

To:

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)
Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) Ltd (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
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 with respect to the voluntary return by Western Power Distribution (WPD) of unspent Rail Electrification allowances

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 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.

Table 1 – Location of modifications within the Model

Nature of Modification	Sheet reference	Cell reference
Voluntary return of £77m in respect of unspent Rail Electrification (RE) allowances, profiled across the specified licensees for each of the years 2021 – 2023.	WMID, EMID, SWALES, SWEST	AJ26:AQ26

¹The "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.

5. The Authority considers that it is necessary to modify the Model in the manner indicated in order to facilitate WPD's voluntary return of £77m of unspent Rail Electrification allowances following the UK Government's cancellation, in July 2017, of a number of rail electrification schemes within WPD's network.²
6. We have agreed with WPD that the handback will be spread across the last three years of the RIIO-ED1 price control and will be split between each of the licensees WMID, EMID, SWALES and SWEST, in accordance with the profile shown in Table 2, below. The handback will be an effective reduction in the allowances of those licensees and will be implemented in the Model as a negative value against the Rail Electrification (RE) term for each of the years 2021 – 2023, as shown in Table 2.

Table 2 – Profile of allowances across each licensee

<i>(2012/13 prices)</i>	2016	2017	2018	2019	2020	2021	2022	2023	Total
WMID	0.00	0.00	0.00	0.00	0.00	(6.47)	(6.47)	(6.47)	(19.42)
EMID	0.00	0.00	0.00	0.00	0.00	(3.40)	(3.40)	(3.40)	(10.19)
SWALES	0.00	0.00	0.00	0.00	0.00	(12.72)	(12.72)	(12.72)	(38.17)
SWEST	0.00	0.00	0.00	0.00	0.00	(3.08)	(3.08)	(3.08)	(9.24)
Total	0.00	0.00	0.00	0.00	0.00	(25.67)	(25.67)	(25.67)	(77.01)

Note: Brackets denote negative numbers.

7. 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. This is on the basis that the modifications were proposed by WPD and agreed to by the Authority. Furthermore, these proposed modifications will have no impact on the other licensees and were approved at the latest ED1 Price Control Financial Model Working Group meeting, held on 24 July 2018, the minutes of which are in the attached appendix, published alongside this notice.
8. The Authority proposes that these modifications will come into effect on 31 August 2018. This falls within the normal cut-off date for functional changes to the Model, that being 30 September (paragraph 1.16(a) of the Fast Track and Slow Track Financial Handbooks).³
9. Any representations to the proposed modifications should be made on or before 24 August 2018 either in writing to the Regulatory Finance team at Ofgem, 10 South Colonnade, Canary Wharf, London E14 4PU, or by email to RegFinance@ofgem.gov.uk.
10. 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

² https://www.ofgem.gov.uk/system/files/docs/2018/06/stat_con_on_wpd_licence_changes_final.pdf

³ https://www.ofgem.gov.uk/system/files/docs/2017/08/ed1_handbook_v4_fasttrack_0.pdf

response confidential, you should clearly mark your response to that effect and include reasons.

11. If the information you give in your response contains personal data under the General Data Protection Regulations 2016/379 (GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. 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.
12. We prefer to receive responses in electronic form so we can more easily place them on our website.



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Geoffrey Randall
Deputy Director, Network Price Controls
Duly Authorised on behalf of the Gas and Electricity Markets Authority
27 July 2018

