

**To: The Company Secretary
Northern Powergrid (Northeast) Limited
Company Number: 02906593
Lloyds Court
78 Grey Street
Newcastle Upon Tyne
NE1 6AF**

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 Northern Powergrid (Northeast) Limited (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.

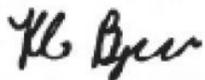
Now, for the reasons specified in Annex 1, the Authority directs under Paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition CRC 2D that for the purpose of calculating CIIS_t and CMLIS_t in respect of the relevant year in which the event(s) occurred, the constituent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

CIIS_t for the year commencing 1 April 2015/16 shall be adjusted from 66.7 to 58.3; and

CMLIS_t for the year commencing 1 April 2015/16 shall be adjusted from 63.6 to 50.1.

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

18 October 2016



**Kersti Berge
Partner, RIIO 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 Northern Powergrid (Northeast) Limited under section 6(1)(c) of the Electricity Act 1989.
- 2 This direction is intended to adjust Northern Powergrid (Northeast) Limited's (NPGN) 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 NPGN 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 NPGN for 2015/16

- 4 NPGN 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: 1 July 2015 (paragraph 2D.32 of Part F) | 3.51 | 4.91 |
| Severe Weather Event Two: 4 December 2015 (paragraph 2D.32 of Part F) | 2.16 | 6.71 |
| Severe Weather Event Three: 29 January 2016 (paragraph 2D.32 of Part F) | 1.57 | 1.71 |
| Other Event One: 17 September 2015 (paragraph 2D.35 of Part F) | 1.11 | - |
| Total | 8.35 | 13.33 |

3. Examiner's recommendations and Authority's decisions

- 5 Authority's verification - 1 July 2015 (Severe Weather Event One)
The Authority's exceptional event database calculation finds that this event was exceptional, with 150 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 37.
- 6 The Authority therefore directs that NPGN's 2015/16 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.
- 7 Authority's verification - 4 December 2015 (Severe Weather Event Two)
The Authority's exceptional event database calculation finds that this event was exceptional, with 45 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 37.
- 8 The Authority therefore directs that NPGN's 2015/16 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.
- 9 Authority's verification - 29 January 2016 (Severe Weather Event Three)
The Authority's exceptional event database calculation finds that this event was exceptional, with 45 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 37.
- 10 The Authority therefore directs that NPGN's 2015/16 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.
- 11 Examiner's report - 17 September 2015 (Other Event One)
The Examiner's report finds that this event was exceptional, having breached the other event customer interruptions threshold of 1.58, with 42962 customers interrupted.
- 12 NPGN 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 NPGN's 2015/16 performance should be adjusted to exclude the audited impact of the customer interruptions in excess of the threshold of 1.58 CIs 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: 1 July 2015 (paragraph 2D.32 of Part F) | 3.49 | 4.88 |
| Severe Weather Event Two: 4 December 2015 (paragraph 2D.32 of Part F) | 2.21 | 6.84 |
| Severe Weather Event Three: 29 January 2016 (paragraph 2D.32 of Part F) | 1.58 | 1.73 |
| Other Event One: 17 September 2015 (paragraph 2D.35 of Part F) | 1.11 | - |
| Total | 8.39 | 13.45 |

4. Authority's revisions to performance

- 13 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 NPGN's statement of facts) and is satisfied that Severe Weather Events One, Two and Three 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 NPGN's data in respect of these events.
- 14 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.
- 15 The adjustments to the annual performance data are shown in Table 3 below.

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 | |
|----------------------------------|---------------------------------|-------|---------------------------------|-------|---------------------------------|-------|
| | CI | CML | CI | CML | CI | CML |
| Unplanned incidents | 63.77 | 56.76 | 8.39 | 13.45 | 55.38 | 43.31 |
| Pre-arranged incidents | 5.93 | 13.60 | - | - | 2.97 | 6.80 |
| NGET or transmission companies | - | - | - | - | - | - |
| Any other connected systems | - | - | - | - | - | - |
| Distributed generators | - | - | - | - | - | - |
| Overall CI & CML for 2015/16 | 69.70 | 70.36 | 8.39 | 13.45 | 61.31 | 56.91 |
| Overall CIIS & CMLIS for 2015/16 | 66.7 | 63.6 | 8.4 | 13.5 | 58.3 | 50.1 |

The Authority directs that:

CIIS for the reporting year commencing 1 April 2015/16 should be reduced by 8.4 from 66.7 to 58.3.

CMLIS for the reporting year commencing 1 April 2015/16 should be reduced by 13.5 from 63.6 to 50.1.

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