

**To: Electricity North West Limited (ENWL)
Northern Powergrid (Northeast) Limited (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
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 (SWEST)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
SP Distribution plc (SPD)
SP Manweb plc (SPMW)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)**

**Electricity Act 1989
Section 11A(1)(a)**

**Modification of the special conditions of the electricity distribution licence held by
the above licensees**

1. Each of the companies to whom this Modification is addressed is the holder of an electricity distribution licence ('the licence') granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 20 June 2016 ('the Notice') that we proposed to modify special condition 3A - the Charge Restriction Condition (Legacy price control adjustments) and the associated Part 3 of the RII0-ED1 Price Control Financial Handbook of the licence. We stated that any representations to the modification proposal must be made on or before 18 July 2016.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received six non-confidential responses to the Notice, which we carefully considered. We have placed all of these responses on our website. Our response to these comments is set out in Schedule 1.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in red type and underline in the attached Schedule 2. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 2 are to correct minor typographical errors and address minor issues and corrections raised in consultation responses.
6. For the avoidance of doubt, the alterations shown are those we have made following responses to the Notice. We are making a number of other modifications to the existing Part 3 of the RII0-ED1 Price Control Financial Handbook which were highlighted in our Statutory Consultation².
7. We are making these licence changes to incorporate methodologies enabling us to close out Distribution Price Control Review 5 (DPCR5).

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² <https://www.ofgem.gov.uk/publications-and-updates/dpcr5-close-out-statutory-consultation-changes-riio-ed1-financial-handbook>

8. The effect of the modifications is to provide a process for assessing company performance under specific schemes during DPCR5(2010-2015), and where appropriate, adjusting licensees' revenues accordingly.
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules³ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 3 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

In accordance with section 11A(1)(a) of the Act, we hereby modify the special conditions of the electricity distribution licence held by the above specified licensees in the manner specified in attached Schedule 2. This decision will take effect from 24 September 2016.

This document is notice of the reasons for the decision to modify the licence held by the above specified licensees as required by section 49A(2) of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**

Jonathan Brearley



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**Senior Partner, Networks
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

29 July 2016

³ The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

Schedule 1: Response to representations and reasons for any differences

On 20 June 2016 we published our Notice proposing modifications to special condition 3A - the Charge Restriction Condition (Legacy price control adjustments) and the associated Part 3 of the RIIO-ED1 Price Control Financial Handbook of the licence. Stakeholders comments and our response to the issues raised are in the issues log found here:

<https://www.ofgem.gov.uk/publications-and-updates/dpcr5-close-out-our-decision-following-consultation-make-changes-riio-ed1-financial-handbook>

Schedule 2: Charge Restriction Condition 3A (Legacy price control adjustments) and the associated Part 3 of the RIIO-ED1 Price Control Financial Handbook

Special condition 3A - the Charge Restriction Condition (Legacy price control adjustments) and the associated Part 3 of the RIIO-ED1 Price Control Financial Handbook of the licence are available on the Authority's website at:

<https://www.ofgem.gov.uk/publications-and-updates/dpcr5-close-out-our-decision-following-consultation-make-changes-riio-ed1-financial-handbook>

Schedule 2: Relevant Licence Holders⁴

Licensee	Company No
Eastern Power Networks Plc	2366906
Electricity North West Limited	2366949
London Power Networks Plc	3929195
Northern Powergrid (Northeast) Limited	2906593
Northern Powergrid (Yorkshire) Plc	4112320
Scottish Hydro Electric Power Distribution Plc	SC213460
South Eastern Power Networks Plc	3043097
Southern Electric Power Distribution Plc	4094290
SP Distribution Plc	SC189125
SP Manweb Plc	2366937
Western Power Distribution (East Midlands) Plc	2366923
Western Power Distribution (South Wales) Plc	2366985
Western Power Distribution (South West) Plc	2366894
Western Power Distribution (West Midlands) Plc	3600574

⁴ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>