

**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)**

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 Model

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 Model ('the Model').
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 be made.
4. In accordance with CRC 4A.9, the Authority hereby gives notice to the licensees that it proposes to modify the Model in the manner indicated in Table 1 in this Notice.
5. The Authority considers that it is necessary to modify the Model in the manner indicated for the following reasons:
 - a) in respect of change number 1, for the licensees WMID, EMID, SWALES and SWEST the spread over price control years of the term 'Input used to Spread Additional Income' has been redefined to agree with the decision made at Final Proposals. Prior to this correction, the Model was distributing the value of this term equal to the relative spread of the latest view of the Totex profile. However, the decision was to spread it equal to the relative spread of the view of the Totex profile as at Final Proposals. This error in the Model was introduced to these (the Fast track) licensees when the Fast track and Slow track Price Control Financial Models were merged into a single model. The formulae have now been replaced with hardcoded values. For the other licensees (ie for Slow track licensees) the Model already reflects this policy and so no corrections have been required.
 - b) in respect of change number 2, to align labels between the Model and the ED1 Price Control Financial Handbook.

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.

6. In the opinion of the Authority and having regard to the views of the ED1 Price Control Financial Model Working Group, the proposed modifications of the Model 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 revenues.

Table 1 – Location of modifications within the Model

#	Modification	Worksheet in Model	Cell References
1	WPD, 'Input used to Spread Additional Income'	WMID, EMID, SWALES, SWEST	AJ490:AQ490
2	Totex label	TIM	D50, D63

7. The Authority proposes that these modifications will come into effect on 11 October 2017. This is later than the normal cut-off date for functional changes to the Model, 30 September (paragraph 1.16(a) of the Fast Track and Slow Track Financial Handbooks²). The non-significant changes (see Table 1) were approved at the latest Electricity Distribution Price Control Financial Model working group meeting, held 27 June 2017, for the minutes from that meeting, see the attached appendix.
8. Any representations on the proposed modifications may be made in writing on or before 10 October 2017 to the RIIO Finance team at Ofgem, 9 Millbank, London, SW1P 3GE, or by email to RegFinance@ofgem.gov.uk
9. Unless you mark your response confidential, we will publish it on our website, www.ofgem.gov.uk, and put it in our library. You can ask us to keep your response confidential, and we will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.
10. If the information you give in your response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.
11. We prefer to receive responses in electronic form so we can more easily place them on our website.



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Ian Rowson
Associate Partner, RIIO Finance & Investor Relations
Duly Authorised on behalf of the Gas and Electricity Markets Authority
12 September 2017

² <https://www.ofgem.gov.uk/publications-and-updates/latest-price-control-financial-handbooks-riio-network-operator-licensees>