

IN THE MATTER OF AN APPEAL UNDER SECTION 11C OF THE ELECTRICITY  
ACT 1989

NORTHERN POWERGRID (NORTHEAST) LIMITED  
NORTHERN POWERGRID (YORKSHIRE) PLC

**Appellants**

-and-

GAS AND ELECTRICITY MARKETS AUTHORITY

**Respondent**

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Order of the CMA

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UPON the application dated 27 February 2015 for permission to appeal ('Notice of Appeal') the Gas and Electricity Markets Authority's ('GEMA') decision of 3 February 2015 ('Decision') brought by Northern Powergrid (Northeast) Limited (NPgN) and Northern Powergrid (Yorkshire) PLC (NPgY) (together the 'Appellants')

AND UPON the CMA granting permission to appeal on 30 March 2015

AND UPON the CMA having made a determination for the reasons set out in the CMA's Final Determination

AND UPON the CMA confirming the Decision insofar as the appeal has been dismissed

AND UPON the Appellants and the CMA having agreed that the licence modifications in this appeal should reflect the outcome (insofar as it applies to the Appellants) of a separate appeal against the Decision brought by British Gas Trading Limited

AND UPON the Appellants and GEMA having been consulted on the spreadsheet annexed to this order and no objection having been made to its accuracy

IT IS HEREBY ORDERED THAT

1. The appeal is allowed in respect of Ground 1 of the Notice of Appeal for the reasons set out in the CMA's Final Determination;
2. The appeal is dismissed in relation to Grounds 2 and 3 of the Notice of Appeal for the reasons set out in the CMA's Final Determination;
3. In order to correct the errors which the CMA identified in its Final Determination, the CMA hereby substitutes the following figures for those within the Appellants' licences with such substitution to take effect 14 days from the date of this order:

(a) Condition CRC 2A Appendix 1 'Values for PU term (£m, 2012/2013 prices) by licensee'

|      | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| NPgN | No change      | 246.5          | 246.5          | 246.5          | 246.5          | 246.5          | 246.5          | 246.5          |
| NPgY | No change      | 322.0          | 322.0          | 322.0          | 322.0          | 322.0          | 322.0          | 322.0          |

(b) Condition CRC 3B Appendix 1: Totex Incentive Strength Rate and Totex Capitalisation Rate

|      | <b>Totex Incentive Strength Rate (%)</b> | <b>Totex Capitalisation rate</b> |
|------|--|----------------------------------|
| NPgN | 55.84                                    | No change                        |
| NPgY | 55.84                                    | No change                        |

(c) Condition CRC 3G, Appendix 1: Opening level of allowed expenditure for Load Related Expenditure for each licensee (£m, in 2012/13 prices)

|      | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| NPgN | 18.9           | 16.4           | 13.7           | 13.0           | 16.0           | 13.3           | 8.1            | 7.9            |
| NPgY | 8.0            | 10.4           | 10.7           | 14.5           | 19.0           | 15.5           | 12.1           | 14.3           |

(d) Condition CRC 3G, Appendix 2: Total Opening level of allowed expenditure and the material amount for application and notification windows for each licensee (£m, in 2012/13 prices)

|      | <b>Total Opening level of<br/>allowed expenditure<br/>(TLRRCOV)</b> |
|------|---|
| NPgN | 107.2   |
| NPgY | 104.5   |

4. The CMA hereby substitutes the spreadsheet annexed to this order for the ED1 Price Control Financial Model (as defined in licence condition CRC 1B) which applies to slow track DNOs as published at the date of this order and which is incorporated into the slow-track DNOs' licences by virtue of licence condition CRC 4A, such substitution to take effect 14 days from the date of this order;
5. The parties to pay in equal shares the costs incurred by the CMA in connection with this appeal;
6. Each party to bear their own costs.

John Wotton  
*CMA Inquiry Chair*  
 29 September 2015