

Chapter 1: Interpretation, definitions and common procedure

Special Condition 1.1 Interpretation

Introduction

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence some provisions of general interpretation (other provisions exist in the terms and standard conditions of this licence).

Part A: Interpretation

- 1.1.2 Wherever the subscript 't' is used after a term in the special conditions of this licence, without any further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation after a subscript 't' indicates that the value to be used is, respectively, for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in the relevant special condition.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.
- 1.1.6 Any monetary values in the special conditions of this licence are in sterling in a 2020/21 price base unless otherwise indicated. Any actual costs are deflated to this price base using the price index term defined in Part E of Special Condition 2.1 (Revenue Restriction).
- 1.1.7 The price base for each PCFM Variable Value is specified in the ED2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is specified as a "£m nominal" input, the ED2 Price Control Financial Model will convert these values in accordance with [Part F of Special Condition 2.1 (Revenue restriction)], so that the component terms of Calculated Revenue are in a 2020/21 price base.
- 1.1.8 In each case in which the Authority may specify a date under any of the special conditions of this licence, it may specify:
- (a) a date; or
 - (b) a method by which that date is to be determined.

- 1.1.9 The heading or title of any chapter, special condition, section, table or appendix in the special conditions of this licence is for convenience only.
- 1.1.10 Any reference in the special conditions of this licence to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
- 1.1.11 Any reference in the special conditions of this licence to a chapter, special condition, section, paragraph, sub-paragraph, numbered table or appendix is, unless otherwise stated, to it in the special conditions of this licence.
- 1.1.12 Any reference in the special conditions of this licence to any natural or legal person includes that person's successors.
- 1.1.13 These conditions are used to calculate and recalculate the value of Allowed Revenue for Regulatory Years commencing on or after 1 April 2023.

Special Condition 1.2 Definitions and references to the Electricity Distributors

Introduction

- 1.2.1 The purpose of this condition is to provide for the special conditions of this licence:
 - (a) the meaning of defined terms; and
 - (b) acronyms used to refer to the Electricity Distributors.

Part A: The use of definitions in these special conditions

- 1.2.2 In the special conditions of this licence the following defined terms, which are capitalised throughout these special conditions, have the meanings given in the table below.
- 1.2.3 Where it is stated in the special conditions of this licence that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.2.4 Where the table below states that a defined term has the meaning given to it by:
 - (a) another condition of this licence;
 - (b) the ED2 Price Control Financial Instruments;
 - (c) an Associated Document;
 - (d) the Smart Meter Communication Licence; or
 - (e) [codes or other docs]the defined term is to have the meaning given in that provision or document as amended from time to time.

Part B: References to the Electricity Distributors

1.2.5 The following acronyms are used within the special conditions of this licence to refer to the following Electricity Distributors:

ENWL	refers to Electricity North West Ltd (registered number 2366949).
NPgN	refers to Northern Powergrid (Northeast) plc (registered number 2906593).
NPgY	refers to Northern Powergrid (Yorkshire) plc (registered number 4112320).
WMID	refers to Western Power Distribution (West Midlands) plc (registered number 3600574).
EMID	refers to Western Power Distribution (East Midlands) plc (registered number 2366923).
SWALES	refers to Western Power Distribution (South Wales) plc (registered number 2366985).
SWEST	refers to Western Power Distribution (South West) plc (registered number 2366894).
LPN	refers to London Power Networks plc (registered number 3929195).
SPN	refers to South Eastern Power Networks plc (registered number 3043097).
EPN	refers to Eastern Power Networks plc (registered number 2366906).
SPD	refers to SP Distribution plc (registered number SC189125).
SPMW	refers to SP Manweb plc (registered number 2366937).
SSEH	refers to Scottish Hydro Electric Power Distribution plc (registered number SC213460).
SSES	refers to Southern Electric Power Distribution plc (registered number 4094290).

Special Condition 1.3 Common procedure

Introduction

1.3.1 The purpose of this condition is to provide a common procedure for the following matters under the special conditions of this licence:

- (a) issuing and amending of Associated Documents;
- (b) Xx; and
- (c) Xx.

Part A: Associated Documents

- 1.3.2 The Authority may issue and amend Associated Documents by direction.
- 1.3.3 Before issuing or amending Associated Documents, the Authority must publish on the Authority's Website:
 - (a) the text of the proposed or amended Associated Document;
 - (b) the date on which the Authority intends the Associated Document or amended Associated Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Associated Document, which must not be less than 28 days.
- 1.3.4 The Authority must:
 - (a) publish Associated Documents on the Authority's Website; and
 - (b) ensure that any amendments to Associated Documents are promptly incorporated into a consolidated version maintained on the Authority's Website.
- 1.3.5 The steps required to issue or amend an Associated Document may be satisfied by action taken before, as well as by action taken on or after, this condition or the condition establishing the relevant Associated Document comes into effect.

