

**To: Electricity North West Ltd  
Northern Powergrid (Northeast) Ltd  
Northern Powergrid (Yorkshire) Plc  
London Power Networks Plc  
South Eastern Power Networks Plc  
Eastern Power Networks Plc  
SP Distribution Plc (SPD)  
SP Manweb Plc  
Scottish Hydro Electric Power Distribution Plc  
Southern Electric Power Distribution Plc  
Southern Power Distribution (East Midlands) Plc  
Western Power Distribution (South Wales) Plc  
Western Power Distribution (South West) Plc  
Western Power Distribution (West Midlands) Plc**

**Electricity Act 1989  
Section 11A(2)**

**Notice of statutory consultation on a proposal to modify the ED1 Price Control  
Financial Instruments as defined under the Special Conditions of the Electricity  
Distribution licence held by the above licensees**

1. The Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> proposes to modify the ED1 Price Control Financial Model ('Financial Model') and the ED1 Price Control Financial Handbook ('Handbook'), as defined in Charge Restriction Condition 1B (Interpretation of Part 4) of the Electricity Distribution licence.
2. Each of the above mentioned licensees holds an Electricity Distribution license granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 ('the Act').
3. By virtue of paragraph 4A.2 of Charge Restriction Condition 4A (Governance of ED1 Price Control Financial Instruments) of the above specified licensees' Electricity Distribution licence, each of the ED1 Price Control Financial Instruments form part of this condition, and as such can be modified under section 11A of the Act.
4. In accordance with section 11A(2) of the Act, the Authority hereby gives notice to the licensees that it proposes to modify the Financial Model and the Handbook to introduce three additional Variable Values, UCSEFEC, UCSESPC and UCSEBC, in both the Financial Model and the Handbook and the associated allowed expenditure of £85.4 million in the Financial Model.
5. The Authority considers that it is necessary to modify the Handbook and the Financial Model in the manner indicated to give effect to the decision it made on

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<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

allowed costs for Scottish Hydro Electric Power Distribution (SHEPD) for the Extended Interim Energy Solution for Shetland.<sup>2</sup>

6. The effect of these proposed modifications is to introduce the new Variable Values in both the Financial Model and Handbook to ensure that SHEPD can recover the costs associated with the Extended Interim Energy Solution for Shetland from 2019/20 to 2022/23, along with the ex-ante cost allowances set out for each term. The modification to the ED1 Price Control Financial Model will increase SHEPD's variant allowed costs by a total of £85.4 million over the regulatory periods from 2019/20 to 2022/23.
7. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively they are available from [foi@ofgem.gov.uk](mailto:foi@ofgem.gov.uk).
8. Any representations with respect to the proposed licence modifications may be made on or before 23 August 2018 to: Penny Harandy, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to [penny.harandy@ofgem.gov.uk](mailto:penny.harandy@ofgem.gov.uk).
9. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
10. If we decide to make the proposed modifications, they will take effect not less than 56 days from the date of publication of the decision.

**Min Zhu**



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**Deputy Director - RIIO Transmission**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**  
**25 July 2019**

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<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/10/shetland\\_interim\\_solution\\_-\\_licence\\_decision\\_-\\_ls\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/10/shetland_interim_solution_-_licence_decision_-_ls_0.pdf)

