

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

Direction under Paragraph 2D.32 (Severe Weather 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 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 Paragraph 2D.32 (Severe Weather 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 Paragraph 2D.32 (Severe Weather 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 2016 shall be adjusted from 50.1 to 47.7; and

CMLIS_t for the year commencing 1 April 2016 shall be adjusted from 36.9 to 35.1.

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**

Explanation of the Authority's reasons for direction under Paragraph 2D.32 (Severe Weather Events) of the Distribution Licence in place for 2016/17

(1) Introduction

- 1 This document sets out the reasons for issuing a direction under Paragraph 2D.32 (Severe Weather 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) 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 SPN for consideration under the quality of service incentive scheme exceptional events mechanism;
Section 3 sets out the Authority's decision; and
Section 4 sets out the Authority's revisions to performance for the exceptional events.

(2) Exceptional Event claims submitted by SPN for 2016/17

- 4 SPN notified the Authority during 2016/17 that it considered the event(s) in Table 1 to have been exceptional (for the purposes of Paragraph 2D.32 (Severe Weather 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
Severe Weather Event One: 19 November 2016 (paragraph 2D.32 of Part F)	1.18	0.95
Severe Weather Event Two: 23 February 2017 (paragraph 2D.32 of Part F)	1.14	0.86
Total	2.32	1.81

(3) Authority's decision(s)

Authority's verification - 19 November 2016 (Severe Weather Event One)

- 5 The Authority's exceptional event database calculation finds that this event was exceptional, with 58 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 54.
- 6 Following our audit, the Authority therefore directs that SPN's 2016/17 performance should be adjusted to exclude the audited impact of the incidents, as set out in Table 2 below.

Authority's verification - 23 February 2017 (Severe Weather Event Two)

- 7 The Authority's exceptional event database calculation finds that this event was exceptional, with 65 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 54.
- 8 Following our audit, the Authority therefore directs that SPN's 2016/17 performance should be adjusted to exclude the audited impact of the incidents, 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
Severe Weather Event One: 19 November 2016 (paragraph 2D.32 of Part F)	1.22	0.96
Severe Weather Event Two: 23 February 2017 (paragraph 2D.32 of Part F)	1.17	0.88
Total	2.39	1.85

(4) Authority's revisions to performance

- 9 The Authority has verified the impact of the severe weather event(s) 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 Severe Weather Event Two were exceptional. Under paragraph 2D.32 of Part F of special condition CRC 2D the Authority may, therefore, in accordance with the provisions of that paragraph, 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.
- 11 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	48.92	34.20	2.39	1.85	46.53	32.35
Pre-arranged incidents	2.38	5.42	-	-	1.19	2.71
NGET or transmission companies	-	-	-	-	-	-
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2016/17	51.30	39.62	2.39	1.85	48.91	37.77
Overall CIIS & CMLIS for 2016/17	50.1	36.9	2.4	1.8	47.7	35.1

The Authority directs that:

CIIS for the reporting year commencing 1 April 2016 should be reduced by 2.4 from 50.1 to 47.7.

CMLIS for the reporting year commencing 1 April 2016 should be reduced by 1.8 from 36.9 to 35.1.

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