Chapter 2: Revenue restriction

Special Condition 2.1 Revenue restriction (AR_t)

Introduction

- 2.1.1 The purpose of this condition is to place obligations on the licensee in relation to the setting of Network Charges.
- 2.1.2 This condition also establishes the definition of Recovered Revenue and provides the calculation for the term AR_t (the Allowed Revenue term).

Part A: Licensee's obligation when setting Network Charges

- 2.1.3 The licensee must, when setting Network Charges, use its best endeavours to ensure that Recovered Revenue equals Allowed Revenue.
- 2.1.4 The licensee must, when calculating the value of Allowed Revenue, use the latest versions of the ED2 Price Control Financial Model and the ED2 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the ED2 Price Control Financial Instruments).
- 2.1.5 Accompanying the charging statement for a Regulatory Year, the licensee must make continuously available on its website, where it is readily accessible to the public, a copy of the ED2 Price Control Financial Model containing the value of Allowed Revenue it used when setting Network Charges for that Regulatory Year.

Part B: Recovered Revenue term (RR_t)

- 2.1.6 Recovered Revenue (RR_t) means the revenue derived by the licensee from Network Charges, made for the provision of Distribution Services to Customers in respect of a Regulatory Year, net of Bad Debt as derived in accordance with Part H.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

- 2.1.7 The value of AR_t is derived in accordance with the following formula:

$$AR_t = R_t \frac{PI_t}{PI_{2020/21}} + K_t + FP_t + LAR_t$$

where:

- R_t means Calculated Revenue and is derived in accordance with Part D;
- PI_t means the price index term and is derived in accordance with Part E;
- $PI_{2020/21}$ means the price index term for the Regulatory Year commencing on 1 April 2020 and is derived in accordance with Part E;
- K_t means the K correction term and is derived in accordance with Part F;

- FP_t means the forecasting penalty and is derived in accordance with Part G of this condition; and
- LAR_t means the legacy adjustments term and is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

Part D: Formula for calculating the Calculated Revenue term (R_t)

2.1.8 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + DPN_t + RTN_t + EIC_t + DRS_t + BPI_t + TAX_t + TAXA_t + RTNA_t + ODI_t + ORA_t + PT_t$$

where:

- FM_t means fast money and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- DPN_t means depreciation and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- RTN_t means return and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- EIC_t means equity issuance costs and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- BPI_t means the business plan incentive term and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- TAX_t means the tax allowance and has the value set out in the "Revenue" sheet of the ED2 Price Control Financial Model;
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise in accordance with Special Condition 2.2 (Tax allowance adjustment);
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
- ODI_t means the total output delivery incentive term and is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- ORA_t means other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances); and
- PT_t means the pass-through items term and is derived in accordance with Special Condition 6.1 (Pass-through items).

Part E: Formula for calculating the price index term (PI_t)

2.1.9 The value of PI_t is the arithmetic average value of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t , derived in accordance with the following formula:

$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2023} \\ PI_{m-1} \left(0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2023} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2023} \end{cases}$$

where:

m refers to a year and month;

RPI_m means the Retail Prices Index for the year and month m ; and

$CPIH_m$ means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part F: Correction term (K_t)

2.1.10 The value of K_t is zero for Regulatory Years commencing prior to 1 April 2023.

2.1.11 The value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + TVM_{t-1})$$

where:

AR_t means Allowed Revenue. For Regulatory Years commencing on or after 1 April 2023 AR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2022 AR_t has the value of Allowed Distribution Network Revenue derived in accordance with Part B of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023;

RR_t means Recovered Revenue and is derived in accordance with Part B; and

TVM_t means a time value of money adjustment and has the value derived in accordance with paragraph 2.1.12.

2.1.12 The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

where:

$WACC_t$ means vanilla weighted average cost of capital. For Regulatory Years commencing on or after 1 April 2023 it is derived in accordance with the ED2 Price Control Financial Handbook. For the Regulatory Year

commencing on 1 April 2022 it has the value of “vanilla WACC” derived in accordance with the ED1 Price Control Financial Handbook; and

PI_t means the price index term derived in accordance with Part C.

