

Lloyds Court
78 Grey Street
Newcastle Upon Tyne
NE1 6AF

Timothy Wood
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

23 June 2021

Dear Timothy,

Re: RIIO-ED1 Green Recovery Scheme – Statutory Consultation on proposed modifications to the licence conditions and Price Control Financial Instruments

Northern Powergrid supports the aims and objectives of the green recovery scheme (“the scheme”), and the licence modification to give effect to it.

We have no comments on the licence condition or model; they match the substance of the scheme.

We do however have some further detailed comments on the proposed handbook modifications, which we set out in the annex to this letter. We think the easiest way to give effect to these would be to:

1. consolidate the current drafting in a single handbook chapter;
2. make the corrections listed in the annex to this letter; and
3. check whether any of the content in a handbook chapter for a similar licence condition (e.g. visual amenity) hasn’t been covered, either in the licence condition or the handbook chapter.

We will be happy to offer any assistance we can in concluding the final version.

Yours sincerely

A handwritten signature in black ink, reading "Keith Noble-Nesbitt".

Keith Noble-Nesbitt
Head of Regulatory Economics

NORTHERN POWERGRID

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Annex: detailed comments on the handbook

1. ***The scheme should be given a dedicated handbook chapter***, chapter 17, instead of being covered in the chapter on the administrative uncertainty mechanisms licence condition.
 - a. Other similar licence conditions (e.g. visual amenity) and also some uncertainty mechanisms (e.g. load related) have a dedicated handbook chapter.
 - b. The scheme licence condition (CRC3N) bears no similarity to the uncertainty mechanism condition (CRC3F), so there are no drafting efficiencies from grouping them together.
 - c. Including the scheme in the CRC3F chapter introduces drafting inefficiency since there are several licensee specific versions and the same text needs to be reproduced in each (since the scheme does not have company specific variations).
2. ***Some issues in the handbook descriptions should be corrected.***¹
 - a. 7.67 provides a description of Green Recovery Scheme Costs which omits a critical point - that this term only includes the proportion of the costs incurred on Agreed Schemes that meets the Overall Expenditure Condition. This should be corrected to avoid confusion (or should be replaced with a reference to the definition in the licence).
 - b. 7.68 states incorrectly that *“This provides for licensees to use existing underspend against opening base revenue on schemes approved under the Green Recovery Scheme and exclude that amount from the Totex Incentive Mechanism.”* But *“that amount”* is actually included within the Totex Incentive Mechanism. The drafting could instead be adjusted to state that *“because only those amounts beyond allowances (or forecast expenditure if higher) are excluded from the Totex Incentive Mechanism”*.
 - c. 7.68 states that *“Where a licensee is currently forecasting to exceed its RIIO-ED1 allowances in aggregate over the full 8-year price control period to 31 March 2023 new funding will be permitted, subject the total cap”*. This should be deleted as the scheme does not involve a requirement for licensees to currently forecast to exceed their ED1 allowances. The requirement is that any underspend relative to the value set out in the licence (the higher of pre-scheme allowances or forecasts) be used to fund Agreed Schemes before the scheme is accessed.
 - d. 7.71 states that *“The full actual expenditure is subjected to the TIM.”*. This would only be correct for licensees that haven’t accessed the scheme. The sentence should be deleted as the paragraph has already covered the scenario where a licensee exceeds the cap (and where part of the expenditure would be covered by the scheme, and part would be subject to the totex incentive mechanism).

¹ We have only reviewed one version of the text and assume the same comments apply to equivalent paragraphs.