

**Final Direction**

**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  
2016/17 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, where required.

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 2016/17 shall be adjusted from 57.6 to 53.3; and

CMLIST for the year commencing 1 April 2016/17 shall be adjusted from 46.7 to 45.

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

**31 October 2017**

SIGNED on 31 October 2017

**Steven McMahon  
Associate Partner, RIIO Electricity  
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 2016/17

#### (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) 2016/17 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 2016/17

- 4 NPGN notified the Authority during 2016/17 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: 2016/17 exceptional event claims**

Date and event details	Claimed Adjustments	
	CI	CML
<b>Other Event One: 20 July 2016 (paragraph 2D.35 of Part F)</b>	0.73	-
<b>Severe Weather Event One: 16 September 2016 (paragraph 2D.32 of Part F)</b>	2.56	1.70
<b>Other Event Two: 14 November 2016 (paragraph 2D.35 of Part F)</b>	1.02	-
<b>Total</b>	4.31	1.70

#### (3) Examiner's recommendations and Authority's decisions

##### Authority's verification - 16 September 2016 (Severe Weather Event One)

- 5 The Authority's exceptional event database calculation finds that this event was exceptional, with 85 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 37.
- 6 Following our audit, the Authority therefore directs that NPGN's 2016/17 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.

##### Examiner's report – 20 July 2016 (Other Event One)

- 7 The Examiner's report finds that this event was exceptional, having breached the other event customer interruptions threshold of 1.58, with 36876 customers interrupted.
- 8 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 2016/17 performance should be adjusted to exclude the audited impact of the customer interruptions in excess of the thresholds of 1.58 CIs and 1.26 CMLs as set out in Table 2 below.

##### Examiner's report – 14 November 2016 (Other Event Two)

- 9 The Examiner's report finds that this event was exceptional, having breached the other event customer interruptions threshold of 1.58, with 41585 customers interrupted.
- 10 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 2016/17 performance should be adjusted to exclude the audited impact of the customer interruptions in excess of the thresholds of 1.58 CIs and 1.26 CMLs as set out in Table 2 below.

**Table 2: Audited impact of 2016/17 exceptional event claims**

Date and event details	Authority's Adjustments	
	CI	CML
<b>Other Event One: 20 July 2016 (paragraph 2D.35 of Part F)</b>	0.72	-
<b>Severe Weather Event One: 16 September 2016 (paragraph 2D.32 of Part F)</b>	2.56	1.69

<b>Other Event Two: 14 November 2016 (paragraph 2D.35 of Part F)</b>	1.02	-
<b>Total</b>	4.30	1.69

#### (4) Authority's revisions to performance

- 12 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, Other Event One and Other Event Two 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.
- 13 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.
- 14 The adjustments to the annual performance data are shown in Table 3 below.

**Table 3: Adjustments to 2016/17 performance data for exceptional event claims**

	Performance figures for 2016/17		Change for Exceptional Event(s)		Performance figures for 2016/17 adjusted for Exceptional Event(s)	
	CI	CML	CI	CML	CI	CML
Unplanned incidents	54.62	39.32	4.30	1.69	50.32	37.63
Pre-arranged incidents	5.94	14.76	-	-	2.97	7.38
NGET or transmission companies	-	-	-	-	-	-
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2016/17	60.56	54.08	4.30	1.69	56.26	52.38
Overall CIIS & CMLIS for 2016/17	57.6	46.7	4.3	1.7	53.3	45.0

The Authority directs that:

CIIS for the reporting year commencing 1 April 2016/17 should be reduced by 4.3 from 57.6 to 53.3.

CMLIS for the reporting year commencing 1 April 2016/17 should be reduced by 1.7 from 46.7 to 45.

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