Part G: Forecasting penalty (FP_t)

2.1.13 For Regulatory Years commencing before 1 April 2025, the value of FP_t is zero.

2.1.14 For Regulatory Years commencing on or after 1 April 2025, the value of FP_t is derived in accordance with the following formula:

$$FP_t = BRFP_t + RRFp_t$$

where:

$BRFP_t$ means the Base Revenue forecasting penalty and is derived in accordance with paragraph 2.1.14; and

$RRFP_t$ means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.1.16.

2.1.15 The value of $BRFP_t$ is derived in accordance with the following formula:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \cdot \frac{PI_{t-1}}{PI_{20/21}} \cdot BRFPA_{t-1} \cdot \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

BR_t means the sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in paragraph 2.1.8. ;

BR_t^* means sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in paragraph 2.1.8, as of the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.1.5; and

$BRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.16.

2.1.16 The Authority may direct a value for $BRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that differences between the values of AR_t and AR_t^* were for reasons outside the reasonable control of the licensee.

2.1.17 The value of $RRFP_t$ is derived in accordance with the following formula:

$$RRFP_t = (RR_{t-1} - AR_{t-1}^*) \cdot RRFPA_{t-1} \cdot \begin{cases} 1.15\% & \text{if } AR_{t-1}^*/RR_{t-1} \geq 1.06 \\ -1.15\% & \text{if } AR_{t-1}^*/RR_{t-1} \leq 0.94 \\ 0, & \text{otherwise} \end{cases}$$

where:

- RR_t means Recovered Revenue as set out in Part B;
- AR_t^* means the value of Allowed Revenue published by the licensee in accordance with paragraph 2.1.5; and
- $RRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.18.

2.1.18 The Authority may direct a value for $RRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that differences between the values of RR_t and AR_t^* were for reasons outside the reasonable control of the licensee.

Part H: Formula for calculating the Bad Debt term (BD_t)

2.1.19 The value of BD_t is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

BDA_t means the aggregate value of Bad Debt the licensee has incurred in Regulatory Year t , with respect to Network Charges owed to the licensee by one or more Defaulting Electricity Suppliers, excluding any Valid Bad Debt Claims under standard condition 38C. (Treatment of Valid Bad Debt Claims); and

RBD_t means the aggregate value of Bad Debt previously recovered by the licensee via the BDA_t term, where the licensee has been paid in Regulatory year t by the Defaulting Electricity Supplier or been credited by the administrator or liquidator of a Defaulting Electricity Supplier.

Special Condition 2.2 Tax allowance adjustment ($TAXA_t$)

Introduction

- 2.2.1 The purpose of this condition is to calculate any adjustment to the term $TAXA_t$ (the tax allowance adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ED2 Price Control Financial Handbook.
- 2.2.3 This condition also explains the process the Authority must follow when directing any change as a result of the review.

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual

Corporation Tax Liability, in accordance with Chapter 6 of the ED2 Price Control Financial Handbook.

2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the licensee must:

- (a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability and to prepare a report on their findings;
- (b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
- (c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority, after discussing with the examiner; and
- (d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority.

2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:

- (a) direct any adjustment to the value of the $TAXA_t$ term if required, in accordance with Chapter 6 of the ED2 Price Control Financial Handbook, and
- (b) specify the Regulatory Years to which that adjustment relates.

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

2.2.7 Before making a direction under paragraph 2.2.6, the Authority must send to the licensee and publish on the Authority's Website:

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

Special Condition 2.3 Return Adjustment ($RTNA_t$)

2.3.1 [placeholder]

Special Condition 3.1 Allowed Network Asset Risk Metric expenditure ($NARM_t$)

Introduction

- 3.1.1 This condition provides for the calculation of the term $NARM_t$ (the allowed NARM expenditure term), which contributes to the calculation of the Totex Allowance.
- 3.1.2 The purpose of this condition is also to:
- (a) set out the Baseline Network Risk Output that the licensee is funded to deliver;
 - (b) provide for the Rebasing of the Baseline Network Risk Output; and
 - (c) establish the Network Asset Risk Workbook and a robust and transparent change control framework for it.
- 3.1.3 This condition also:
- (a) sets out the requirements on the licensee in respect of a NARM Performance Report;
 - (b) provides for an assessment of the licensee's delivery against the Baseline Network Risk Output; and
 - (c) specifies any funding adjustments or penalties that may be applicable based on the licensee's delivery against the Baseline Network Risk Output.

