

To:
National Grid Electricity Transmission Plc

Electricity Act 1989
Section 11A (2)

**Modification of the Special Conditions of the electricity transmission licence held
by the above licensee**

1. The licensee to whom this document is addressed ('the licensee') is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 14 June 2021 ('the Notice') that we propose to modify the Licence by:
 - a. replacing an existing Special Condition: Special Condition 3.35 Bengeworth Road GSP Project Re-opener; and
 - b. amending Special Condition 1.1 (Interpretation and Definitions), Appendices 1 and 2 to Special Condition 3.4 (Physical Security Re-opener and Price Control Deliverable), and Special Condition 3.36 (Opex Escalator).
3. We stated that any representations to the modification proposal must be made on or before 12 July 2021.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
5. We received 1 response to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. This response has not resulted in any change to the modifications proposed to the licence, but has resulted in a minor change in the content of the NGET Redacted Information Document: an addition/amendment of the fourth bullet point of Special Condition 3.35 Bengeworth Road GSP Project Price Control Deliverable (BRGt) which is shown in track change and highlight.
6. It has also been necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in track change and highlight for the Special Conditions in the modification text. The reasons for the differences between the modifications set out in the Notice and the modifications being made are to update the date of issue of the NGET Redacted Information Document and to make consequential amendments to two definitions to add or remove references to Special Condition 3.35.
7. The reasons and effects for making the modifications can be found at [RIIO-2 Bengeworth Road Grid Supply Point Project Re-opener – Statutory Consultation on Licence Changes | Ofgem](#) and the full text of the modifications can be found in an Annex to this document. Alternatively, they are available from foi@ofgem.gov.uk.

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

8. In addition, further details and background on these licence changes are set out in the following documents:
- a. National Grid Electricity Transmission (NGET) Bengeworth Road Grid Supply Point (GSP) Project, Consultation, 16 April 2021²
 - b. National Grid Electricity Transmission (NGET) Bengeworth Road Grid Supply Point (GSP) Project, Decision, 14 June 2021³
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁴ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.
10. Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the Special Conditions of the Electricity Transmission licence of the licensee in the manner specified in the Annex. This decision will take effect from 13 October.
11. This document is our notice of reasons for the purposes of section 49A(2) of the Act.

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Min Zhu
Deputy Director
Duly authorised on behalf of the
Gas and Electricity Markets Authority

17 August 2021

² Bengeworth Rd Consultation - <https://www.ofgem.gov.uk/publications/national-grid-electricity-transmission-nget-bengeworth-road-grid-supply-point-gsp-project>

³ Bengeworth Rd Reopener Decision - <https://www.ofgem.gov.uk/publications/national-grid-electricity-transmission-nget-bengeworth-road-grid-supply-point-gsp-project-0>

⁴ CMA70 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Annex 1 – Modification text

We have set out only the relevant parts of Special Conditions 1.1 and 3.4 that are being modified. We have set out all of Special Condition 3.36. Changes being made are shown in underline or strikethrough and those being made since the notice proposing the modifications is additionally shown in yellow highlight.

Special Condition 3.35 is being replaced in full and so we have set out the replacement text without showing the existing text in strikethrough. There have been no changes since the notice proposing the modifications.

Special Condition 1.1 Interpretation and definitions

NGET Redacted Information Document	means the document of that name sent by the Authority to the licensee on 14 June 17 August 2021 containing information redacted from this licence.
...	...
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.9, 3.10, 3.14, 3.15, 3.20 to 3.25, and 3.27 <u>and 3.35</u> .
...	...
Re-opener	means the mechanisms created by: (a) Special Conditions 3.6 to 3.8, 3.13, 3.16, 3.31 to 3.34 and 3.45 and (b) Parts C, D and E of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C, D and E of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), , Part C of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.27 (SF6 asset intervention Re-opener and Price Control Deliverable).

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUPt and PSUPREt)

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
NGET Redacted Information Document	14 June 17 August 2021

Appendix 2

Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
NGET Redacted Information Document	14 June 17 August 2021

Special Condition 3.35 Bengeworth Road GSP Project Price Control Deliverable (BRG_t)

Introduction

3.35.1 The purpose of this condition is to calculate the term BRG_t (the Bengeworth Road GSP Project Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.35.2 The effect of this condition is to:

- (a) specify the outputs, delivery date and associated allowances for the Bengeworth Road GSP Project Price Control Deliverable; and
- (b) provide for an assessment of the Price Control Deliverable.

