

**To: The Company Secretary
South Eastern Power Networks Plc
Company Number: 03043097
Newington House
237 Southwark Bridge Road
London
SE1 6NP**

Direction under Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition CRC 2D (Adjustment of Performance on Quality of Supply Targets) of the Distribution Licence in place for the 2015/16 regulatory year.

- Whereas
- 1 South Eastern Power Networks Plc (the "Licensee") 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 The Gas and Electricity Markets Authority (the "Authority") has considered all representations and objections (if any) made by the Licensee and had regard to all relevant information and circumstances [1].
 - 3 In accordance with Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition 2D:
 - (a) the Authority has been notified of each event within 14 days of the date on which the licensee considers that the effect of the event has ceased;
 - (b) the licensee has submitted to the Authority a statement of facts with respect to each event within 56 days of the date of the notification;
 - (c) the Authority, or an Appropriate Auditor nominated by the Authority under standard condition 46 (Regulatory Instructions and Guidance), has verified the impact of each event on the licensee's performance; and
 - (d) the Authority is satisfied that each event meets the relevant exceptionality requirements and criteria for preventative and mitigating actions.

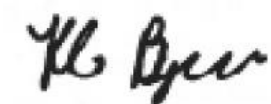
Now, for the reasons specified in Annex 1, the Authority directs under Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition CRC 2D that for the purpose of calculating CIIST and CMLIST in respect of the relevant year in which the event(s) occurred, the constituent data relevant to the events shall be adjusted as follows:

CIIST for the year commencing 1 April 2015/16 shall be adjusted from 53 to 48.7; and

CMLIST for the year commencing 1 April 2015/16 shall be adjusted from 42.5 to 36.3.

This direction constitutes notice pursuant to section 49A(1)(c) of the Act.

28 October 2016



**Kersti Berge
Partner, RIIIO Networks
Duly authorised by the Authority**

Annex 1

Explanation of the Authority's reasons for direction under Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of the Distribution Licence in place for 2015/16

1. Introduction

- 1 This document sets out the reasons for issuing a direction under Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition CRC 2D of the licence (the 'Licence') granted or treated as granted to South Eastern Power Networks Plc under section 6(1)(c) of the Electricity Act 1989.
- 2 This direction is intended to adjust South Eastern Power Networks Plc's (SPN) 2015/16 performance for the number and duration of interruptions.
- 3 The structure of the rest of this document is as follows:
Section 2 sets out the claims submitted by SPN for consideration under the quality of service incentive scheme exceptional events mechanism;
Section 3 sets out the Examiner's recommendation(s) and the Authority's decision(s); and
Section 4 sets out the Authority's revisions to performance for the exceptional events.

2. Exceptional Event claims submitted by SPN for 2015/16

- 4 SPN notified the Authority during 2015/16 that it considered the event(s) in Table 1 to have been exceptional (for the purposes of Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of special condition CRC 2D) and to have affected its performance.

Table 1: 2015/16 exceptional event claims

Date and event details	Claimed Adjustments	
	CI	CML
Severe Weather Event One: 27 March 2016 (paragraph 2D.32 of Part F)	2.59	6.05
Other Event One: 1 September 2015 (paragraph 2D.35 of Part F)	1.60	-
Total	4.19	6.05

3. Examiner's recommendations and Authority's decisions

Authority's verification - 3 July 2015 (Severe Weather Event One)

- 5 The Authority's exceptional event database calculation finds that this event was exceptional, with 102 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 54.
- 6 The Authority therefore directs that SPN's 2015/16 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.

Examiner's report – 21 July 2015 (Other Event One)

- 7 The Examiner's report finds that this event was exceptional, having breached the other event customer interruptions threshold of 1.11, with 61623 customers interrupted.
- 8 SPN was also found to have taken appropriate preventative and mitigating actions as set out in Appendix 4 of special condition CRC 2D. The Examiner therefore recommends that SPN's 2015/16 performance should be adjusted to exclude the audited impact of the customer interruptions in excess of the thresholds of 1.11 CIs and 0.89 CMLs as set out in Table 2 below.

Table 2: Audited impact of 2015/16 exceptional event claims

Date and event details	Authority's Adjustments	
	CI	CML
Severe Weather Event One: 27 March 2016 (paragraph 2D.32 of Part F)	2.67	6.13
Other Event One: 1 September 2015 (paragraph 2D.35 of Part F)	1.59	-
Total	4.26	6.13

4. Authority's revisions to performance

- 9 The Authority has verified the impact of the severe weather events and other event on performance and considered other relevant information and circumstances (such as SPN's statement of facts) and is satisfied that Severe Weather Event One and Other Event One were exceptional. Under paragraphs 2D.32 and 2D.35 of Part F of special condition CRC 2D the Authority may, therefore, in accordance with the provisions of those paragraphs, make adjustments to SPN's data in respect of these events.
- 10 The impact of the changes relates to overall company performance and the adjustment to price control revenue under the incentive scheme, rather than protection of individual customers. The Authority therefore considers it reasonable and pragmatic to apply the adjustments to the overall annual performance data rather than at a more detailed level.

Table 3: Adjustments to 2015/16 performance data for exceptional event claims

	Performance figures for 2015/16		Change for Exceptional Event(s)		Performance figures for 2015/16 adjusted for Exceptional Event(s)	
	CI	CML	CI	CML	CI	CML
Unplanned incidents	51.89	40.04	4.26	6.13	47.62	33.91
Pre-arranged incidents	2.24	4.87	-	-	1.12	2.43
NGET or transmission companies	-	-	-	-	-	-
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2015/16	54.13	44.91	4.26	6.13	49.86	38.77
Overall CIIS & CMLIS for 2015/16	53.0	42.5	4.3	6.1	48.7	36.3

The Authority directs that:

CIIS for the reporting year commencing 1 April 2015/16 should be reduced by 4.3 from 53 to 48.7.

CMLIS for the reporting year commencing 1 April 2015/16 should be reduced by 6.1 from 42.5 to 36.3.

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