

**To: Western Power Distribution (West Midlands) plc (WMID)
Western Power Distribution (East Midlands) plc (EMID)
Western Power Distribution (South Wales) plc (SWALES)
Western Power Distribution (South West) plc (SWEAT)**

Notice under Part B of Charge Restriction Condition 4A (Governance of ED1 Price Control Financial Instruments) of the Electricity Distribution Licence to make modifications to the ED1 Price Control Financial Handbook

1. Each of the companies to whom this Notice is addressed (each "the licensee") is the holder of an Electricity Distribution Licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989.
2. Charge Restriction Condition (CRC) 4A (Governance of ED1 Price Control Financial Instruments) of the Electricity Distribution Licence establishes the circumstances in which the Gas and Electricity Markets Authority (the 'Authority')¹, by way of direction, can make changes to the ED1 Price Control Financial Handbook ('the Handbook'),
3. Part A of CRC 4A sets out the assessment process the Authority will follow in order to assess the likely impact of an intended modification and Part B of CRC 4A sets out the circumstances in which a modification may (or may not) be made.
4. In accordance with CRC 4A.9, the Authority hereby gives notice to the licensees that it proposes to modify the Handbook in the manner indicated in the Schedules to this Notice.
5. The Authority considers that it is necessary to modify the ED1 Price Control Financial Handbook in the manner indicated in order to:
 - a) Correct typographical errors in Parts 1 and 2 of the Handbook;
 - b) Amend dates in Part 3 (Chapters 15 and 16) of the Handbook in order to reflect a longer timeframe for the introduction of the remaining DPCR5 closeout methodologies.

Correct typographical errors in Parts 1 and 2 of the Handbook

6. The effect of these proposed modifications, set out in Schedule 1 to this Notice, is to improve readability and usability of the Handbook.

Amend dates for the introduction of the remaining DPCR5 closeout methodologies

7. The date changes we propose to make are set out in the table below and are reflected in Schedule 2. We informed stakeholders of our proposal to amend the timetable for the introduction of the remaining DPCR5 closeout methodologies in a letter² published on 22 January 2016 (the 'Letter'). The Letter recommended a modification to the date for completion of DPCR5 closeout methodologies from 31 March 2016 to 31 July 2016, and explained that the reason for the timetable change is due to the extent of the work required to introduce the close out methodologies. The Letter also set out

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² <https://www.ofgem.gov.uk/publications-and-updates/dpcr5-closeout-methodologies-notice-forthcoming-consultation-timetable>

our intention to review other consequential dates in the Handbook impacted by this change.

8. We received three responses to the Letter, which are published on our website, each of which supported our proposal.
9. Alongside these changes to DPCR5 methodology dates, we have corrected other minor date errors within Part 3 of the Handbook.

Table 1 – Amendments to dates in relation to DPCR5 close out methodologies in the Handbook Part 3

Item³	Previous date(s) in Handbook	Suggested date in Handbook
Inclusion of methodologies in Handbook	31 March 2016	31 July 2016
Reopener triggered by companies (TMA, HVP reopener, LRR)	31 May 2016 (not previously included for TMA)	31 Oct 2016
Ofgem begin assessment (HVP outputs, NOMs)	31 July 2016	31 Oct 2016
Ofgem initiate consultation (HVP reopener, HVP outputs, NOMs, LRR)	31 May 2017 (licensee trigger HVP reopener); 31 March 2017 (authority trigger HVP reopener; HVP outputs, NOMs, authority trigger LRR)	31 May 2017
Ofgem decision made (HVP reopener, HVP outputs, NOMs, LRR)	30 Sept 2017 (licensee trigger HVP reopener); 31 August 2017 (authority trigger HVP reopener, authority trigger LRR); 31 July 2017 (HVP outputs, NOMs)	30 Sept 2017

10. In the opinion of the Authority, the proposed modifications of the ED1 Price Control Financial Instruments are not likely to have a significant impact on any of the persons mentioned in CRC 4A.4. In particular, the intended modifications will not have any material impact on the licensees' financial revenue.
11. The proposed modifications to the Handbook are marked in red in Schedules 1 and 2.
12. The Authority proposes that these modifications will come into effect on 1 April 2016.
13. Any representations on the proposed modifications may be made in writing on or before 22 March 2016 to Tessa Quinton at Ofgem, 3rd Floor,

³ Note: **TMA** = Traffic Management Act Permit Costs adjustment; **HVP reopener** = High Value Projects reopener; **HVP outputs** = High Value Projects – Failure to Deliver Outputs Adjustment; **LRR** = Load Related Reopener; **NOMs** = Network Output Measures – Failure to Deliver Outputs Adjustment

Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, or by email to Tessa.Quinton@ofgem.gov.uk

14. All representations will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. We prefer to receive responses in an electronic form so that they can be published easily on our website.

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Paul Branston
Associate Partner, RIIO Networks
Duly Authorised on behalf of the Gas and Electricity Markets Authority
23 February 2016

Schedule 1: Modifications to the ED1 Price Control Financial Handbook Parts 1 and 2

The proposed modifications to the ED1 Price Control Financial Handbook Parts 1 and 2 for WPD's licensees can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-notice-make-modifications-ed1-price-control-financial-handbook-fast-track-licensees>

Schedule 2: Modifications to the ED1 Price Control Financial Handbook Part 3

The proposed modifications to the ED1 Price Control Financial Handbook Part 3 (Chapters 15 and 16) can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-notice-make-modifications-ed1-price-control-financial-handbook-fast-track-licensees>