window_s which opens on 1 May 2017 and closes on 31 May 2017; and
- (b) the second application window_s which opens on 1 May 2020 and closes on 31 May 2020.

~~3G.93~~ 3G.14 Relevant adjustments may be proposed by the licensee during both the first and second application windows provided that each such relevant adjustment proposal complies with the provisions of paragraphs ~~[3G.76 to 3G.11]~~ and ~~3G.8~~ of this condition.

~~3G.103~~ 3G.15 The Authority may only give Notice of its intention to make a relevant adjustment at the end of the Price Control Period during the window which opens on 1 September 2023 and closes on 30 September 2023.

(c) Authority's power to determine relevant adjustments

~~3G.113~~ 3G.16 Where a ~~Notice proposal~~ has been ~~given~~ ~~duly made~~ by a licensee under paragraph ~~[3G.76]~~, the Authority may, within four months of the close of the relevant application window, determine any revisions that are to be made to the licensee's ~~allowed level of Load-Related Expenditure (LRRC values)~~ and the Regulatory Years to which those revisions relate, in accordance with the ~~provisions of this condition and the provisions of this condition and the~~ methodologies set out in part 2 of chapter 9 of the ED1 Price Control Financial Handbook.

~~3G.123~~ 3G.17 Where the Authority gives Notice of proposed relevant adjustments under paragraph ~~[3G.76]~~, the Authority will, by 30 November 2024, determine any revisions that are to be made to the licensee's Base Demand Revenue for the Next Price Control Period.

~~3G.133~~ 3G.18 In determining any ~~relevant adjustment~~ ~~vision~~ under paragraphs ~~[3G.126]~~ and ~~3G.137]~~, the Authority will:

- (a) consult with the licensee and other interested parties;
- (b) have regard to the basis on which the opening ~~values of LRRC were determined; level of allowed Load-Related Expenditure was set for the licensee;~~
- (c) ~~subject to paragraph 3G.15,~~ take no account of the general financial performance of the licensee under the price control arrangements set out in the Charge Restriction Conditions of this licence;
- (d) ~~give the licensee full credit for the value of any~~ ~~give the licensee full credit for the value of any~~ ~~consider any~~ off-setting demand-side response or use of other non-traditional reinforcement solutions that have avoided, ~~or as may be~~

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

reasonably be expected to avoid, Load-Related Expenditure general reinforcement expenditure; and

- (e) consider whether the licensee's Load-Related Relevant Expenditure has fallen outside any Specific Customer-funded Customer-Funded Reinforcement Percentage under CRC 5G. ~~(Net to Gross Adjustment for Load-Related Expenditure).~~

3G.19 Subject to paragraph 3.G10, a Notice given by the Authority under paragraph 3G.6 may propose relevant adjustments to the value of LRRC for any Regulatory Year that:

(a) has not been adjusted as a result of a Notice given by the licensee during the first application window; or

~~(a)(b)~~ Has been adjusted as a result of a Notice given by the licensee as a result of the first application window

~~3G.14~~ 3G.20 A determination under paragraph [3G.16] may confirm, reject, or amend the relevant adjustment proposed by the licensee in accordance with the provisions of this condition.

~~Without limiting the general effect of paragraph 3G.14, a determination by the Authority of a relevant adjustment may specify revisions to the allowed level of Load-Related Expenditure for the licensee for any Regulatory Year within the period 2015/16 to 2022/23.~~

~~3G.15~~ 3G.21 A determination under paragraph 3G.13 or 3G.15 will specify:

- (a) the Regulatory Years to which the determination applies; and
- (b) the revised LRRC values ~~total level of allowed Load-Related Expenditure~~ (in 2012/13 prices) for each of those Regulatory Years, specified under 3G.19(a); and
- ~~(c) where a determination is made in the first or second application window, the revised definition of what constitutes a material amount for the subsequent application windows.~~

~~3G.16~~ 3G.22 The Authority will notify the licensee of any determination made under paragraph [3G.126 or 3G.17] promptly and in any event within 14 days of making the determination concerned.

~~3G.17~~ 3G.23 If the Authority has not determined a relevant adjustment in relation to a Notice ~~proposal~~ duly made-given by the licensee under paragraph [3G.76] within four months of the close of the relevant application window, and the proposal has not been withdrawn, then the relevant adjustment, insofar as it relates to a revision to the LRRC value ~~allowed level of expenditure~~ for the licensee for the Regulatory Years specified in the proposal, will be deemed to have been made.

Part B: Procedure to be followed for the determination and direction of revised LRRC values

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- ~~3G.183~~G.24 This Part ~~sets out the procedure to be followed by the Authority provides~~ for the determination and direction of revised LRRC values for the licensee.
- ~~3G.193~~G.25 Determinations under paragraph ~~[3G.16 and 3G.172]~~ are to be made in accordance with the provisions of ~~this condition and of~~ part 3 of chapter 9 of the ED1 Price Control Financial Handbook.
- ~~3G.203~~G.26 Revised LRRC values for the licensee, ~~as~~ determined by the Authority, will be directed by the Authority by 30 November in the Regulatory ~~Y~~year in which the relevant application has been made, ~~with reference to paragraph 3G.9.~~
- ~~3G.213~~G.27 A direction under paragraph ~~[3G.16 and 3G.7]2~~ will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised LRRC values that it proposes to direct;
 - (b) stated in that Notice that those values have been determined in accordance with ~~Part B the provisions~~ of this condition;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date of the ~~N~~notice) within which the licensee may make representations to the Authority; and
 - (d) considered any representations duly received in response to the Notice.
- ~~3G.223~~G.28 Where the Authority directs any revised LRRC values for Regulatory Years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, as set out in CRC 4A, be reflected in the calculation of the term MOD_t for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD_t .
- ~~3G.233~~G.29 If, for any reason in any Regulatory Year $t-1$, the Authority does not make a direction in relation to revised LRRC values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and in any event before directing a value for MOD_t for the licensee under that paragraph.

Part C: Interpretation

- ~~3G.243~~G.30 For the purposes of this condition:
- [Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process

Authority

Charge Restriction Conditions

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

Distribution System

ED1 Price Control Financial

Handbook

ED1 Price Control Financial Model

~~High Value~~ High-Value Project

Costs

Load Related Expenditure

Opening Base Revenue Allowance

PCFM Variable Value

Price Control Period

Regulatory Year

Regulatory Year t

Time Value of Money Adjustment

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 1

**Opening level of allowed expenditure for Load-Related Expenditure
for each licensee
(£m in 2012/13 prices)
(see paragraph 3G.4)**

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	Opening level of allowed expenditure							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL								
NPgN								
NPgYNP gY								
WMID	22.2	22.5	22.7	23.2	23.7	23.8	24.6	25.5
EMID	51.3	51.7	50.8	51.5	51.6	52.7	54.6	54.5
SWALES	3.7	3.7	3.8	4.2	4.2	4.3	4.0	4.1
SWEST	5.3	5.4	5.5	5.9	6.1	6.3	6.5	6.9
LPN								
SPN								
EPN								
SPD								
SPMW								
SSEH								
SSES								

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 2: The material amount and Upper and Lower Thresholds for application and notification windows for each licensee (£m) (see paragraphs 3G.7 and 3G.15)

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ENWL	
NPgN	
NPgYNPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

APPENDIX 2:

The opening level of allowed expenditure and the material amount

Comment [NK7]: Heading changed to reflect new content

The material amount and Upper and Lower Thresholds for application and notification windows for each licensee

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(£m in 2012/13 prices)

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(see paragraphs 3G.8–3G.9 and 3G.17) 3G.7 and 3G.15)

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Materiality Test 2

	Total Opening level of allowed expenditure (TLRCC _{ov})	Material amount 2 (1 per cent of licensee's Opening Base Revenue Allowance x Totex Incentive Strength Rate)(MA)
ENWL		
NPgN		
NPgY		
WMID	188.2	2.9
EMID	418.7	2.9
SWALES	32.0	1.5
SWEST	47.9	2.1
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Draft

CRC 3H. Allowed expenditure on improving services to Worst-Served Customers

Introduction

- 3H.1 This condition establishes a mechanism for determining and directing any appropriate revisions to the PCFM Variable Values relating to the licensee's allowed expenditure on Worst-Served Customer Projects (and the Regulatory Years to which those revisions relate) so that the resulting values (WSCC values) can be used in the Annual Iteration Process for the ED1 Price Control Financial Model, as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).
- 3H.2 This condition must be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments), CRC 4B and chapter 11 of the ED1 Price Control Financial Handbook.

Part A: Determination of the licensee's allowed expenditure on Worst-Served Customer Projects (WSCC)

- 3H.3 The WSCC value for the licensee for a particular Regulatory Year represents the total amount of the licensee's allowed expenditure (expressed in 2012/13 prices) on Worst-Served Customer Projects for that Regulatory Year.
- 3H.4 The sum of all WSCC values for the Price Control Period with respect to the licensee cannot exceed the total amount of allowed expenditure on Worst-Served Customer Projects (TWSCC) that is set against the licensee's name in Appendix 1 of this condition.
- 3H.5 Subject to paragraphs 3H.6 to 3H.7, 3H.8 and 3H.9, the licensee's allowed expenditure on Worst-Served Customer Projects for each Regulatory Year $t-2$ of the Price Control Period is derived in accordance with the following formulae:

$$WSCC_{t-2} = \min \left(WSE_{t-2}, TWSCC - \sum_{2015/16}^{t-3} WSCC_t \right)$$

where:

- TWSCC means the licensee's total amount of allowed expenditure on Worst-Served Customer Projects for the Price Control Period, as specified for the and is set against the licensee's name in Appendix 1 of this condition, expressed in 2012/13 prices.
- WSE_{t-2} means, subject to paragraph 3H.9, the amount spent by the licensee in Regulatory Year $t-2$ on Worst-Served Customer Projects, expressed in 2012/13 prices.

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- 3H.6 The first Regulatory Year $t-1$ in which the Authority will make a determination under Parts A and B of this condition is Regulatory Year 2016/17 for the Annual Iteration Process that will take place by 30 November 2016.
- 3H.7 For the purposes of the first determination made under paragraph 3H.6, the value of $WSCC_{t-2}$ is equal to the lesser of TWSCC and WSE_{t-2} .
- 3H.8 The licensee must ensure that the amount of expenditure on improving services to ~~any one~~ Worst-Served Customers that is included in values for the term WSE during the Price Control Period does not in total exceed the “Worst-Served Customer Cap Per Customer” value set out in Appendix 2 of this condition.
- 3H.9 The licensee must seek to ensure that the expenditure on Worst-Served Customer Projects delivers to the Worst-Served Customers the Required Performance Improvement set out in Appendix 3 of this condition.
- 3H.10 In the formula set out in paragraph 3H.5, values of $WSCC_t$ for Regulatory Years earlier than Regulatory Year $t-2$, include any revisions to those values as determined by the Authority in accordance with Part B of this condition.