Part A: Formula for calculating the allowed NARM expenditure term ($NARM_t$)

- 3.1.4 The value of $NARM_t$ is derived in accordance with the following formula:

$$NARM_t = NARM_{At} + NARM_{Rt}$$

where:

$NARM_{At}$ is the baseline allowed NARM expenditure set out in Appendix 1; and

$NARM_{Rt}$ has the value directed by the Authority in accordance with Parts F and G.

Part B: Baseline Network Risk Output

- 3.1.5 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 2.

Part C: Network Asset Risk Workbook

- 3.1.6 The Network Asset Risk Workbook forms part of this condition.
- 3.1.7 The Authority must:
- (a) send to the licensee the Network Asset Risk Workbook; and
 - (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.
- 3.1.8 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.9 that would improve the clarity or usefulness to users of the Network Asset Risk Workbook.

- 3.1.9 The following categories of modifications may be made under this Part:
- (a) formatting changes (such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets);
 - (b) deleting irrelevant material (such as transitional provisions that have expired);
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions of this licence (such as amendments made to the Appendices to this condition); and
 - (e) correction of manifest errors.
- 3.1.10 Before amending the Network Asset Risk Workbook by direction, the Authority will send to the licensee and publish on the Authority's Website:
- (a) the amended Network Asset Risk Workbook;
 - (b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
 - (c) the reasons for the amendments to the Network Asset Risk Workbook; and
 - (d) a period during which representations may be made on the amendments to the Network Asset Risk Workbook, which must not be less than 28 days.
- 3.1.11 The Authority will:
- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
 - (b) send the consolidated version to the licensee; and
 - (c) maintain a redacted consolidated version on the Authority's Website.

Part D: Rebasing of the Baseline Network Risk Output

- 3.1.12 The licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:
- (a) calculated using the Common Network Asset Indices Methodology;
 - (b) representative of the same assumed volume and type of NARM Asset Intervention for each NARM Asset Register Category as assumed in the setting of the Baseline Network Risk Output;
 - (c) as Equally Challenging as the Baseline Network Risk Output; and
 - (d) in the same format as the Network Asset Risk Workbook.
- 3.1.13 When submitting any Rebased Baseline Network Risk Output, the licensee must also submit a report providing supporting commentary, which includes:

- (a) an explanation of the processes undertaken in determining the proposed Rebased Baseline Network Risk Output;
 - (b) an explanation of any relevant new data, or changes in data, used in determining the proposed Rebased Baseline Network Output; and
 - (c) evidence to support the licensee's view that the submitted Rebased Baseline Network Risk Output is as Equally Challenging as the Baseline Network Risk Output.
- 3.1.14 Where the licensee proposes a Rebased Baseline Network Risk Output in accordance with Special Condition 9.2, the Authority will consider the proposal and by direction:
- (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.12;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.12; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.12 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.15 Before issuing a direction under paragraph 3.1.14, the Authority will send to the licensee and publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons for the proposed direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.1.16 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.14(a) or (b):
- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
 - (b) the direction under paragraph 3.1.14(a) or (b) will modify Appendix 2 and the Network Risk Asset Workbook to reflect this.

Part E: Requirement to provide a NARM Performance Report

- 3.1.17 On or before 31 July 2028, or such later date as the Authority may direct, the licensee must provide to the Authority a NARM Performance Report, together with detailed supporting evidence, setting out the following:
- (a) the licensee's Outturn Network Risk Output and view of delivery against the Baseline Network Risk Output and a breakdown of those Outturn Network

- Risk Outputs in the manner specified by the Authority by direction under Standard Condition 46 (Regulatory Instructions and Guidance);
- (b) the costs incurred by the licensee in delivering its Outturn Network Risk Output and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition 46 (Regulatory Instructions and Guidance);
- (c) details of any Non-NARM Asset Interventions or Non-intervention Risk Changes that the licensee considers relevant to its delivery against the Baseline Network Risk Output, including the associated impact on the Baseline Network Risk Output or Outturn Network Risk Output; and
- (d) justification cases for any portions of over-delivery or under-delivery against the Baseline Network Risk Output that the licensee considers to be justified.

