

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

**Direction 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 Direction 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. In accordance with Part B of Charge Restriction Condition (CRC) 4A (Governance of ED1 Price Control Financial Instruments) of the Electricity Distribution Licence, the Gas and Electricity Markets Authority (the ‘Authority’)<sup>1</sup>, gave notice on 23 February 2016 (‘the Notice’) to consult on changes to the ED1 Price Control Financial Handbook (‘the Handbook’) and the proposed date by which these modifications should take effect. The Notice required any representations to be made on or before 22 March 2016.
3. We received one response to the Notice, which we carefully considered. We have placed this non-confidential response on our website. Our response to this representation is set out in Schedule 1. Where appropriate, we have also taken into account representations to the Notice to make modifications to the ED1 Price Control Financial Handbook for slow-track licensees<sup>2</sup>, which identified a small number of minor typos and corrections.
4. In order to correct some minor issues raised in the consultation responses, it is necessary to make a number of minor alterations to the modifications set out in the Notice. In the attached Schedule 2, the modifications set out in the Notice are shown in red font; these additional modifications are shown in red font and yellow highlight.
5. The Authority has modified 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 in order to improve readability and usability of the Handbook, as reflected in Schedule 2;
  - b) Amend dates in Part 3 of the Handbook in order to reflect a longer timeframe for the introduction of the remaining DPCR5 closeout methodologies. The date changes we have made are summarised in the table below and are reflected in Schedule 2.

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<sup>1</sup> The “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority (GEMA) in its day to day work.

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/rrio-ed1-notice-make-modifications-ed1-price-control-financial-handbook-slow-track-licensees>

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

<b>Item<sup>3</sup></b>	<b>Previous date(s) in Handbook</b>	<b>Suggested date in Handbook</b>
Ofgem publishes its decision on modification of the 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 (if licensee triggers HVP reopener);  31 March 2017 (if the Authority triggers HVP reopener; HVP outputs, NOMs, if the Authority triggers LRR)	31 May 2017
Ofgem decision made (HVP reopener, HVP outputs, NOMs, LRR)	30 Sept 2017 (if licensee triggers HVP reopener);  31 August 2017 (if the Authority triggers HVP reopener; if the Authority triggers LRR);  31 July 2017 (HVP outputs, NOMs)	30 Sept 2017

6. The Authority has assessed the likely impact of these modifications to the ED1 Price Control Financial Handbook in accordance with Part A of CRC 4A. The Authority does not consider that this modification will have a significant impact of the type referred to in paragraph 4A.4 or 4A.5 (a) of CRC 4A.

<sup>3</sup> 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

7. The Authority did not receive any representations identifying a significant impact.
8. In accordance with our powers under Part B of CRC 4A, we hereby incorporate these modifications to the Handbook as contained in Schedule 2. This Direction brings these modifications into effect as of the date of publication, 31 March 2016.
9. This document constitutes a direction issued by the Authority under Part B of CRC 4A.

**Kersti Berge**  
**Partner, RIIO Networks**  
**Duly Authorised on behalf of the Gas and Electricity Markets Authority**  
**31 March 2016**

## **Schedule 1: Responses to the representations received**

A copy of the log of representations received and our responses can be found on our website at:

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

## **Schedule 2: Modifications to the ED1 Price Control Financial Handbook**

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

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