Part B: Revisions to WSCC values

- 3H.11 Subject to paragraph 3H.6, the Authority will, by 30 November in each Regulatory Year $t-1$:
- (a) derive the licensee’s level of allowed expenditure, expressed in 2012/13 prices, for Worst-Served Customer Projects for Regulatory Year $t-2$ in accordance with Part A of this condition, using information reported by the licensee under the RIGs; and
 - (b) determine the value so calculated ~~under paragraph 3H.10(a)~~ to be the revised WSCC value for the licensee for Regulatory Year $t-2$.
- 3H.12 If, under any provision of this licence, the licensee is required to restate information previously reported by it under the RIGs in relation to any Regulatory Year or Years, then the Authority may:
- (a) derive replacement levels of allowed expenditure, expressed in 2012/13 prices, for Worst-Served Customer Projects for the Regulatory Years concerned in accordance with Part A of this condition; and
 - (b) determine the values so calculated ~~under paragraph 3H.11(a)~~ to be revised WSCC values for the licensee for the Regulatory Years concerned.

Part C: Procedure for directing revised WSCC values by the Authority

- 3H.13 Subject to, and in accordance with, the provisions of, Parts A and B of this condition, revised WSCC values for the licensee, determined by the Authority, will be directed by the Authority by 30 November in each Regulatory Year $t-1$.

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

3H.14 A direction under paragraph 3H.13~~12~~ will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee set out all of the revised WSCC values that it proposes to direct;
- (b) stated in that Notice that those values have been determined in accordance with the provisions of Parts A and B of this condition;
- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) considered any representations duly received in response to the Notice.

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3H.15 Where the Authority directs any revised WSCC values for Regulatory Years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, as set out in CRC 4A, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t, and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

3H.16 If, for any reason in any Regulatory Year t-1, the Authority does not make a direction in relation to revised WSCC values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and, in any event, before directing a value for MOD_t for the licensee under that paragraph.

Part D: Use of revised WSCC values in the Annual Iteration Process

3H.17 The effect of using revised WSCC values in the Annual Iteration Process for the ED1 Price Control Financial Model will be reflected in the calculation of the value of the term MOD_t for the licensee.

3H.18 For the avoidance of doubt, the determination of revised WSCC values for Regulatory Years earlier than Regulatory Year t-2 under paragraph 3H.10~~10~~, and the direction of those values under paragraph 3H.13, will not have any effect on a previously directed value of the term MOD.

Part F: Interpretation

3H.19 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process XX

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

Authority	XX
Customer	XX
ED1 Price Control	XX
Financial Model	
Higher Voltage	XX
PCFM Variable Values	XX
Price Control Period	XX
Regulatory Year	XX
Worst Served	XX
Customer Project	
Worst Served	XX
Customer	
Worst Served	XX
Customer Required	
Performance	
Improvement	

APPENDIX 1

Value for the TWSCC term (expressed in £ m in millions, 2012/13 prices) by licensee
(see Part A)

Licensee	TWSCC
ENWL	
NPgN	
NPgY NPgY	
WMID	1.0
EMID	0.2
SWALES	1.0
SWEST	1.0
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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APPENDIX 2

Values for the Worst-Served Customer Cap Per Customer (WSCCPC)
by licensee (expressed in £'s in 2012/13 prices) by licensee

Licensee	WSCCPC
ENWL	
NPgN	
NPgY NPgY	
WMID	800.0
EMID	800.0
SWALES	800.0
SWEST	800.0
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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APPENDIX 3

Worst-Served Customer Required Performance Improvement (WSCRPI) (per cent)

Licensee	ValueWSCRPI
ENWL	
NPgN	
NPgY NPgY	
WMID	20.00
EMID	20.00
SWALES	20.00
SWEST	20.00
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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Restriction*

CRC 3I. Not used

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

CRC 3J. Allowed expenditure on Visual Amenity Projects

Introduction

- 3J.1 This condition establishes a mechanism for determining and directing any appropriate revisions to the PCFM Variable Values relating to the licensee's allowed expenditure on Visual Amenity Projects (and the Regulatory Years to which those revisions relate) so that the resulting values ("VAA values") can be used in the Annual Iteration Process for the ED1 Price Control Financial Model, as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).
- 3J.2 This condition must be read and construed in conjunction with CRC 4A (Governance of ED1 Price Control Financial Instruments), CRC 4B and chapter 10 of the ED1 Price Control Financial Handbook.

Part A: Determination of the licensee's allowed expenditure on Visual Amenity Projects (VAA)

- 3J.3 The VAA value for the licensee for a particular Regulatory Year represents the total amount of the licensee's allowed expenditure (expressed in 2012/13 prices) for Visual Amenity Projects for that Regulatory Year.
- 3J.4 The sum of all VAA values for the Price Control Period with respect to the licensee cannot exceed the total visual amenity allowed expenditure (TVAA) as specified for ~~that is set against the licensee's name in~~ Appendix 1 of this condition.
- 3J.5 Subject to paragraphs 3J.6, 3J.7 and 3J.8, the licensee's allowed expenditure on Visual Amenity Projects for each Regulatory Year $t-2$ of the Price Control Period is derived in accordance with the following formula:

$$VAA_{t-2} = \min \left(VAE_{t-2}, TVAA - \sum_{2015/16}^{t-3} VAA_t \right)$$

where:

- TVAA means the licensee's total visual amenity allowed expenditure for the Price Control Period, as specified for ~~and is set against the licensee's name in~~ Appendix 1, expressed in 2012/13 prices.
- VAE_{t-2} means the amount spent by the licensee in Regulatory Year $t-2$ on Visual Amenity Projects, expressed in 2012/13 prices.
- 3J.6 The first Regulatory Year $t-1$ in which the Authority will make a determination under Parts A and B of this condition is Regulatory Year 2016/17 for the Annual Iteration Process that will take place by 30 November 2016.

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- 3J.7 For the purposes of the first determination made under paragraph 3J.6, the value of VAA_{t-2} is equal to the lesser of TVAA and VAE_{t-2} .
- 3J.8 In the formula set out in paragraph 3J.5, values of VAA_t for Regulatory Years earlier than Regulatory Year $t-2$, include any revisions to those values as determined by the Authority in accordance with Part B of this condition.

Part B: Revisions to VAA values

- 3J.9 Subject to paragraph 3J.6, the Authority will, by 30 November in each Regulatory Year $t-1$:
- (a) derive the licensee's level of allowed expenditure, expressed in 2012/13 prices, for Visual Amenity Projects for Regulatory Year $t-2$ in accordance with Part A of this condition, using information reported by the licensee under the RIGs; and
 - (b) determine the value so calculated ~~under 3J.9(a)~~ to be the revised VAA value for the licensee for Regulatory Year $t-2$.
- 3J.10 If, under any provision of this licence, the licensee is required to restate information previously reported by it under the RIGs in relation to any Regulatory Year or Years, then the Authority may:
- (a) derive replacement levels of allowed expenditure, expressed in 2012/13 prices, for Visual Amenity Projects for the Regulatory Years concerned in accordance with Part A of this condition; and
 - (b) determine the values so calculated ~~under 3J.10(a)~~ to be revised VAA values for the licensee for the Regulatory Years concerned.
- 3J.11 The first Regulatory Year $t-1$ in which the Authority will make a determination under Parts A and B of this condition is Regulatory Year 2016/17 for the Annual Iteration Process that will take place by 30 November 2016.

Part C: Procedure for directing revised VAA values by the Authority

- 3J.12 Subject to, and in accordance with, the provisions of, Parts A and B of this condition, revised VAA values for the licensee, as determined by the Authority, will be directed by the Authority by 30 November in each Regulatory Year $t-1$.
- 3J.13 A direction under paragraph 3J.12 will be of no effect unless, before issuing it, the Authority has:
- (a) by Notice to the licensee set out all of the revised VAA values that it proposes to direct;
 - (b) stated in that Notice that those values have been determined in accordance with the provisions of Parts A and B of this condition;

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Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

- (c) specified in the Notice the period (which may not be less than 14 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposals; and
- (d) considered any representations duly received in response to the Notice.

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3J.14 Where the Authority directs any revised VAA values for Regulatory Years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process for the ED1 Price Control Financial Model will, subject to a Time Value of Money Adjustment, as set out in CRC 4A, be reflected in the calculation of the term MOD for the licensee for Regulatory Year t , and, for the avoidance of doubt, will not have any retroactive effect on a previously directed value of the term MOD.

3J.15 If, for any reason in any Regulatory Year $t-1$, the Authority does not make a direction in relation to revised VAA values by 30 November, the Authority will direct the value or values concerned as soon as is reasonably practicable, consistent with the purpose of paragraph 4B.12 of CRC 4B, and in any event before directing a value for MOD $_t$ for the licensee under that paragraph.

Part D: Use of revised VAA values in the Annual Iteration Process

- 3J.16 The effect of using revised VAA values in the Annual Iteration Process for the ED1 Price Control Financial Model will be reflected in the calculation of the value of the term MOD $_t$ for the licensee.
- 3J.17 For the avoidance of doubt, the determination of revised VAA values for Regulatory Years earlier than Regulatory Year $t-2$ under paragraph 3J.8, and the direction of those values under paragraph 3J.12, will not have any effect on a previously directed value of the term MOD.

Part F: Interpretation

3J.18 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Areas of Outstanding Natural Beauty	[Specific to condition]
Authority	XX
Distribution System	XX
ED1 Price Control Financial Model	XX
National Parks	[Specific to condition]
National Scenic Areas	[Specific to condition]

Chapter 3: Annual Iteration Process - Adjustments to the Revenue Restriction

PCFM Variable Values	XX
Price Control Period	XX
Regulatory Year	XX
Regulatory Year t	XX
Visual Amenity Projects	[Specific to condition]

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APPENDIX 1

Values for the TVAA term (expressed in £ m in million, 2012/13 prices) by licensee
(see Part A-)

Licensee	TVAA
ENWL	
NPgN	
NPgY NPgY	
WMID	10.2
EMID	6.3
SWALES	5.3
SWEST	11.4
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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CRC 3K. Rail electrification adjustments

- 3K.1 [The draft of this licence condition and any associated chapters in the ED1 Price Control Financial Handbook will be included in the CRC Informal consultation part 2, published on 31 January 2014.]