Part F: Authority's assessment of delivery against the Baseline Network Risk Output

- 3.1.18 Following receipt of the NARM Performance Report, the Authority will form a view of whether the licensee has:
 - (a) delivered its Baseline Network Risk Output;
 - (b) over-delivered against its Baseline Network Risk Output; or
 - (c) under-delivered against its Baseline Network Risk Output
 in accordance with paragraph 3.1.29.
- 3.1.19 The Authority will publish its view on the Authority's Website together with:
 - (a) the reasons for its view; and
 - (b) a period during which representations may be made, which must not be less than 28 days.
- 3.1.20 The Authority will then publish on the Authority's Website, its decision on whether the licensee has:
 - (a) delivered its Baseline Network Risk Output;
 - (b) over-delivered against its Baseline Network Risk Output; or
 - (c) under-delivered against its Baseline Network Risk Output
 in accordance with paragraph 3.1.29.
- 3.1.21 Where the Authority's decision is that the licensee has over-delivered or under-delivered against its Baseline Network Risk Outputs, the licensee must within [28/56] days of the publication under paragraph 20 provide to the Authority a NARM Justification Report that:
 - (a) sets out the licensee's view of the justification for any variance between its Adjusted Network Risk Output and the Baseline Network Risk Output; and
 - (b) includes:

- i. an explanation of the principal changes, compared with the Baseline Network Output, that have made up the under-delivery or over-delivery, including changes within NARM Asset Register Categories or types of NARM Asset Intervention;
 - ii. where relevant, references to the relevant sections of the NARM Performance Report, or submissions under the annual RIGs reporting;
 - iii. a proposed revision to the Adjusted Network Risk Output, together with an explanation and supporting information for a such revision;
 - iv. such further information as the licensee considers relevant; and
- (c) is set out in such form as may be prescribed by the Authority.
- 3.1.22 Following receipt of the NARM Justification Report, the Authority will form a view as to whether the under-delivery is Justified Under-Delivery and whether the over-delivery is Justified Over-Delivery in accordance with Part G.
- 3.1.23 The Authority will publish its view under paragraph 3.1.22 on the Authority's Website together with:
 - (a) the reasons for its views; and
 - (b) a period during which representations may be made on the proposed decision, which must not be less than 28 days.
- 3.1.24 Where the licensee's delivery against the Baseline Network Risk Output is:
 - (a) on target;
 - (b) the subject of an under-delivery, where all of the under-delivery is Justified Under-Delivery; or
 - (c) the subject of an over-delivery, where none of the over-delivery is Justified Over-Delivery,
 the value of $NARM_{Rt}$ will be zero. In all other cases, the Authority will direct a value for $NARM_{Rt}$ in accordance with Part G.
- 3.1.25 Before publishing a direction under paragraph 3.1.24, 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 must not be less than 28 days.
- 3.1.26 The direction under paragraph 3.1.24 may be published alongside the publication required by paragraph 3.1.23.
- 3.1.27 A direction under paragraph 3.1.24 will set out the value of the $NARM_{Rt}$ term and the Regulatory Years to which the adjustment relates.

Part G: Formula for calculating the NARM_{Rt} term

3.1.28 The Authority will derive the value of NARM_{Rt} in accordance with the following formula:

$$\text{NARM}_{\text{Rt}} = \text{NARM}_{\text{AD}} \cdot \frac{\text{NARM}_{\text{At}}}{\sum_t \text{NARM}_{\text{At}}}$$

where

- NARM_{AD} is derived in accordance with paragraph 3.1.34 or paragraph 3.1.36;
- NARM_{At} means the baseline allowed NARM expenditure for Regulatory Year t set out in Appendix 1; and
- $\sum_t \text{NARM}_{\text{At}}$ means the total baseline allowed NARM expenditure for the Price Control Period set out in Appendix 1.

3.1.29 The Authority will compare the Adjusted Outturn Network Risk Output, as derived in accordance with paragraph 3.1.29, with the Baseline Network Risk Output to determine whether the licensee:

- (a) delivered on target, as set out in paragraph 3.1.30;
- (b) under-delivered against its Baseline Network Risk Output, as set out in paragraph 3.1.31 or
- (c) over-delivered against its Baseline Network Risk Output, as set out in paragraph 3.1.32.

3.1.30 The Adjusted Outturn Network Risk Output (NRO_{OA}) is derived in accordance with the following formula:

$$\text{NRO}_{\text{OA}} = \text{NRO}_{\text{OR}} - \text{NIR}_{\text{OD}}$$

where:

- NRO_{OR} is the Outturn Network Risk Output (£_{risk}); and
- NIR_{OD} is the total impact on the Outturn Network Risk Output (£_{risk}) of any relevant Non-NARM Asset Interventions and Non-intervention Risk Changes that have impacted the licensee's delivery of the Baseline Network Risk Output.

