

The Company Secretary
Northern Powergrid (Northeast) Plc
Company Number: 02906593
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NE1 6AF

Your Ref: NPGN Final Direction 19/20
Our Ref: NPGN Final Direction 19/20
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Date: 30 October 2020

Direction under paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F (Adjustment of performance on quality of supply targets) of Special Condition CRC 2D: Adjustment of licensee's revenues to reflect interruptions-related quality of service performance, of the Distribution Licence in place for the 2019/20 Regulatory Year.

Whereas

- 1 Northern Powergrid (Northeast) 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")¹ has considered all representations made by the Licensee and had regard to all relevant information and circumstances.
- 3 In accordance with the requirements of Paragraph 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of Part F of Special Condition CRC 2D of the Licence:
 - (i) 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;

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

- (ii) 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;
 - (iii) the Authority, or an Appropriate Auditor nominated by the Authority under standard condition 46 (Regulatory Instructions and Guidance) of the Licence, has verified the impact of each event on the Licensee's performance;
 - and
 - (iv) the Authority is satisfied that each event meets the relevant exceptionality requirements and criteria for preventative and mitigating actions; and
- 4 In accordance with the requirements of sub paragraphs (b) and (e)(iii) of Paragraph 2D.35 (Other Events) of Part F of Special Condition CRC 2D of the Licence:
- (i) the licensee has provided such further information, if any, as the Authority may require; and
 - (ii) the Authority is satisfied that any payments under the Regulations by the Licensee to Customers in respect of the event should be recovered via this Licence condition.

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 of the Licence that, for the purpose of calculating CIIST and CMLIST in respect of the relevant Regulatory Year in which the event occurred, the constituent data relevant to the event shall be adjusted as follows:

CIIST for the Regulatory Year commencing 1 April 2019 shall be adjusted from 52.1 to 47; and

CMLIST for the Regulatory Year commencing 1 April 2019 shall be adjusted from 45.6 to 44.1.

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

30 October 2020

SIGNED on 30 October 2020

Steven McMahon

Deputy Director, Electricity Distribution and Cross Sector, Systems & Network
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 Part F of Special Condition CRC 2D of the Licence

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.
- 2 This direction adjusts the Licensee's 2019/20 performance on quality of supply targets for the number and duration of interruptions.
- 3 The structure of the rest of this document is as follows:
 - (i) Section 2 sets out the claim submitted by NPGN for consideration under paragraphs 2D.32 (Severe Weather Events) and 2D.35 (Other Events) of the Licence;
 - (ii) Section 3 sets out the Authority's analysis and decision on the claim; and
 - (iii) Section 4 sets out the Authority's revisions to the Licensee's performance for the exceptional event.

2. Exceptional Event claims submitted by NPGN for 2019/20

- 4 NPGN notified the Authority during the Regulatory Year 2019/20 that it considered the event 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 on quality of supply targets for the number² and duration of interruptions.³ It claimed the adjustments shown in the table below:

² Customers Interrupted (CIs) is the proportion of total customers whose supplies have been interrupted. This is calculated by summing the number of customers with an interruption of supply that lasted for three minutes or longer, multiplying by 100 and dividing by the total number of customers.

³ Customer Minutes Lost (CMLs) is a measure of the duration of interruptions to supply. It is the average customer minutes lost per customer, where an interruption of supply lasts for three minutes or longer.

Table 1: 2019/20 exceptional event claims

Date and event details	Claimed Adjustments	
	CI	CML
Severe Weather Event One: 24 July 2019 (paragraph 2D.32 of Part F)	3.07	0.79
Other Event One: 26 July 2019 (paragraph 2D.35 of Part F)	2.07	0.69
Total	5.14	1.48

3. The Authority's analysis and decisions on the claims**Severe Weather Event One: 24 July 2019**

- 5 This was a claim for 3.07 CIs and 0.79 CMLs because of lightning.
- 6 The Authority's exceptional event database calculation finds that this event was exceptional, with 43 incidents at higher voltages being recorded in a 24 hour period, against a threshold of 37 set out in Appendix 2 to Special Condition CRC 2D.
- 7 The Authority therefore directs that NPGN's performance for the Regulatory Year 2019/20 should be adjusted to exclude the audited impact of the event, as set out in Table 2 below.

Other Event One: 26 July 2019

- 8 This was a claim for 2.07 CIs and 0.69 CMLs because of a fault on a 33kV voltage transformer.
- 9 The Authority appointed an Appropriate Auditor under Standard Condition 46 to audit the claim.
- 10 The Appropriate Auditor's report finds that the other event customers interrupted threshold of 1.58 in Appendix 3 of Special Condition CRC 2D was exceeded, with 58688 customers interrupted.
- 11 The Appropriate Auditor's report finds that the other event customer minutes lost threshold of 1.26 in Appendix 3 of Special Condition CRC 2D was exceeded, with 3132308 minutes of supply lost.

- 12 The Licensee was also found to have taken appropriate preventative and mitigating actions as set out in Appendix 4 of CRC2D. The Appropriate Auditor therefore recommended that the Licensee's performance for the Regulatory Year 2019/20 should be adjusted to exclude the audited impact of the event as set out in Table 2 below.

Table 2: Audited impact of 2019/20 exceptional event claims

Date and event details	Authority's Adjustments	
	CI	CML
Severe Weather Event One: 24 July 2019 (paragraph 2D.32 of Part F)	3.06	0.80
Other Event One: 26 July 2019 (paragraph 2D.35 of Part F)	2.06	0.68
Total	5.12	1.48

4. Authority's revisions to performance

- 13 The Authority has verified the impact of the severe weather event on performance and considered other relevant information and circumstances (such as NPGN's statement of facts) and is satisfied that Severe Weather Event One and Other Event One 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 that paragraph, make adjustments to NPGN's data in respect of this event.
- 14 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.
- 15 The adjustments to the annual performance data are shown in Table 3 below.

Table 3: Adjustments to 2019/20 performance data for exceptional event claims

	Performance figures for 2019/20		Change for Exceptional Event(s)		Performance figures for 2019/20 adjusted for Exceptional Event(s)	
	CI	CML	CI	CML	CI	CML
Unplanned incidents	50.67	42.69	5.12	1.48	45.55	41.21
Pre-arranged incidents	2.85	5.79	-	-	1.42	2.90
NGET or transmission companies	-	-	-	-	-	-
Any other connected systems	-	-	-	-	-	-
Distributed generators	-	-	-	-	-	-
Overall CI & CML for 2019/20	53.52	48.49	5.12	1.48	48.39	47.00
Overall CIIS & CMLIS for 2019/20	52.10	45.59	5.12	1.48	46.97	44.10

The Authority directs that:

CIIS for the Regulatory Year commencing 1 April 2019 should be reduced by 5.1 from 52.1 to 47.

CMLIS for the Regulatory Year commencing 1 April 2019 should be reduced by 1.5 from 45.6 to 44.1.