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CHAPTER 4: PRICE CONTROL FINANCIAL INSTRUMENTS

CRC 4A. Governance of ED1 Price Control Financial Instruments

Introduction

4A.1 This condition establishes a change control framework for each of the following ED1 Price Control Financial Instruments:

- (a) the ED1 Price Control Financial Handbook, which contains the ED1 Price Control Financial Methodologies; and
- (b) the ED1 Price Control Financial Model to enable the Authority to effectively implement the RIIO-ED1 Price Control Final Determination.

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4A.2 Each of the ED1 Price Control Financial Instruments forms part of this condition and (subject to paragraph 4A.3) may be modified by the Authority in accordance with the provisions of Parts A and B of this condition.

4A.3 Parts A and B of this condition are without prejudice to the power of the Authority to modify any part of this condition (including any ED1 Price Control Financial Instrument) under section 11A of the Act.

Part A: Assessment of the likely impact of an intended modification

4A.4 Before initiating any modification of an ED1 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:

- (a) the licensee;
- (b) any other Electricity Distributor in whose licence a condition equivalent to this one has effect;
- (c) any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
- (d) energy consumers (whether considered individually, or as a whole, or by reference to any class or category of them) in Great Britain.

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4A.5 In making the assessment required by paragraph 4A.4, the Authority will:

- (a) have particular regard to any impact that an intended modification would be likely to have on the licensee's financial ratios, on any component of the licensee's allowed revenues, or on any value, rate, time period, or calculation used in the determination of those allowed revenues; and
- (b) in respect of modifications to the ED1 Price Control Financial Model, have regard to any views expressed by the ED1 Price Control Financial Model Working Group.

Chapter 4: Price Control Financial Instruments

- 4A.6 For the purposes of paragraph 4A.4, it is to be presumed (subject to paragraph 4A.7) that a modification that serves to correct a manifest error contained in an ED1 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.
- 4A.7 The presumption established by paragraph 4A.6 is without prejudice to the licensee's right under paragraph 4A.13 to make representations to the Authority that a particular modification would be likely to have a significant impact of the type referred to in paragraph 4A.4 or 4A.5(a).

Part B: Circumstances in which a modification may (and may not) be made

- 4A.8 If, having carried out the required assessment under Part A of this condition, the Authority considers that an intended modification of an ED1 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 4A.4, it may (subject to the requirements of paragraph 4A.9), modify that instrument in accordance with paragraph 4A.10.
- 4A.9 A modification of an ED1 Price Control Financial Instrument under this Part B will be of no effect unless, before making it, the Authority has first:
- (a) by Notice to the licensee, and all licensees in whose licence a condition that is equivalent to this one has effect, set out the proposed modification and the date from which the Authority proposes that it should have effect;
 - (b) explained in that Notice why in the Authority's opinion the modification is necessary;
 - (c) set out in the Notice the Authority's view that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 4A.4;
 - (d) published that Notice on the Authority's website;
 - (e) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which the licensee may make representations to the Authority about its proposal; and
- (f) —considered any representations duly received in response to the Notice.
- (f) —
- 4A.10 Having complied with the requirements of paragraph 4A.9, the Authority may make the modification in a direction issued for the purposes of this Part B that sets out the modification and specifies the date from which it is to have effect (or the mechanism or method by which that date is to be determined).
- 4A.11 If the licensee demonstrates in representations referred to under paragraph 4A.9(e) that it reasonably considers that the proposed modification would be likely to have a

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Chapter 4: Price Control Financial Instruments

significant impact of the type referred to in paragraph 4A.4 or 4A.5(a), the Authority may not make the modification under this Part B ~~instead~~.

Part C: Availability and updating of ED1 Price Control Financial Instruments

- 4A.12 This Part C has effect in relation to the publication and availability of the ED1 Price Control Financial Handbook, including the constituent ED1 Price Control Financial Methodologies and the ED1 Price Control Financial Model.
- 4A.13 The Authority will ensure that any modifications of the ED1 Price Control Financial Handbook, including the constituent ED1 Price Control Financial Methodologies, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version of the ED1 Price Control Financial Handbook maintained on the Authority's Website.
- 4A.14 The Authority will ensure that any modifications of the ED1 Price Control Financial Model, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version of the ED1 Price Control Financial Model maintained on the Authority's Website.
- 4A.15 Without limiting the general effect of paragraph 4A.14, the Authority will, subject to paragraph 4A.16, by not later than 30 November in each Regulatory Year t-1:
- (a) publish on the Authority's Website, in Microsoft Excel ® format, the version of the ED1 Price Control Financial Model that will be used to determine the value of the term MOD with respect to Regulatory Year t for the purposes of Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue);
 - (b) ensure that the electronic name of the file is "ED1 PCFM" followed by "November 20XX" where 20XX represents the calendar year containing the month of November in Regulatory Year t-1;
 - (c) ensure that the words "ED1 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November in Regulatory Year 20XX/XX" (where 20XX/XX is the format used for expressing Regulatory Year t-1), followed by the Regulatory Year t-1 expressed in the format 20XX/XX, are included as text within the file itself; and
 - (d) publish an up-to-date schedule of any modifications that have been made to the ED1 Price Control Financial Model, whether under Part B of this condition or otherwise, up to and including the date of such publication.
- 4A.16 The first Regulatory Year in respect of which the Authority will publish a version of the ED1 Price Control Financial Model on the Authority's Website for the purposes of paragraph 4A.15 will be Regulatory Year 2015/16 and the last Regulatory Year with respect to those purposes will be 2021/22.

Interpretation

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Chapter 4: Price Control Financial Instruments

4A.17 This condition must be read and construed in conjunction with CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).

4A.18 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Authority's Website	XX
ED1 Price Control Financial Handbook	XX
ED1 Price Control Financial Instruments	XX
ED1 Price Control Financial Methodologies	XX
ED1 Price Control Financial Model	XX
ED1 Price Control Financial Model Working Group	XX
Electricity Distributor	XX
PCFM Variable Value	XX
Regulatory Year t	XX

CRC 4B. Annual Iteration Process for the ED1 Price Control Financial Model

Introduction

4B.1 This condition sets out the steps of the Annual Iteration Process that the Authority will, subject to paragraph 4B.2, carry out in each Regulatory Year t-1 in relation to the ED1 Price Control Financial Model; in order to determine the value of the term MOD for the licensee for Regulatory Year t for the purposes of the formula specified in Part C of CRC 2A (Restriction of Allowed Distribution Network Revenue).

~~4B.1~~4B.2 The first Regulatory Year in which there will be an Annual Iteration Process for the ED1 Price Control Financial Model is Regulatory Year 2015/16 for the purpose of determining the value of the term MOD for the licensee for Regulatory Year 2016/17.

~~4B.2~~4B.3 The last Regulatory Year in which there will be an Annual Iteration Process for the ED1 Price Control Financial Model is Regulatory Year 2021/22 for the purpose of determining the value of the term MOD for the licensee for Regulatory Year 2022/23.

~~4B.3~~4B.4 The Annual Iteration Process will consist of the steps set out in Part A of this condition and will be carried out by the Authority in accordance with the procedures set out in chapter 1 of the ED1 Price Control Financial Handbook.

~~4B.4~~4B.5 The outcome of the Annual Iteration Process with respect to the value of the term MOD_t for the licensee will be notified to the licensee in accordance with Part B of this condition.

Part A: Steps comprising the Annual Iteration Process

~~4B.5~~4B.6 The Authority will save a record copy of the ED1 Price Control Financial Model in the form it is in, and with the content it has, before any of the steps of the Annual Iteration Process set out below are commenced.

~~4B.6~~4B.7 Step 1: The Authority will make revisions to PCFM Variable Values for the licensee where and to the extent required in relation to adjustments arising for the licensee under:

- (a) CRC 3A (Legacy price control adjustments);
- (b) CRC 3B (Determination of PCFM Variable Values relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments);
- (c) CRC 3C (Specified financial adjustments);
- (d) CRC 3D (The Innovation Roll-out Costs);
- (e) CRC 3E (Smart Meter Roll-out Costs);

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- (f) CRC 3F (Arrangements for the recovery of uncertain costs);
- (g) CRC 3G (Revising the allowed level of Load-Related Expenditure);
- (h) CRC 3H (Allowed expenditure on improving services to Worst-Served Customers);
- (i) CRC 3J (Allowed expenditure on Visual Amenity Projects); and
- (j) CRC 3K (Rail electrification adjustments).

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~~4B.7~~4B.8 Step 2: The Authority will cause the ED1 Price Control Financial Model to perform its calculation functions once the revised PCFM Variable Values referred to under Step 1 above have been entered into the PCFM Variable Values Table for the licensee, where and to the extent required.

~~4B.8~~4B.9 Step 3: The Authority will identify and record the value of the term MOD_t for the licensee, calculated as a result of Step 2 and shown as an output of the ED1 Price Control Financial Model, including the effects of any revised PCFM Variable Values that will not have any retroactive effect on a previously directed value of the term MOD.

~~4B.9~~ Step 4: The Authority will give a direction to the licensee, in accordance with Part B of this condition, setting out the value for the term MOD_t for the licensee that is to be used in the formula set out in Part C of CRC 2A for the purpose of ascertaining the value of the term BR_t .

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~~4B.10~~

Part B: Direction by the Authority of the value of the MOD_t term

~~4B.10~~4B.11 Subject to paragraph 4B.2, the value of the term MOD for the licensee for Regulatory Year t will be directed by the Authority no later than 30 November in each Regulatory Year $t-1$.

~~4B.11~~4B.12 If, subject to paragraph 4B.2, the Authority does not, for any reason, direct a value for MOD_t by 30 November in any Regulatory Year $t-1$, then the Annual Iteration Process set out in Part A of this condition will not have been completed and the provisions set out in paragraphs 4B.12 and 4B.13 will apply.

~~4B.12~~4B.13 The Authority will complete the Annual Iteration Process that is set out in Part A of this condition as soon as is practicable after 30 November in the relevant Regulatory Year $t-1$ by directing a value for MOD_t for the licensee.

~~4B.13~~4B.14 In the intervening period (between 30 November in the relevant Regulatory Year $t-1$ and the making of a direction under paragraph 4B.12), the value of MOD_t for the licensee will be held to be equal to a value ascertained by:

- (a) taking a copy of the ED1 Price Control Financial Model in its state following the last completed Annual Iteration Process (i.e. excluding the effect of any

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Chapter 4: Price Control Financial Instruments

functional modifications under CRC 4A (Governance of ED1 Price Control Financial Instruments) made after the completion of that Annual Iteration Process);

- (b) using the selection facilities on the user interface sheet contained in that copy to select:
 - (i) the name of the licensee; and
 - (ii) the Regulatory Year equating to Regulatory Year t ; and
- (c) recording the value of the term MOD_t for the licensee that is shown as an output value.