3.1.31 On-target delivery exists where:

$$[\text{NRO}_{\text{BL}} * (1 + \text{DBL})] \leq \text{NRO}_{\text{OA}} \leq [\text{NRO}_{\text{BL}} * (1 + \text{DBU})]$$

where:

- DB_L is the lower deadband limit specified in paragraph 3.1.33(a);
- DB_U is the upper deadband limit specified in paragraph 3.1.33(b);
- NRO_{BL} is the Baseline Network Risk Output (£_{risk}); and
- NRO_{OA} is the Adjusted Outturn Network Risk Output (£_{risk}).

3.1.32 Under-delivery exists where:

$$NRO_{OA} < [NRO_{BL} * (1 + DB_L)]$$

where:

- DB_L is the lower deadband limit specified in paragraph 3.1.33(a);
- NRO_{BL} is the Baseline Network Risk Output (£_{risk}); and
- NRO_{OA} is the Adjusted Outturn Network Risk Output (£_{risk}).

3.1.33 Over-delivery exists where:

$$NRO_{OA} > [NRO_{BL} * (1 + DB_U)]$$

where:

- DB_U is the upper deadband limit specified in paragraph 3.1.33(b);
- NRO_{BL} is the Baseline Network Risk Output (£_{risk}); and
- NRO_{OA} is the Adjusted Outturn Network Risk Output (£_{risk}).

3.1.34 The following deadbands around the Baseline Network Risk Output apply:

- (a) a lower limit of [-x%]; and
- (b) an upper limit of [+x%].

3.1.35 For under-delivery that is not a Justified Under-Delivery, the negative adjustment ($NARM_{AD}$) made under Part F will be derived in accordance with the following formula:

$$NARM_{AD} = (NRO_{OAD} - ((1+DB_L) \times NRO_{BL})) \times UCR_{BL} \times (1+PEN_{AR})$$

where:

- DB_L is the lower deadband limit specified in paragraph 3.1.33(a);
- NRO_{BL} is the Baseline Network Risk Output (£_{risk});
- NRO_{OAD} is the Determined Outturn Network Risk Output (£_{risk}), as derived in accordance with paragraph 3.1.35;
- PEN_{AR} is the penalty adjustment rate of [XX per cent of the avoided costs associated with the under-delivery]; and
- UCR_{BL} is the Baseline Unit Cost of Risk (£/£_{risk}), as derived in accordance with paragraph 3.1.39.

3.1.36 The Determined Outturn Network Risk Output (NRO_{OAD}) is derived in accordance with the following formula:

$$NRO_{OAD} = (NRO_{OR} + NRO_{JUD})$$

where:

- NRO_{OR} is the Outturn Network Risk Output (£_{risk}); and
- NRO_{JUD} is the Long-term Monetised Risk Benefit (£_{risk}) of any portion of the under-delivery that the Authority considers was Justified Under-Delivery.

3.1.37 Where the licensee has demonstrated Justified Over-Delivery, the positive adjustment (NARM_{AD}) made under Part F will be derived in accordance with the following formula:

$$\text{NARM}_{AD} = (\text{NRO}_{OAD} - ((1 + \text{DB}_U) \times \text{NRO}_{BL})) \times \text{UCR}_{AD}$$

where:

- DB_U is the upper deadband limit specified in paragraph 3.1.33(b);
- NRO_{BL} is the Baseline Network Risk Output (£_{risk});
- NRO_{OAD} is the Determined Outturn Network Risk Output (£_{risk}), as derived in accordance with paragraph 3.1.37;
- UCR_{AD} is the Adjusted Unit Cost of Risk (£/£_{risk}), which is the lower of the Baseline Unit Cost of Risk (UCR_{BL}), as derived in accordance with paragraph 3.1.39, and the Outturn Unit Cost of Risk (UCR_{OR}), as derived in accordance with paragraph 3.1.40.

3.1.38 The Determined Outturn Network Risk Output (NRO_{OAD}) is derived in accordance with the following formula:

$$\text{NRO}_{OAD} = (\text{NRO}_{OR} - \text{NRO}_{NJOD})$$

where:

- NRO_{OR} is the Outturn Network Risk Output (£_{risk}); and
- NRO_{NJOD} is the Long-term Monetised Risk Benefit (£_{risk}) of any portion of the over-delivery that is not Justified Over-Delivery.