3.35.3 This condition also explains the process the Authority will follow when directing any changes under Part C.

Part A: Formula for calculating the Bengeworth Road GSP Project Price Control Deliverable term (BRG_t)

3.35.4 The value of BRG_t is derived in accordance with the following formula:

$$BRG_t = BRGA_t - BRGRA_t$$

where:

BRGA_t means the allowance in Appendix 1; and

BRGRA_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.35.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (BRGRA_t)

3.35.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for BRGRA_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.35.7 Before making a direction under paragraph 3.35.6, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.35.8 The direction will set out any adjustment to the value of the BRGRA_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Bengeworth Road GSP Project Price Control Deliverable Outputs (£m)

	21/22	22/23	23/24	24/25	25/26	All years
Allowance	12.40	10.96	22.09	18.47	16.84	80.76
Delivery date	31 March 2026					
Outputs	As detailed in the NGET Redacted Information Document					

Special Condition 3.36 Opex Escalator (OE_t)

Introduction

- 3.36.1 The purpose of this condition is to calculate the term OE_t (the opex escalator term). This contributes to the calculation of the Totex Allowance.
- 3.36.2 The effect is to provide an additional allowance for operating expenditure where capital expenditure has been provided under particular uncertainty mechanisms.

Formula for calculating the opex escalator term (OE_t)

- 3.36.3 The value of OE_t is derived in accordance with following formula:

$$OE_t = NOCA_t + CAIA_t$$

where:

$NOCA_t$ is the network operating costs uplift allowance derived in accordance with paragraph 3.36.4; and

$CAIA_t$ is the closely associated indirect uplift allowance derived in accordance with paragraph 3.36.5.

- 3.36.4 The value of $NOCA_t$ is derived in accordance with the following formula:

$$NOCA_t = \sum_i [('2025/26' - t + 1) \cdot 0.5\% \cdot UMTERMA_{i,t}]$$

where

i refers to an individual project;

$('2025/26' - t + 1)$ means the number of Regulatory Years remaining in the Price Control Period, including Regulatory Year t ; and

$UMTERMA_{i,t}$ is the total direct capex allowance for project i , energising in Regulatory Year t , provided by the following terms:

GCE_t in Special Condition 3.11 (Generation Connections volume driver);

DRI_t in Special Condition 3.12 (Demand Connections volume driver);

$LOTIRE_t$ in Special Condition 3.13 (Large onshore transmission investment Re-opener);

$MSIPRE_t$ in Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable);

WWV_t in Special Condition 3.30 (Wider Works Volume Driver);

TCR_t in Special Condition 3.34 (Tyne Crossing Project Re-opener); and

BRG_t in Special Condition 3.35 (Bengeworth Road GSP Project Re-opener Price Control Deliverable).

3.36.5 The value of CAIA_t is derived in accordance with the following formula:

$$CAIA_t = 73.4\% \cdot BCAI \cdot \frac{UMTERMB_t}{BCAPEX}$$

where:

UMTERMB_t is derived in accordance with paragraph 3.36.6;

BCAI means the baseline allowance for closely associated indirect opex and has the value £829.7m; and

BCAPEX means the baseline allowance for capex and has the value £3606.0m.

3.36.6 The value of UMTERMB_t is derived in accordance with the following formula:

$$UMTERMB_t = VIMRE_t + GCE_t + DRI_t + LOTIRE_t + MSIPRE_t + WWV_t + FWR_t + CWR_t + TSF_t + TCR_t + BRG_t$$

where:

VIMRE_t is derived in accordance with Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance);

GCE_t is derived in accordance with Part A of Special Condition 3.11 (Generation Connections volume driver);

DRI_t is derived in accordance with Part A of Special Condition 3.12 (Demand Connections volume driver);

LOTIRE_t has the meaning given in Part A of Special Condition 3.13 (Large onshore transmission investment Re-opener);

MSIPRE_t is derived in accordance with Part A of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable);

WWV_t is derived in accordance with Part A of Special Condition 3.30 (Wider Works Volume Driver);

FWR_t has the value zero unless directed otherwise in accordance with Special Condition 3.31 (Fibre Wrap Replacement Re-opener);

CWR_t has the value zero unless directed otherwise in accordance with Special Condition 3.32 (Civil Related Works Re-opener);

- TSF_t has the value zero unless directed otherwise in accordance with Special Condition 3.33 (Tower Steelworks and Foundations Re-opener);
- TCR_t has the value zero unless directed otherwise in accordance with Special Condition 3.34 (Tyne Crossing Project Re-opener); and
- BRG_t ~~has the value zero unless directed otherwise in accordance with~~ is derived in accordance with Part A of Special Condition 3.35 (Bengeworth Road GSP Project Re-opener Price Control Deliverable).