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~~4B.144~~B.15 Neither:

- (a) an Annual Iteration Process for the ED1 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A of this condition; nor
- (b) a change to the Regulatory Year included in the name of and text within the ED1 Price Control Financial Model (as referred to at paragraphs 15(b) and (c) of CRC 4A),

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will constitute a modification of the ED1 Price Control Financial Model within the meaning of Part B of CRC4A.

Part C: Interpretation

~~4B.154~~B.16 This condition must be read and construed in conjunction with CRC 4A.

~~4B.164~~B.17 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Authority's Website	XX
ED1 Price Control Financial Handbook	XX
ED1 Price Control Financial Instruments	XX
ED1 Price Control Financial Model	XX
PCFM Variable Value	XX
Regulatory Year t	XX

Chapter 4: Price Control Financial Instruments

Totex	XX
Totex Incentive Mechanism	XX
Totex Incentive Mechanism Adjustment	XX

CRC 4C. Price Control update provisions for Fast-Track licensees

Introduction

4C.1 This condition comes into effect on [date of modification] and has effect until 1 April 2015 only.

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4C.2 It enables the Authority, by way of direction, to:

- (a) bring Stipulated Values, as set out in the ED1 Price Control Final Determination, up to date;
- (b) make such adjustments, if any, to the licensee's ED1 Price Control Final Determination as it considers appropriate so as to ensure that, in its reasonable opinion and taken in the round, the licensee does not suffer material financial detriment from having that determination set at Fast-Track rather than Slow-Track;
- (c) Reprofile, where appropriate the Opening Base Revenue Allowances for the licensee in light of the updates and adjustments referred to in paragraphs 4C.2(a) and 4C.2(b);
- (d) make such modifications to Part 4 of this licence and the ED1 Price Control Financial Instruments as are necessary to implement the updates and adjustments referred to in paragraphs 4C.2(a) and 4C.2(b); and
- (e) make the detail of the Common Content of the ED1 Price Control Financial Instruments exactly similar as that for every other Electricity Distributor.

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4C.3 The provisions in this condition that refer to items contained in other conditions of this licence have effect even though notwithstanding that those other conditions may, themselves, not be in effect at the time in question.

Part A: Updating of Stipulated Values for Fast-Track licensees

4C.4 This Part A allows the Authority to determine updates to Stipulated Values.

4C.5 The Stipulated Values, which may be updated by direction of the Authority under this Part A, are:

- (a) the allowed percentage cost of corporate debt for the licensee;
- (b) RAV additions for the licensee for Regulatory Year 2013/14;
- (c) Pension Scheme Established Deficit true-up value forecasts for the licensee that take account of pension payments by the licensee in Regulatory Year 2013/14; and
- (d) tax pool balances for the licensee as at 31 March 2014, that take account of Totex expenditure by the licensee in Regulatory Year 2013/14.

Chapter 4: Price Control Financial Instruments

- 4C.6 The Stipulated Values must be updated under this condition in a manner which is fully consistent with the basis upon which they were determined under the ED1 Price Control Final Determination.
- 4C.7 A direction under this Part A to update the Stipulated Values is of no effect unless, before issuing it, the Authority has ~~first~~:
- (a) by Notice to the licensee and all other Distribution Services Providers set out all of the updated Stipulated Values that it proposes to determine;
 - (b) stated in that Notice how it considers that those updated values comply with paragraph 4C.5;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date in the Notice) within which ~~the licensee may make any~~ representations may be made to the Authority concerning the determination of any update to a Stipulated Value;
 - (d) stated in that Notice whether or not it will also be giving a Notice to the licensee under paragraph 4C.10; and
 - (e) considered any representations duly received in response to the Notice.
- 4C.8 Any updates to Stipulated Values determined under this Part A will be reflected in the direction made under Part D of this condition.

Part B: Financial adjustments

- 4C.9 This Part B allows the Authority to direct such financial adjustments, if any, to the licensee's ED1 Price Control Final Determination as it considers appropriate so as to ensure that, in its reasonable opinion and taken in the round, the licensee does not suffer material financial detriment from having that determination set at Fast-Track rather than Slow-Track.
- 4C.10 A direction under this Part B is of no effect unless, before issuing it, the Authority has ~~first~~:
- (a) by Notice to the licensee set out the financial adjustment or adjustments that it proposes to determine;
 - (b) stated in that Notice how it considers that those adjustments comply with paragraph 4C.9;
 - (c) specified in the Notice the period (which may not be less than 14 days from the date in the Notice) within which the licensee may make any representations concerning the proposed financial adjustment or adjustments; and
 - (d) considered any representations duly received in response to the Notice.

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Chapter 4: Price Control Financial Instruments

- 4C.11 No adjustment will be determined under this Part B if, before the end of the period referred to in paragraph 4C.10, the licensee gives a Notice to the Authority to decline all of the proposed adjustments.
- 4C.12 Any determination under this Part B will be reflected in the direction made under Part D of this condition.

Part C: Reprofiting of Opening Base Revenue Allowances

- 4C.13 The licensee may include with any representation made under paragraphs 4C.7 or 4C.10 of this condition a proposal that its Opening Base Revenue Allowances should be Reprofiled in light of any proposed updates or adjustments set out in Notices given by the Authority under those paragraphs.
- 4C.14 Any Reprofiting proposed by the licensee under paragraph 4C.13 will be incorporated by the Authority in modifications to Part 4 of this licence under Part D of this condition to the extent that it results in the licensee's Opening Base Revenue Allowance for each Regulatory Year of the Price Control Period having materially the same proportionate relationship to the Opening Base Revenue Allowance for each other Regulatory Year of the Price Control Period as it had in the ED1 Fast-Track Final Determination.~~licensee.~~

Part D: Updating Part 4 and the ED1 Price Control Financial Instruments

- 4C.15 This Part provides for the Authority to determine and direct modifications to Part 4 of this licence including the ED1 Price Control Financial Instruments to make such changes as are necessary:
- (a) to incorporate updates to Stipulated Values determined under Part A of this condition;
 - (b) to incorporate any financial adjustments to the licensee's ED1 Fast-Track Final Determination under Part B of this condition;
 - (c) to Reprofile, as appropriate, the Opening Base Revenue Allowances for the licensee; and
 - (d) to make the detail of the Common Content of the ED1 Price Control Financial Instruments exactly similar as that for every other Electricity Distributor.
- 4C.16 A determination by the Authority under this Part may, subject to paragraph 4C.15:
- (a) update any of the conditions in Part 4 of this licence;
 - (b) update any of the content of the ED1 Price Control Financial Handbook including ~~without limitation,~~ any of the ED1 Price Control Financial Methodologies; and
 - (c) update ~~without limitation,~~ any value, functionality or formatting contained in the PCFM.

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Chapter 4: Price Control Financial Instruments

4C.17 A direction under this Part C is of no effect unless, before issuing it, the Authority has ~~first~~:

- (a) by Notice to the licensee set out the modifications that it proposes to direct;
- (b) stated in that Notice how it considers that those modifications comply with paragraph 4C.10;
- (c) specified in the Notice the period (which may not be less than 14 days from the date in the Notice) within which the licensee may make any representations concerning the proposed modifications; and
- (d) considered any representations duly received in response to the Notice.

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Interpretation

4C.18 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Annual Iteration Process	XX
Authority	XX
Common Content	XX
ED1 Fast-Track Final Determination	XX
ED1 Price Control Financial Handbook	XX
ED1 Price Control Financial Instruments	XX
ED1 Price Control Financial Methodologies	XX
ED1 Price Control Financial Model	XX
Fast-Track	XX
Fast-Track Licensees	XX
Electricity Distributor	XX
Reprofile	XX
Slow-Track	XX
Stipulated Values	XX

Chapter 4: Price Control Financial Instruments

APPENDIXappendix 1

Table 1: Fast-Track Licensees for the ED1 Price Control

Licensee
WMID
EMID
SWALES
SWEST

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CHAPTER 5: OTHER REVENUE RESTRICTION RELATED CONDITIONS

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CRC 5A. The Network Innovation Competition

Introduction

- 5A.1 This condition establishes the arrangements known as the Network Innovation Competition (NIC) with respect to the funding of innovative low carbon or environmental projects carried out by the licensee.
- 5A.2 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the NIC.

Part A: Function of the Network Innovation Competition (NIC)

- 5A.3 The function of the NIC is to enable the licensee to fund Eligible NIC Projects by means of payments received from the System Operator in accordance with the determination process described in Parts B and D below as varied, where appropriate, by the Funding Return Mechanism described in Part C of this condition.

Part B: The NIC Funding Mechanism

- 5A.4 The NIC Funding Mechanism is the mechanism by which the licensee receives the amount of authorised NIC Funding in any Regulatory Year from the System Operator, less any Funding Return as described in Part C of this condition and in accordance with the provisions of the NIC Governance Document.

Part C: The Funding Return Mechanism

- 5A.5 The Funding Return Mechanism relates to payments to be made by the licensee to the System Operator, to such extent as may be relevant, in each of the following cases (if any):
- (a) Halted Project Revenues;
 - (b) Disallowed Expenditure; and
 - (c) Returned Royalty Income.
- 5A.6 The Funding Return is the total amount, in respect of the licensee, of any amounts arising under paragraph 5A.5.
- 5A.7 Halted Project Revenues are any revenues received by the licensee from the System Operator under the NIC Funding Mechanism in respect of an Eligible NIC Project that have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
- 5A.8 Disallowed Expenditure is any revenue received by the licensee from the System Operator under the NIC Funding Mechanism that the Authority determines has not

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Chapter 5: Other Revenue Restriction Related Conditions

been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.

- 5A.9 Returned Royalty Income is revenue earned from intellectual property generated through Eligible NIC Projects undertaken by the licensee, less Directly Attributable Costs, and that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
- 5A.10 For the purposes of paragraph 5A.9, Directly Attributable Costs are costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects undertaken by the licensee that have not been otherwise remunerated by Base Demand Revenue, revenue from Directly Remunerated Services, or the NIC Funding Mechanism.
- 5A.11 In each Regulatory Year *t*, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:
- (a) the amount of any Funding Return that the licensee must pay to the System Operator; and
 - (b) the manner in which and the timescale over which that amount is to be so paid.
- 5A.12 The licensee must comply with any direction that is issued by the Authority under paragraph 5A.11.

