

The Company Secretary:

Electricity North West Ltd  
(Company Number 02366949)  
304 Bridgewater Place  
Birchwood Park  
Warrington  
WA3 6XG

## **SECTION 11A OF THE ELECTRICITY ACT 1989**

MODIFICATION OF THE DISTRIBUTION LICENCE HELD BY ELECTRICITY NORTH WEST LTD  
GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(c) OF THE ELECTRICITY ACT 1989

### **WHEREAS**

1. Electricity North West Limited (ENWL) ("the Licensee") holds an electricity distribution licence ("the Licence") granted or treated as granted by the Gas and Electricity Markets Authority ("the Authority") under section 6(1)(c) of the Electricity Act 1989 ("the Act").
2. In accordance with section 11A(2) of the Act the Authority gave notice on its website on 21 June 2013 that it proposed to modify the Licence by inserting into paragraph 2 of Special Condition CRC 14 (Distribution Charges: supplementary restrictions) an additional sub-paragraph (b). This sub-paragraph is to provide for the value for the interest rate adjustment applied by the Licensee in the Regulatory Year beginning on 1 April 2012 to over and under recoveries of revenue ('the PRt term'), to be set in a direction given by the Authority, as set out in bold and struck-through text in Annex 1 to that notice. The Authority specified that any representations on the proposed modification should be made on or before 22 July 2013.
3. In accordance with section 11A(4) of the Act the Authority sent a copy of the notice of its proposal to make the modification to the Secretary of State and did not receive, by 22 July 2013 or at all, a direction from the Secretary of State not to make any modification.
4. No representations on the modification were received by the Authority by 22 July 2013. ENWL submitted a representation on 23 July 2013 supporting the licence change.
5. The reasons for the decision to modify the Licence are set out in the Authority's consultation letter dated 10 May 2013 (reference 79/13) and in its decision letter dated 21 June 2013, which are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). In summary, the modification will prevent the Licensee being unfairly penalised for under recovery of revenue resulting from the Authority's decision not to activate the DPCR5 losses incentive mechanism.

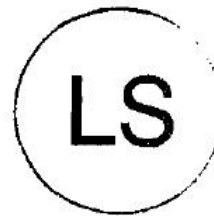
6. The effect of the modification will be to stipulate that the PRt term in the Regulatory Year beginning on 1 April 2012 is to be set in a direction given by the Authority provided that the value shall either be zero, 1.5 or 3.

**NOW THEREFORE**

In accordance with the powers contained in section 11A of the Act, the Authority hereby modifies the Licence by inserting into paragraph 2 of Special Condition CRC 14 (Distribution Charges: supplementary restrictions) an additional sub-paragraph (b) to provide for the value for the interest rate adjustment applied by the Licensee in the Regulatory Year beginning on 1 April 2012 to over and under recoveries of revenue ('the PRt term') to be set in a direction to be given by the Authority, as set out in Annex 1.

This document constitutes notice of the reasons for the Authority's decision pursuant to section 49A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority hereto affixed is authenticated by the signature of**



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**Hannah Nixon**  
**Senior Partner, Smarter Grids and Governance**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**30 July 2013**

**Annex 1: Modification to Charge Restriction Condition (CRC) 14 of Electricity North West Limited's electricity distribution licence**

**Part A: Interest adjustment for over and under recoveries of revenue**

14.2 For the purposes of Part D of CRC 3 (Restriction of Distribution Charges: Use of System Charges), the value of the interest rate adjustment PRt is to be treated as follows:

- (a) in the Regulatory Years beginning on 1 April 2010 and 1 April 2011, PRt will be set in a direction given by the Authority in the Regulatory Year concerned provided that the value directed shall either be zero, 1.5 or 3; **and**
- (b) **in the Regulatory Year beginning on 1 April 2012, if circumstances related to the decision not to activate the Distribution Losses Incentive Mechanism (ref 149/12) are deemed by the Authority to have impacted on Regulated Combined Distribution Network Revenue causing either (c) (i) or (ii) to come into effect, and the Authority considers that these circumstances require the PRt to be set to a different value, then PRt will be set in a direction given by the Authority for the Regulatory Year concerned providing that the value directed shall either be zero, 1.5 or 3;**

**(c)** in other Regulatory Years:

- (i) if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue exceeds 103 per cent of Combined Allowed Distribution Network Revenue, PRt must have the value of 3;
- (ii) if, in respect of Regulatory Year t-1, Regulated Combined Distribution Network Revenue is less than 97 per cent of Combined Allowed Distribution Network Revenue, PRt must have the value of zero;

and in all other cases:

- (iii) PRt must have the value of 1.5.