

**To: Electricity North West Ltd
Northern Powergrid (Northeast) Ltd
Northern Powergrid (Yorkshire) plc
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)
London Power Networks plc
South Eastern Power Networks plc
Eastern Power Networks plc
SP Distribution plc
SP Manweb plc
Scottish Hydro Electric Power Distribution plc
Southern Electric Power Distribution plc**

Direction 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 Direction 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. In accordance with Part B of Charge Restriction Condition (CRC) 4A (Governance of ED1 Price Control Financial Instruments) of the Electricity Distribution Licence, the Gas and Electricity Markets Authority (the 'Authority')¹, gave notice on 27 July 2018 ('the Notice') to make modifications to the ED1 Price Control Financial Model ('the Model')². The deadline for representations, in respect of this Notice, to be made was on or before 24 August 2018.
3. We received no representations in response to the Notice, prior to the close of the above mentioned period.
4. The reason the Authority has decided to modify the Model in the manner indicated in Table 1 (below) in this Direction, is 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.
5. 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 in this Direction. 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.
6. In accordance with our powers under Part B of CRC 4A, we hereby direct that the modifications to the Model in Table 1 in this Direction are made. These modifications are to have effect from 31 August 2018.

¹ The "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.

² <https://www.ofgem.gov.uk/publications-and-updates/notice-modify-ed1-price-control-financial-model-respect-voluntary-return-unspent-rail-electrification-allowances-western-power-distribution>

7. This document constitutes direction issued by the authority under part B of CRC 4A.

G Randall

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

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

Table 2 – Profile of reduction in 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.