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Part D: Determination of the NIC term

- 5A.13 The NIC term is the net amount of NIC Funding less any Funding Return for the Regulatory Year *t* that is to be paid to the licensee by the System Operator, or vice versa, in compliance with the determination made for that purpose in a direction issued by the Authority pursuant to the provisions of Part D of Special Condition 31 (The Network Innovation Competition) in the Transmission Licence held by the System Operator.
- 5A.14 The NIC Funding to which paragraph 5A.4 refers is the proportion (if any) of total NIC Funding raised by the System Operator from its Transmission Network Charges in accordance with the NIC Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible NIC Projects, as adjusted by the amount of any Funding Return (as to which, see Part C of this condition).
- 5A.15 In each Regulatory Year *t*, as provided for by the NIC Governance Document, and in accordance with ~~such the appropriate~~ provisions of the System Operator's Transmission Licence ~~as apply for the purposes of raising and transferring to raise and transfer~~ funds under the NIC, the Authority will calculate and then, by direction given to the licensee, other Electricity Distributors and Transmission Licensees, will

Chapter 5: Other Revenue Restriction Related Conditions

specify, in accordance with the appropriate provisions set out in the NIC Governance Document:

- (a) the net amount of the NIC term (whether negative or positive);
- (b) how the amount of that term has been calculated, taking account of any Funding Return; and
- (c) the manner in which and the timescale over which the System Operator is required to transfer that amount to the licensee or vice versa.

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Part E: The NIC Governance Document

5A.16 The Authority will issue, and may from time to time revise, a document, to be known as the NIC Governance Document, for purposes connected with the regulation, governance, and administration of the NIC.

5A.17 The NIC Governance Document may, ~~without limitation, in particular, make~~ appropriate provision about or impose requirements in respect of:

- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed NIC Projects;
- (b) the evaluation criteria against which the funding of such projects will be assessed and approved (where necessary);
- (c) the process and procedures that will be in place for the assessment, approval, and financing of such projects' funding (where necessary);
- (d) arrangements to ensure that relevant learning from the implementation of Eligible NIC Projects can be captured by the licensee and disseminated to other Electricity Distributors and Transmission Licensees;
- (e) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);
- (f) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (g) any other matters relating to the regulation, governance, or administration of the NIC.

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5A.18 Where any provisions of the NIC Governance Document requires the compliance of the licensee, the licensee must comply with that ~~those~~ provisions as if the document were part of this condition.

Part F: Procedure for issuing and revising the NIC Governance Document

5A.19 Before issuing the NIC Governance Document under this condition, the Authority, by Notice given to the licensee, other Electricity Distributors and Transmission Licensees with a condition of similar effect to this condition in their licence, will:

Chapter 5: Other Revenue Restriction Related Conditions

- (a) state that it proposes to issue the NIC Governance Document, and specify the date on which it proposes that the document should take effect;
- (b) set out the text of the NIC Governance Document and the Authority's reasons for proposing to issue it; and
- (c) specify the date (which must not be less than a period of 28 days from the date of the Notice) by which representations with respect to the proposed NIC Governance Document may be made.

5A.20 The Authority will consider any representations that are duly made and not withdrawn.

5A.21 The requirements of paragraphs 5A.19 and 5A.20 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.

5A.22 In paragraph 5A.19, "issuing the NIC Governance Document" includes issuing any revision of the document, and the procedure provided for under that paragraph will apply to any such revision.

Part G: Interpretation

5A.23 Defined terms are to be read and given effect subject to any further clarification that may be set out in the NIC Governance Document in relation to such terms.

5A.24 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

XX	XX
XX	XX

CRC 5B. Restriction of charges for the provision of Legacy Metering Equipment

Introduction

- 5B.1 This condition establishes the restrictions on charges for the provision of Legacy Metering Equipment and sets out the obligation of the licensee in respect of those restrictions.

Part A: Licensee's obligation

- 5B.2 The licensee, in setting charges for the provision of Legacy Metering Equipment in accordance with standard condition 34 of this licence (Requirement to offer terms for the provision of Legacy Metering Equipment), must ensure that those charges do not exceed the limits imposed by each of Parts B to F of this condition.

Part B: Charges for Single-Phase Single-Rate Credit Electricity Meters

- 5B.3 The total charge set by the licensee in respect of the provision of a Single-Phase Single-Rate Credit Electricity Meter must at no time exceed the value derived from the following formula:

$$SCRM_t = £1.12 \times PIT_t + AF_t$$

- 5B.4 In the formula for the SRCM term above:

$SCRM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Phase Single-Rate Credit Electricity Meter in the Regulatory Year t .

PIT_t is the price index adjustment, and has the value determined in accordance with Part G of this condition.

AF_t is the adjustment factor (if any), and has the value determined in accordance with Part H of this condition.

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Part C: Charges for Single-Rate Token Prepayment Electricity Meters

- 5B.5 The total charge set by the licensee in respect of the provision of a Single-Rate Token Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$TPPM_t = \left(\left(\left(\frac{TPPMAV}{LT_t} \right) \times \left[1 + \left[(1 + LTW_t) \times \left(\frac{6.9}{100} - \frac{6.9}{200} \times \frac{LTW_t}{LT_t} \right) \right] \right] + £0.242 \right) \times PIT_t + AF_t \right)$$

- 5B.6 In the formula for the TPPM term above:

$TPPM_t$ is the maximum amount that the licensee may charge for the provision of a

Chapter 5: Other Revenue Restriction Related Conditions

Single-Rate Token Prepayment Electricity Meter in the Regulatory Year t .

- TPPMAV means the modern equivalent asset value of a Single-Rate Token Prepayment Electricity Meter, and has the value of £59.
- LT_t is the current expected life (in years) of a Single-Rate Token Prepayment Electricity Meter, and has the value of 9.72.
- LTW_t is the value of LT_t rounded down to the nearest integer, and hence has the value of 9.
- PIT_t is the price index adjustment, and has the value determined in accordance with Part G of this condition.
- AF_t is the adjustment factor (if any), and has the value determined in accordance with Part H of this condition.

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Part D: Charges for Single-Rate Key Prepayment Electricity Meters

- 5B.7 The total charge set by the licensee in respect of the provision of a Single-Rate Key Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$KPPM_t = \left(\left(\frac{KPPMAV}{LK_t} \right) \times \left[1 + \left[(1 + LKW_t) \times \left(\frac{6.9}{100} - \frac{6.9}{200} \times \frac{LKW_t}{LK_t} \right) \right] \right] + \right. \\ \left. \pounds 0.242 \right) \times PIT_t + AF_t$$

- 5B.8 In the formula for the KPPM term above:

- $KPPM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Rate Key Prepayment Electricity Meter in the Regulatory Year t .
- KPPMAV means the modern equivalent asset value of a Single-Rate Key Prepayment Electricity Meter, and has the value of £60.31.
- LK_t is the current expected life (in years) of a Single-Rate Key Prepayment Electricity Meter, and has the value of 9.34.
- LKW_t is the value of LK_t rounded down to the nearest integer, and hence has the value of 9.
- PIT_t is the price index adjustment, and has the value determined in accordance with Part G of this condition.
- AF_t is the adjustment factor (if any), and has the value determined in accordance with Part H of this condition.

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Part E: Charges for Single-Rate Smartcard Prepayment Electricity Meters

Chapter 5: Other Revenue Restriction Related Conditions

- 5B.9 The total charge set by the licensee in respect of the provision of a Single-Rate Smartcard Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$\text{SPPM}_t = \left(\left(\frac{\text{SPPMAV}}{\text{LS}_t} \right) \times \left[1 + \left[(1 + \text{LSW}_t) \times \left(\frac{6.9}{100} - \frac{6.9}{200} \times \frac{\text{LSW}_t}{\text{LS}_t} \right) \right] \right] + £0.242 \right) \times \text{PIT}_t + \text{AF}_t$$

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- 5B.10 In the formula for the SPPM term above:

SPPM_t is the maximum amount that the licensee may charge for the provision of a Single-Rate Smartcard Prepayment Electricity Meter in the Regulatory Year t.

SPPMAV means the modern equivalent asset value of a Single-Rate Smartcard Prepayment Electricity Meter, and has the value of £62.77.

LS_t is the current expected life (in years) of a Single-Rate Smartcard Prepayment Electricity Meter, and has the value of 7.

LSW_t is the value of LS_t rounded down to the nearest integer, and hence has the value of 7.

PIT_t is the price index adjustment, and has the value determined in accordance with Part G of this condition.

AF_t is the adjustment factor (if any), and has the value determined in accordance with Part H of this condition.

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Part F: Charges for all other types of Electricity Meter provided under standard condition 34

- 5B.11 The total charge set by the licensee in respect of the provision under standard condition 34 of this licence of any type of Electricity Meter that is not within the types of Electricity Meter covered by Parts B to E of this condition must at no time exceed the value derived from the following formula:

$$\text{MAPPC}_t = \left[\frac{\text{MEAP}_i}{\text{ELA}_i} + \text{MEAP}_i \times \frac{6.9}{200} + 0.242 \right] \times \text{PIT}_t + \text{AF}_t$$

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- 5B.12 In the formula for the MAPPC term above:

MAPPC_t is the maximum amount that the licensee may charge for the provision of a type of Electricity Meter in the Regulatory Year t that is not within the types of Electricity Meter covered by Parts B to E of this condition.

MEAP_i is the Modern Equivalent Asset Purchase Price of the Electricity Meter

Chapter 5: Other Revenue Restriction Related Conditions

type i as at 1 June 2003 or the nearest determinable date after 1 June 2003.

ELA_i is the current expected economic life (in years) of the Electricity Meter type i .

PIT_t is the price index adjustment, and has the value determined in accordance with Part G of this condition.

AF_t is the adjustment factor (if any), and has the value determined in accordance with Part H of this condition.

i is an Electricity Meter type covered under paragraph 5B.13 and not covered by Parts B to E of this condition.

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5B.13 The following types of Electricity Meter (without limitation, and subject to the licensee's right to subdivide any such type in order to facilitate cost-reflective charging) are those that are covered by the provisions of this Part F:

- (a) multi-rate single-phase credit Electricity Meters;
- (b) multi-rate single-phase prepayment Electricity Meters;
- (c) poly-phase single-rate whole current Electricity Meters;
- (d) poly-phase multi-rate whole-current Electricity Meters; and
- (e) non-half-hourly current-transformer Electricity Meters.

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Part G: Calculation of the price index adjustment (PIT)

5B.14 For the purposes of Parts B to F ~~above~~ of this condition, the price index adjustment (~~PIT~~) is calculated in accordance with the following formula:

$$PIT_t = \left[1 + \frac{RPI_t}{100} \right] \times PIT_{t-1}$$

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5B.15 In the formula for the PIT term above:

PIT_t has the value of 1 in the Regulatory Year beginning on 1 April 2002, and then in each subsequent Regulatory Year has the value derived from the formula itself.

$LMRPI_t$ means the percentage change (whether positive or negative) between the arithmetic average of the Retail Prices Index numbers published or determined with respect to each of the six months from July to December (inclusive) in Regulatory Year $t-2$ and the arithmetic average of the Retail Prices Index numbers published or determined with respect to the same months in regulatory Year $t-1$.