3.1.39 The Baseline Unit Cost of Risk (UCR_{BL}) is derived in accordance with the following formula:

$$\text{UCR}_{BL} = \sum \text{NARM}_{At} / \text{NRO}_{BL}$$

where:

- NRO_{BL} is the Baseline Network Risk Output (£_{risk}); and
- $\sum \text{NARM}_{At}$ is the total baseline allowed NARM expenditure (£) for the Price Control Period as set out in Appendix 1;

3.1.40 The Outturn Unit Cost of Risk (UCR_{OR}) is derived in accordance with the following formula:

$$\text{UCR}_{OR} = \text{NXP}_{OR} / \text{NRO}_{OR}$$

where:

- NRO_{OR} is the Outturn Network Risk Output (£_{risk}); and
- NXP_{OR} is the Incurred NARM Expenditure (£) for the Price Control Period.

Appendix 1

Baseline allowed NARM expenditure (NARM_{At}) for delivering the Baseline Network Risk Output (£m)

Licensee	NARM _{At} excluding RPEs (£m)					
	Regulatory Year					RIIO-ED2 Total
	2023/24	2024/25	2025/26	2026/27	2027/28	
ENWL	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
NPgN	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
NPgY	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
WMID	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
EMID	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SWALES	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SWEST	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
LPN	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SPN	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
EPN	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SPD	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SPMW	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SSEH	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX
SSSES	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX

Appendix 2

Baseline Network Risk Output (NRO_{BL})

Licensee	RIIO-ED2 Total
ENWL	XXX.XX
NPgN	XXX.XX
NPgY	XXX.XX
WMID	XXX.XX
EMID	XXX.XX

SWALES	XXX.XX
SWEST	XXX.XX
LPN	XXX.XX
SPN	XXX.XX
EPN	XXX.XX
SPD	XXX.XX
SPMW	XXX.XX
SSEH	XXX.XX
SSES	XXX.XX

Special Condition 3.2 Uncertain Costs Re-openers

Introduction

- 3.2.1 The purpose of this condition is to:
- (a) set out the value of those Uncertain Costs terms that do not have a related Evaluative Price Control Deliverable, which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model); and
 - (b) establish Re-openers triggered by the licensee or the Authority in relation to Uncertain Costs.
- 3.2.2 This condition also explains the process the Authority must follow when making changes as a result of these Re-openers.
- 3.2.3 The requirement to comply with the Re-opener Guidance and Application Requirements Document when submitting a Re-opener application is established by Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Part A: The value of the Uncertain Costs terms

- 3.2.4 The value of the following Uncertain Costs terms are set out in Appendix 1:
- (a) the Physical Security Re-opener term ($PSUP_t$);
 - (b) the Rail Electrification Costs Re-opener term (REC_t);
 - (c) the Electricity System Restoration Re-opener term (ESR_t);
 - (d) the Environmental Re-opener term (EVR_t);
 - (e) the Specified Street Works Costs Re-opener term (SWR_t);
 - (f) the Digitalisation Re-opener term ($DIGI_t$);
 - (g)

Part B: Physical Security Re-opener (PSUP_t)

- 3.2.5 This Part establishes the Physical Security Re-opener.
- 3.2.6 The Physical Security Re-opener may be used where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.
- 3.2.7 The licensee may only apply to the Authority for modifications to this licence under the Physical Security Re-opener:
- (a) Between 24 January 2026 and 31 January 2026;
 - (b) Between 24 January 2028 and 31 January 2028; and
 - (c) such other periods as the Authority may direct.
- 3.2.8 The licensee must, when making an application under the Physical Security Re-opener, send to the Authority a written application that:
- (a) identifies the asset and the Critical National Infrastructure classification of the asset to which the application relates;
 - (b) sets out the scope or changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
 - (c) sets out the options considered and discounted by the licensee, including the costs and benefits;
 - (d) sets out any deliverability constraints and key delivery risks and mitigations;
 - (e) sets out any modifications to the value of PSUP_t in Appendix 1;
 - (f) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (g) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.9 An application under this Part must:
- (a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that occurred on or after 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure, which can be avoided as a result of the change to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates.
- 3.2.10 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of changes to the scope of work the

licensee is required to carry out under the Physical Security Upgrade Programme.

3.2.11 The following modifications to this licence may be made under the Physical Security Re-opener:

- (a) modifications to the value of $PSUP_t$ set out in Appendix 1;
- (b) modifications confined to allowances related to the change to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that are the subject of the Re-opener; and
- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.12 The Authority may only make modifications to this licence under the Physical Security Re-opener by direction:

- (a) where there has been a change to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme;
- (b) if the modification has been requested by the licensee under paragraph 3.2.7, where the requirements in paragraphs 3.2.8 and 3.2.9 have been met; and
- (c) where there is evidence to demonstrate that the modification to allowances is efficient.

