

**To: Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) Ltd (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)**

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 Model

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')¹, gave notice on 19 July 2016 ('the Notice') to consult on changes to the ED1 Price Control Financial Model ('the Model') and the proposed date by which these modifications should take effect. The Notice required any representations to be made on or before 16 August 2016.
3. We received no representations to the Notice.
4. 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.
5. In accordance with CRC 4A.9, the Authority has modified the Model in the manner indicated in Table 1 in this Direction, in order to;
 - a) in respect of modification number 1 in Table 1, to allow for different Type B Tax Trigger event values to be entered for each of the licensees, whereas previously the value was generic;
 - b) in respect of modification number 4 in Table 1, to allow the Smart Meter true-up mechanism in 2022/23 to correctly flow into the calculations of Totex; and
 - c) in respect of all other modifications, to align labels between the Financial Model and the Financial Handbook.
6. In the opinion of the Authority, with regard to the views of the ED1 Price Control Financial Model Working Group, the 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 modifications will not have any material impact on the licensees' financial revenue.

¹ 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.

Table 1 – Location of modifications within Schedule 1 to this Direction

#	Modification	Worksheet in Model	Cell References
1	Separate Inputs for Type B Tax Trigger Events	Tax Trigger	AJ133:AQ133, C154:AQ169
2	Dynamically Linking Cover Sheet Date	Cover	C4
3	EDE Label	Input	E34
4	Totex Subcategory Allocation for Smart Meter Rollout	ENWL, NPgN, NPgY, WMID, EMID, SWALES, SWEST, LPN, SPN, EPN, SPD, SPMW, SSEH, SSES	AP149:AQ150
5	Depreciation Sheet Label	Cover	G29

7. In accordance with our powers under Part B of CRC 4A, we hereby incorporate these modifications to the Model. This Direction brings these modifications into effect as of the date of publication, 23 August 2016.
8. This document constitutes a direction issued by the Authority under Part B of CRC 4A.



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Ian Rowson
Associate Partner, RIIO Finance & Investor Relations
Duly Authorised on behalf of the Gas and Electricity Markets Authority
23 August 2016

Directed ED1 Price Control Financial Model

The directed ED1 Price Control Financial Model for the Annual Iteration Process 2016 can be found on our website at: <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-financial-model-annual-iteration-process-november-2016>