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Chapter 5: Other Revenue Restriction Related Conditions

Part H: Determination and application of the adjustment factor (AF)

5B.16 This paragraph applies where the licensee considers that the expected asset life of a type of Electricity Meter specified in paragraph 5B.17 has fallen below the level assumed for the purposes of establishing the relevant charge restriction under this condition because of a decision by an Electricity Supplier to replace the technology associated with that type of Electricity Meter with technology associated with another type of Electricity Meter specified in paragraph 5B.17.

5B.17 The types of Electricity Meter to which paragraph 5B.16 refers are these:

- (a) a Token Prepayment Electricity Meter (whether single-rate or multi-rate);
- (b) a Key Prepayment Electricity Meter (whether single-rate or multi-rate); ~~and~~
- (c) a Smartcard Prepayment Electricity Meter (whether single-rate or multi-rate);
- and
- ~~(e)~~(d) a Single-Phase Single-Rate Credit Electricity Meter.

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5B.18 If paragraph 5B.16 applies, the licensee may, by Notice to the Authority, propose a relevant adjustment factor (AFt) to be applied uniformly to each of the formulas set out in Parts B to F of this condition in respect of the charging restrictions established by this condition.

5B.19 A relevant adjustment factor is one which, in the licensee's opinion, would have the effect of enabling the licensee to recover 30 per cent of the efficient costs incurred or likely to be incurred as a consequence of the Electricity Supplier's decision to which paragraph 5B.16 refers.

5B.20 The Notice served by the licensee under paragraph 5B.18 must:

- (a) set out the basis (including ~~by~~ by reference to the effects of the Electricity Supplier's decision) on which the licensee has calculated the relevant adjustment factor; and
- (b) state both the start date and the end date of the period in respect of which the licensee seeks the Authority's consent for the relevant adjustment to have effect (the "Adjustment Period").

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5B.21 In giving that Notice, the licensee must have regard to any relevant guidelines published by the Authority for the purposes of this condition.

5B.22 The Authority may, within 28 days of receiving the Notice from the licensee in accordance with this Part H, determine both the relevant adjustment factor and the Adjustment Period in such manner as it considers appropriate, subject to paragraph 5B.23.

5B.23 In making its determination, the Authority must:

Chapter 5: Other Revenue Restriction Related Conditions

- (a) consult with the licensee; and
- (b) have particular regard both to the purposes of this condition and to any relevant guidelines published by the Authority under it.

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5B.24 If the Authority has not determined the relevant adjustment factor within 28 days of receiving the licensee's Notice, and that Notice has not been withdrawn, the licensee may apply the relevant adjustment factor in the manner specified in paragraph 5B.18 for the duration of the Adjustment Period.

Part I: Interpretation

5B.25 For the purposes of this condition:

Electricity Meter	[Definition specific to this condition]
Electricity Supplier	[Definition specific to this condition]
Legacy Metering Equipment	[Definition specific to this condition]
Metering Equipment	[Definition specific to this condition]
Modern Equivalent Asset Purchase Price	[Definition specific to this condition]
Single-Phase Single- Rate Credit Electricity Meter	[Definition specific to this condition]
Single-Rate Key Prepayment Electricity Meter	[Definition specific to this condition]
Single-Rate Smartcard Prepayment Electricity Meter	[Definition specific to this condition]
Single-Rate Token Prepayment Electricity Meter	[Definition specific to this condition]

CRC 5C. Directly Remunerated Services

Introduction

- 5C.1 This condition sets out the basis on which services provided by the licensee may be treated as “Directly Remunerated Services” for the purposes of the Charge Restriction Conditions.
- 5C.2 Directly Remunerated Services are ~~the~~ services that comply with the General Principle set out at Part A of this condition.
- 5C.3 The services listed in Appendix 1, in particular, are Directly Remunerated Services to the extent that they ~~also~~ comply with the “General Principle”.

Part A: Statement of General Principle

- 5C.4 The General Principle is that a service provided by the licensee as part of the normal activities of its Distribution Business within the Distribution Services Area is to be treated as a Directly Remunerated Service if and to the extent that the service so provided is not already remunerated under any of the income categories set out in paragraph 5C.5.
- 5C.5 The income categories referred to in paragraph 5C.4 are:
- (a) income from those charges that are levied by the licensee in respect of the provision of:
 - (i) Use of System, in accordance with the relevant Charging Statement prepared and published by the licensee under standard condition 14 (Charges for Use of System and connection)₂₅;
 - (ii) Metering Point Administration Services, in accordance with the MPAS Charging Statement prepared and published by the licensee under standard condition 18 (Provision of and charges for Metering Point Administration Services)₂₅; and
 - (iii) Legacy Metering Equipment and Data Services, in each case in accordance with the relevant statement prepared and published by the licensee under standard condition 36 (Charges for the provision of Legacy Metering Equipment and Data Services); and
 - (b) Returned Royalty Income associated with an activity carried out under any provision of CRC 5A (The Network Innovation Competition).

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Part B: Specific categories of Directly Remunerated Service

Chapter 5: Other Revenue Restriction Related Conditions

- 5C.6 Appendix 1, while not limiting the scope of the General Principle, sets out certain categories of service provided by the licensee that are to be treated as Directly Remunerated Services to the extent that they ~~also~~ comply with the General Principle.
- 5C.7 Charges levied in respect of Directly Remunerated Services provided within categories DRS1, DRS2, DRS3, DRS4 and DRS 7 of Appendix 1 are to be set at a level that will allow the licensee to recover:
- (a) its reasonable costs;
 - (b) a reasonable rate of return on the capital outlay represented by any expenditure incurred by the licensee during the period before payment is received of any amounts due by the person requiring the service in question; and
 - (c) in respect of DRS1, a Margin, as that term is defined in CRC 2K (Margins on Licensee's Connection Activities), where that is consistent with the provisions of CRC 2K.
- 5C.8 Charges levied in respect of Directly Remunerated Services provided within categories DRS5 and DRS9 of Appendix 1 are to be set at a level that will allow the licensee to recover its reasonable costs and a reasonable margin in providing the service in question.
- 5C.9 The total Net Revenue from charges levied in respect of Directly Remunerated Services provided within category DRS8 of Appendix 1 (Value Added Services) during any Regulatory Year is to be included as a component of the ACO value for the licensee (as that term is defined in CRC 3B (Determination of PCFM Variable Values relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments)-) for the same Regulatory Year.

Part C: Authority's power to give directions

- 5C.10 Where the Authority (having particular regard to the General Principle) is satisfied:
- (a) that any service treated by the licensee as a Directly Remunerated Service should not be so treated; or
 - (b) that any service not treated by the licensee as a Directly Remunerated Service should be so treated,
- it may give the licensee a direction to that effect.
- 5C.11 Where a direction is given under paragraph 5C.10, the licensee must, as the case may be, either:
- (a) stop treating the service or services specified in the direction as Directly Remunerated Services; or
 - (b) begin treating the service or services specified in the direction as Directly Remunerated Services,

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Chapter 5: Other Revenue Restriction Related Conditions

from the date of the direction or such later date as may be specified in it.

Interpretation

5C.12 The descriptions of categories of Directly Remunerated Service set out in Appendix 1 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that ~~may~~ ~~might~~ be set out in the RIGs issued by the Authority under standard condition 46 (Regulatory Instructions and Guidance) of this licence.

5C.13 For the purposes of this condition:

Net Revenue	XX
Value Added	XX
Services	

APPENDIX 1

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Specific categories of Directly Remunerated Service

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DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) for the purposes of providing, installing, operating, repairing, or maintaining electric lines or electrical plant (but only to the extent that the service is not already remunerated under one of the charges mentioned in paragraph 5C.5).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(1) (general duties of licence holders) or section 16 (duty to connect on request) of the Act.

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line, electrical plant, or Electricity Meter that forms part of the licensee's Distribution System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Top-up, standby, and enhanced system security: This category consists of the provision of electric lines and electrical plant to the extent required by any user of the licensee's Distribution System:

- (a) for the specific purpose of enabling the delivery of top-up or standby supplies of electricity; or
- (b) to provide a higher degree of security than is required for the purposes of complying with paragraph 24.1 of standard condition 24 (Distribution System planning standard and quality of performance reporting).

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DRS5. Revenue protection services: This category consists of the provision, at the request of any third party (which could include an Affiliate or a Related Undertaking of the licensee), of services relating to the prevention of Electricity Meter interference and other forms of illegal abstraction of electricity.

DRS6. Metering Services: This category consists of the provision of any Metering Service (other than the provision of Legacy Metering Equipment) that is not already remunerated under any other charge in respect of a Directly Remunerated Service.

DRS 7. Smart Meter Roll-out rechargeable services: This category consists of services provided directly or indirectly to suppliers, and associated with the roll-out of smart meters, that:

- (a) are provided under the provisions of the Service Level Agreement that is appended to the DCUSA;

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- (b) are not remunerated under one of the charges mentioned in paragraph 5C.5 or under any other charge for a Directly Remunerated Service; and
- (e) — give rise to costs that fall outside the definition of Smart Meter Roll-out Costs for the purposes of CRC 3E (Smart Meter Roll-out Costs).
- (c) —

DRS8. Value Added Services: This category consists of services that ~~utilise~~~~exploit~~ Relevant Assets, as defined in standard condition 1 (Definitions for the standard conditions), under commercial arrangements between the licensee and another person (who must not be an Affiliate or Related Undertaking of the licensee), involving:

- (a) the installation of equipment for the purpose of electronic communications or data transfer;
- (b) the display of any advertising or promotional material; or
- (e) — any service specified in a direction given by the Authority for the purposes of this condition that, in the absence of such a direction, would be included in category DRS9 (Miscellaneous).

DRS9. Miscellaneous: This category consists of the provision of any other service (including electric lines or electrical plant) that:

- (a) is for the specific benefit of any third party who requests it; and
- (b) is not remunerated under one of the charges mentioned in paragraph 5C.5 or under any other charge for a Directly Remunerated Service.

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CRC 5D. Assessment of Network Asset Secondary Deliverables

Introduction

5D.1 This condition:

- (a) establishes the Network Asset Secondary Deliverables for the Price Control Period as set out in the Network Assets Workbook (see Appendix 1 of this condition);
- (b) sets out the basis on which the Authority ~~then~~ intends to make its assessment of the licensee's delivery of the Network Asset Secondary Deliverables; and
- (c) specifies the incentive reward that will be provided for over-delivery and the penalty that will be imposed for under-delivery of the Network Asset Secondary Deliverables.

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Part A: Reporting on the delivery of Network Asset Secondary Deliverables

5D.2 The licensee must by 31 July 2023, provide a report to the Authority setting out the Network Asset Secondary Deliverables that it has delivered over the Price Control Period.

5D.3 The report must include (where relevant) detailed explanations together with all appropriate supporting evidence for:

- (a) the licensee's Network Asset Secondary Deliverables in accordance with the relevant specifications set out in the Network Assets Workbook;
- (b) Network Asset Secondary Deliverables equivalent or better than those set out in the Network Assets Workbook;
- (c) any ~~Justified Over-delivery~~ Justified Over-Delivery of Secondary Deliverables; and
- (d) any ~~Justified Under-delivery~~ Justified Under-Delivery of Secondary Deliverables.

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5D.4 The licensee must provide such further analysis or information, in such manner and in accordance with such timescales, as the Authority considers is reasonably necessary to enable it to undertake its assessment for the purposes of making its determination under Part B of this condition.

Part B: Authority's determination with respect to Network Asset Secondary Deliverables.

5D.5 The Authority will assess the licensee's performance in delivering the Network Asset Secondary Deliverables (having particular regard to the report that was submitted by the licensee in accordance with Part A above) for the purpose of determining what, if

Chapter 5: Other Revenue Restriction Related Conditions

any, adjustments should be made to the licensee's allowed revenue in the Next Price Control Period.

5D.6 In making its assessment under paragraph 5D.5, the Authority will, among other things, take account of any trade-offs between asset categories that the licensee is able to demonstrate have delivered, or will deliver, either Network Asset Secondary Deliverables equivalent to, or Network Asset Secondary Deliverables to a higher specification than, those set out in the Network Assets Workbook.

5D.7 Where the Authority determines that ~~the~~ some or all of the Network Asset Secondary Deliverables have been ~~under-delivered which~~ the subject of an under-delivery that is not justified:

- (a) the incremental cost of delivering the Network Asset Secondary Deliverables will not be funded in the licensee's revenue allowance for the Next Price Control Period; and
- (b) a negative adjustment of 2.5 per cent (post-tax) of the avoided costs associated with the under-delivery will be made to the licensee's revenue allowance for the Next Price Control Period.

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5D.8 Where the Authority determines that the licensee has ~~demonstrated a Justified Over-delivery~~ Justified Over-Delivery of Network Asset Secondary Deliverables:

- (a) the cost of that over-delivery will be funded through the licensee's revenue allowance for the Next Price Control Period; and
- (b) the licensee will receive, by means of a positive adjustment of its revenue allowance for the Next Price Control Period, a reward of 2.5 per cent (post-tax) of the incremental costs associated with the over-delivery.

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5D.9 Any determination by the Authority under this Part B will be made in a direction to the licensee that sets out the substance of the determination and specifies the date from which it is to have effect, or a mechanism or method by which ~~that~~this date is to be determined.

~~5D.95~~ 5D.10 For the avoidance of doubt, where the Authority determines that the licensee has a Justified Under-delivery or that all of the Network Asset Secondary Deliverables that have been over-delivered are not justified, no adjustment will be made to the licensee's revenue allowance in respect of this condition for the Next Price Control Period.

~~5D.105~~ 5D.11 A direction under paragraph 5D.9 This determination wil~~will~~ be subject to the requirements of Part C of this condition.

Part C: Procedure for a direction given by the Authority

Chapter 5: Other Revenue Restriction Related Conditions

~~5D.11~~5D.12 A direction issued by the Authority under paragraph 5D.9~~10~~ will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee and any other interested parties, stated that it proposes to make the determination;
- (b) set out in that Notice the substance of the proposed determination;
- (c) explained in the Notice the reasons for and the effects of the proposed determination;
- (d) specified in the Notice, the date (which may not be less than 56 days from the date of the Notice) by which the licensee may make representations to the Authority about the proposed determination; and
- (e) considered any representations duly received in response to the Notice.

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Part D: Guidance for the purposes of this condition

5D.13 The Authority may issue, and from time to time revise, guidance about the procedure that it will follow and the matters it will take into account in assessing the licensee's performance in delivering the Network Asset Secondary Deliverables.

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5D.14 Guidance under paragraph 5D.12 may, in particular, set out the principles, methods of assessment, and types of criteria that are likely to be applied by the Authority in making any determinations under Part B of this condition with respect to funding and the adjustment of revenue allowances during the Next Price Control Period.

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Part EPart D: Interpretation

~~5D.12~~ 5D.15 For the purposes of this condition:

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[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Authority XX

Distribution System XX

~~Justified Over-~~ XX

~~delivery~~Justified Over-

~~Delivery~~

~~Justified Under-~~ XX

~~delivery~~Justified Under-

~~Delivery~~

Network Asset Secondary XX

Deliverables

Network Assets Workbook XX

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Chapter 5: Other Revenue Restriction Related Conditions

Next Price Control Period XX

Price Control Period XX

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[DNOs are confused about the purpose of this Appendix:

please see Issues Log]

APPENDIXappendix_1

The Network Assets Workbook

Scope

The Networks Assets Workbook contains worksheets for the input of health and criticality data, for each of the licensee's asset categories where such this data are to be collected.

Purpose

The information contained in the Network Assets Workbook will be used to determine the risk index rating for the licensee's assets and a total health index, criticality index, and risk index (the Network Asset Secondary Deliverables), for the both the start, the mid-period, and the end of RIIO-ED1.

Contents

NAW1 – DPGR5 View

NAW12 – HI data Total

NAW23 – Asset Replacement

NAW34 – Refurbishment

NAW45 – General Reinforcement

NAW56 – Faults

NAW67 – ~~High Value~~High-Value Projects

NAW78 – Average Criticality

Governance

The Network Asset Workbook will be used to determine the total level of Network Asset Secondary Deliverables to be delivered during RIIO-ED1. If the licensee thinks ~~deems~~ it is necessary to alter the total level of Network Asset Secondary Deliverables to be delivered during RIIO-ED1, as contained in the Network Assets Workbook, a licence modification will be required.

DOES THAT MEAN A MODIFICATION UNDER THE SECTION 11A PROCESS, OR A MODIFICATION PROCESS THAT IS TO BE PROVIDED FOR IN THIS CONDITION ITSELF? – ENA

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Chapter 5: Other Revenue Restriction Related Conditions

Where a common Network Asset Indices Methodology has been established or modified, in accordance with ~~Standard Licence~~ Condition 51, the licensee ~~must~~^{shall} within **12** weeks of that event, and unless the Authority otherwise consents, ensure that the Network Asset Secondary Deliverables set out in the Network Assets Workbook are consistent with this new or modified common methodology.

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CRC 5E. Charging outside the Distribution Services Area

Introduction

- 5E.1 The requirements imposed by this condition apply only in relation to the Use of System Charges levied by the licensee in respect of its Distribution Business activities outside its Distribution Services Area (“Out of Area Charges”).
- 5E.2 The licensee must make, and continue to make, Out of Area Charges available, in accordance with the requirements of this condition, for the provision of Use of System to any Authorised supplier of electricity that uses or wishes to use the licensee’s Distribution System to supply electricity to Domestic Customers at Domestic Premises outside the licensee’s Distribution Services Area.

Part A: Setting and restriction of Out of Area Charges

- 5E.3 The licensee’s Out of Area Charges in relation to Domestic Customers may vary according to the Distribution Services Area of the Electricity Distributor within which Domestic Premises are connected to the licensee’s Distribution System.
- 5E.4 The licensee must set those Out of Area Charges so that, except with the Authority’s consent, the standing charge, unit rate, and any other component of the charges (taken together) do not exceed the corresponding Use of System Charges (taken together) to equivalent Domestic Customers (“the equivalent charges”).
- 5E.5 For the purposes of paragraph 5E.4, equivalent charges are the Use of System Charges made by the Electricity Distributor that has a Distribution Services Direction that specifies the Distribution Services Area in which the Domestic Premises connected to the licensee’s Distribution System are located.
- 5E.6 The Authority may give the licensee a direction that specifies which of the Use of System Charges made by the Distribution Services Provider for the Distribution Services Area mentioned in paragraph 5E.5 are relevant for the purposes of determining the equivalent charges.

[Remove all text in Part B in the current condition CRC 16]

[Remove all text in Part C in the current condition CRC 16]

CRC 5G. Net to gross adjustment for Load-Related Expenditure

Introduction

5G.1 This condition:

- (a) sets out the Baseline Volumes of Connection Projects and Baseline Percentage of Gross Load-Related Expenditure that the licensee is expected to deliver through Specific ~~Customer-funded~~ Customer-Funded Reinforcement charged to the customer during the Price Control Period;
- (b) sets out the circumstances under which the Authority may make adjustments to the licensee's Base Demand Revenue in the Next Price Control Period where any of the Actual Percentage of Gross Load-Related Expenditure related to Specific ~~Customer-funded~~ Customer-Funded Reinforcement during the Price Control Period (in this condition, "Relevant Expenditure") falls outside the Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Band; and
- (c) establishes a framework for how any such adjustments under 5G.1(b) would be directed.

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Part A: Load-Related Expenditure Parameters

5G.2 The Baseline Percentage of Gross Load-Related Expenditure which the licensee is expected to deliver through Specific ~~Customer-funded~~ Customer-Funded Reinforcement during the Price Control Period is set out in Table 1 below.

Table 1: Baseline Percentage of Gross Load-Related Expenditure expected to be funded through Specific ~~Customer-funded~~ Customer-Funded Reinforcement (%)

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Licensee	
ENWL	
NPgN	
NPgY <u>NPgY</u>	
WMID	5.00
EMID	4.00
SWALES	13.00
SWEST	8.00
LPN	
SPN	
EPN	

Chapter 5: Other Revenue Restriction Related Conditions

SPD	
SPMW	
SSEH	
SSES	

5G.3 The Specific ~~Customer-funded~~Customer-Funded Reinforcement Percentage Band is set out in Table 2 below.

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Table 2: The Specific ~~Customer-funded~~Customer-Funded Reinforcement Percentage Band

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Licensee	Upper threshold	Lower threshold
ENWL		
NPgN		
NPgY <u>NPgY</u>		
WMID	10.00	0.00
EMID	9.00	0.00
SWALES	18.00	8.00
SWEST	13.00	3.00
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

5G.4 The Baseline Volumes of Connection Projects are set out in Table 3 below.

Table 3: Baseline Volumes of Connection Projects by voltage

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Licensee	LV	HV	EHV	132kV
ENWL				
NPgN				
NPgY <u>NPgY</u>				
WMID	409	831	13	0
EMID	460	785	15	0
SWALES	120	958	15	0

Chapter 5: Other Revenue Restriction Related Conditions

SWEST	233	1050	19	0
LPN				
SPN				
EPN				
SPD				
SPMW				
SSEH				
SSES				

5G.5 The Baseline Specific ~~Customer-funded~~Customer-Funded Reinforcement levels are set out in Table 4 below.

Table 4: Baseline Specific ~~Customer-funded~~Customer-Funded Reinforcement (£m in 2012/13 prices)

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Licensee	
ENWL	
NPgN	
NPgY <u>NPgY</u>	
WMID	11.5
EMID	13.3
SWALES	8.0
SWEST	8.7
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Part B: Circumstances under which the Authority would make a net to gross ~~Load-r~~Related Expenditure adjustment

5G.6 This Part B sets out the circumstances under which the Authority may make adjustments under this condition to the licensee's Base Demand Revenue in the Next Price Control Period ~~under this condition~~.

Chapter 5: Other Revenue Restriction Related Conditions

- 5G.7 Where the Authority gives notice of proposed relevant adjustments under paragraph 3G.13 of CRC 3G (Revising the allowed level of Load-Related Expenditure), the licensee in question will not be subject to an additional net to gross ~~Load-Related~~ Expenditure adjustment.
- 5G.8 The licensee must report to the Authority by **[31 July 2023]** whether ~~its~~ the licensee's Relevant Expenditure has fallen outside a Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Band, ~~and~~, if so, whether in its opinion there is a justified reason for not making an adjustment through the operation of MOD in the Next Price Control Period.
- 5G.9 Where the licensee's Relevant Expenditure has fallen outside a Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Band, the licensee must include a detailed explanation of the following in the report required under paragraph 5G.8 ~~5G.9~~:
- (a) reasons for any changes in the Number of Connection Projects in the Price Control Period relative to the Baseline Volumes of Connection Projects;
 - (b) reasons why reinforcement that was forecast to be funded through Load-Related Expenditure at the outset of the Price Control Period has in fact been delivered through Specific ~~Customer-funded~~ Customer-Funded Reinforcement;
 - (c) any changes in the licensee's use of contractors to deliver activities defined as Load-Related Expenditure during the Price Control Period;
 - (d) any changes in network loading that may be relevant to the Relevant Expenditure falling outside the Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Band;
 - (e) whether any of the changes outlined above are due to the use of demand-side response or use of other non-traditional reinforcement solutions; and
 - (f) any other factor relevant to the Relevant Expenditure falling outside the Specific ~~Customer-funded~~ Customer-Funded Reinforcement Percentage Band.
- 5G.10 The licensee must provide such further analysis or information, ~~and~~ in such manner and in accordance with such timescales, as the Authority considers is reasonably necessary to enable it to undertake its assessment for the purposes of making its determination under Part C.
- 5G.11 ~~If the Authority considers that there is a justified reason for not making an adjustment through the operation of MOD in the Next Price Control Period, it will give Notice of its intention to make a relevant adjustment at the end of the Price Control Period during the window that opens on 1 September 2023 and closes on 30 September 2023 and, subject to Part C of this condition, determine that an equivalent amount of expenditure should be deducted from Base Demand Revenue for the Next Price Control Period.~~

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Comment [RNE8]: We don't believe that you won't be able to adjust base demand revenue within the prescribed timescale. Therefore a Mod adjustment would be the appropriate mechanism.

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If the Authority considers that the licensee has not presented adequate justification for why the Relevant Expenditure has fallen outside a Specific Customer-funded Reinforcement Percentage Band, it will, subject to Part C, determine the value of relevant adjustments.

5G.115G.12 The relevant adjustments will be made in the Next Price Control Period through the operation of the MOD term used in the calculation of Allowed Revenue.

Part C: Procedure for a determination given by the Authority

5G.13 The Authority will assess whether relevant adjustments are required under this licence condition alongside and at the same time as carrying out any end of period review under licence condition CRC 3G.

5G.14 Where the Authority gives Notice of a proposed relevant adjustment under paragraph 5G.11, it will, by 30 November 2024⁴³, determine any revisions that are to be made to the licensee's Base Demand Revenue for the Next Price Control Period

5G.125G.15 A determination by the Authority under Part B of this condition will be of no effect unless, before issuing it, the Authority has:

- (a) by Notice to the licensee and to any other interested parties, stated that it proposes to make the determination;
- (b) set out in that Notice the substance of the proposed determination;
- (c) explained in the Notice the reasons for and the effects of ~~its~~ the proposed determination;
- (d) specified in the Notice the date (which ~~must~~ may not be less than a period of 56 days from the date of the Notice) within which the licensee may make representations concerning the proposed determination; and
- (e) considered any representations duly received in response to the Notice.

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Part D: Interpretation

5G.135G.16 For the purposes of this condition:

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

Gross Load Related Expenditure	XX
Specific Customer-funded Customer-Funded Reinforcement	XX
Justified	XX
Baseline Volumes of Connection Projects	XX
Baseline gross load related expenditure	XX

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Chapter 5: Other Revenue Restriction Related Conditions

Baseline Specific Customer-funded <u>Customer-Funded</u> Reinforcement	XX
Baseline Percentage of Load Related Expenditure expected to be funded through Specific Customer Reinforcement	XX
Next Price Control Period	XX
Actual Percentages of Gross Load Related Expenditure funded through Specific Customer Funded Reinforcement	XX
Specific Customer-funded <u>Funded</u> Reinforcement Percentage Band	XX
Number of Connection Projects	XX
Load Related Expenditure	XX

CRC 5H. Not used

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CRC 5I. Not used

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CRC 5J. Not used

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CRC 5K. Disapplication of Relevant Charge Restriction Conditions

Introduction

5K.1 This condition enables the licensee to make a formal request for the disapplication (in whole or in part) of the provisions of Part 4 of this licence and for those provisions consequently to be disapplied:

- (a) with the consent of the Authority;
- (b) after the expiration of a specified period of time; or
- (c) on the direction of the Competition and Markets Authority,

in the circumstances specified in this condition.

5K.2 The earliest date from which a provision may be disapplied under this condition depends on whether it is part of CRC 5B (Restriction of charges for the provision of Legacy Metering Equipment), CRC 5E (charging outside the Distribution Services Area), or another provision of Part 4 of this licence, as specified in paragraph 5K.4.

Part A: Continuation of Part 4 subject to disapplication

5K.3 Part 4 of this licence applies for as long as this licence continues in force but will cease to have effect (in whole or in part, as the case may be) if the licensee gives a Disapplication Request to the Authority in accordance with Parts B and C of this condition and:

- (a) the Authority agrees in Writing to the Disapplication Request; or
- (b) the provisions that are the subject of the Disapplication Request are disapplied by Notice given by the licensee in accordance with Part D of this condition.

Part B: Date from which a disapplication may take effect

5K.4 Except where the Authority otherwise consents, the following are the earliest dates from which disapplication of a provision under this condition may take effect and the earliest dates that the licensee may propose as Disapplication Dates:

- (a) in respect of any of the provisions of CRC 5B, a date no earlier than three 3 months after the delivery of the Disapplication Request;
- (b) in respect of any of the provisions of CRC 5E, a date no earlier than 18 months after the delivery of the Disapplication Request; and
- (c) in respect of any other provision of Part 4 of this licence, a date no earlier than the later of 1 April 2023 and six months after the delivery of the Disapplication Request.

(e)

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Part C: Procedure for making a Disapplication Request

- 5K.5 The licensee may ask the Authority to consent to the disapplication of all or part of Part 4 of this licence by making a Disapplication Request to the Authority.
- 5K.6 A Disapplication Request must:
- (a) be in Writing and addressed to the Authority;
 - (b) specify the provisions to which it relates;
 - (c) provide a full statement of the licensee's reasons for making the request;
 - (d) contain such other information or analysis as the licensee considers sufficient to enable the Authority fully to assess the Disapplication Request; and
 - (e) state the Disapplication Date that is proposed by the licensee.
- 5K.7 A Disapplication Request may apply to a specified geographic area.
- 5K.8 If, within 10 Working Days of receipt of a Disapplication Request, the Authority gives Notice to the licensee:
- (a) specifying the further information or analysis that it reasonably considers is required in order fully to assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis,
- the Disapplication Request will be treated for the purposes of this condition as not delivered to the Authority until that further information or analysis is provided.
- 5K.9 The licensee may withdraw a Disapplication Request at any time.

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Part D: Licensee's right to disapply under a Disapplication Request

- 5K.10 If the licensee has made a Disapplication Request that complies with the requirements of Parts B and C of this condition, and the circumstances described in either Part E or Part F of this condition apply, it may subsequently serve a Disapplication Notice on the Authority disapplying some or all of the provisions that are the subject of the Disapplication Request.

Part E: Disapplication without involvement of the Competition and Markets Authority

- 5K.11 The licensee may serve a Disapplication Notice on the Authority if, by the Disapplication Date specified in the relevant Disapplication Request, the Authority has not responded to the request by publishing a decision under section 11A(7) of the Act to modify Part 4 in either of the ways described in paragraph 5K.12.
- 5K.12 The ways referred to in paragraph 5K.11 would:
- (a) modify any of the provisions referred to in the Disapplication Request; or

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- (b) modify this condition so as to remove the licensee's right to serve a Disapplication Notice on the Authority in respect of the relevant Disapplication Request.

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Part F: Disapplication after involvement of the Competition and Markets Authority

5K.13 The licensee may also serve a Disapplication Notice on the Authority if the Authority has published a decision described in Part E of this Condition but:

- (a) ~~t~~The licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
- (b) ~~t~~The Competition and Markets Authority has quashed the Authority's decision and directed the licensee to serve such a Disapplication Notice on the Authority; and
- (c) ~~n~~No more than 20 Working Days have elapsed since the date from which the licensee may serve a Disapplication Notice on the Authority under the Competition and Markets Authority's direction.

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5K.14 A Disapplication Notice under this Part F must also comply with any terms or conditions provided in the Competition and Markets Authority's direction.

Part G: Interpretation

[Defined terms are all set out in CRC 1B. In CRC 1B, definitions listed only against one condition will ultimately be defined in that condition only and not in CRC 1B.]

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5K.15 For the purposes of this condition:

Act	XX
Authority	XX
Competition and Markets Authority	XX
Disapplication Notice	XX
Disapplication Request	XX
Notice	XX
Working Day	XX
Writing	XX

Conditions being removed from the existing licence

CONDITIONS WE PROPOSE TO REMOVE FROM THE CURRENT LICENCE

CRC 9. Adjustment of licensee's revenues to reflect performance in relation to Transmission Connection Point Charge

CRC 10. Adjustment of licensee's revenues to reflect innovation funding performance

CRC 11. Adjustment of licensee's revenues to reflect performance in relation to Distributed Generation

CRC 17. Assistance for high-cost distribution areas