Part C: Rail Electrification Costs Re-opener (REC_t)

3.2.13 This Part establishes the Rail Electrification Costs Re-opener.

3.2.14 The Rail Electrification Costs Re-opener may be used where the licensee has incurred or expects to incur Rail Electrification Costs that exceed the Materiality Threshold.

3.2.15 The licensee may only apply for modifications to this licence under the Rail Electrification Costs Re-opener:

- (a) Between 24 January 2024 and 31 January 2024;
- (b) Between 24 January 2026 and 31 January 2026; and
- (c) such other periods as the Authority directs.

3.2.16 The licensee must when making an application under the Rail Electrification Costs Re-opener, send to the Authority a written application that:

- (a) sets out the scope of work the licensee is or was required to carry out in relation to the Rail Electrification Costs to which the application relates;
- (b) sets out any modifications to the value of REC_t in Appendix 1;
- (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and

- (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.17 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (b) take account of allowed expenditure, which can be avoided as a result of the Rail Electrification Project that is the subject of the application.
- 3.2.18 The following modifications to this licence may be made under the Rail Electrification Costs Re-opener:
- (a) modifications to the value of REC_t set out in Appendix 1;
 - (b) modifications confined to allowances related to Rail Electrification Costs; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.19 The Authority may only make modifications to this licence under the Rail Electrification Costs Re-opener by direction:
- (a) where the licensee has incurred or expects to incur Rail Electrification Costs;
 - (b) where the requirements in paragraphs 3.2.16 and 3.2.17 have been met; and
 - (c) there is sufficient evidence to demonstrate that the modification to allowances is efficient.

Part D: Electricity System Restoration Re-opener (ESR_t)

- 3.2.20 This part establishes the Electricity System Restoration Re-opener.
- 3.2.21 The Electricity System Restoration Re-opener may be used where there has been a change to the Electricity System Restoration Scope of Work. The licensee may only apply to the Authority for modifications to this licence under the Electricity System Restoration Re-opener:
- (a) Between 24 June 2024 to 28 June 2024; and
 - (b) such other periods as the Authority may direct.
- 3.2.22 The licensee must when making an application under the Electricity System Restoration Re-opener, send to the Authority a written application that:
- (a) sets out the changes to the Electricity System Restoration Scope of Work, to which the application relates;
 - (b) sets out any options considered and discounted by the licensee, including the costs and benefits;
 - (c) sets out any deliverability constraints and key delivery risks and mitigations;

- (d) sets out any modifications to the value of ESR_t in Appendix 1;
- (e) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances;
- (f) sets out engagement undertaken with the GB System Operator and other relevant Network Licensees on the proposed scope of works; and
- (g) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.23 An application under this Part must:

- (a) relate to changes to the Electricity System Restoration Scope of Work agreed on or after 1 December 2021;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
- (c) take account of allowed expenditure, which can be avoided as a result of the change to the Electricity System Restoration Scope of Work, to which the application relates.

3.2.24 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of changes to the Electricity System Restoration Scope of Work.

3.2.25 The following modifications to this licence may be made under the Electricity System Restoration Re-opener:

- (a) modifications to the value of ESR_t set out in Appendix 1;
- (b) modifications confined to allowances related to the change to the Electricity System Restoration Scope of Work, that are the subject of the Re-opener; and
- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.26 The Authority will only make modifications to this licence under the Electricity System Restoration Re-opener by direction:

- (a) where there has been a change to the Electricity System Restoration Scope of Work;
- (b) if the modification has been requested by the licensee under paragraph 3.1.2121, where the requirements in paragraphs 3.1.2222 and 3.1.2323 have been met; and
- (c) where there is evidence to demonstrate that the modification to allowances is efficient and that the proposed scope of the work is proportionate.

Part E: Environmental Re-opener (EVR_t)

3.2.27 [placeholder]

Part F: Specified Street Works Costs Re-opener (SWR_t)

- 3.2.28 This Part establishes the Specified Street Works Costs Re-opener.
- 3.2.29 The Specified Street Works Costs Re-opener may be used where the licensee has incurred or expects to incur Specified Street Works Costs that exceed the Materiality Threshold.
- 3.2.30 The licensee may only apply for modifications to this licence under the Specified Street Works Costs Re-opener:
- (a) Between 24 January 2026 and 31 January 2026; and
 - (b) such other periods as the Authority directs.
- 3.2.31 The licensee must when making an application under the Specified Street Works Costs Re-opener, send to the Authority a written application that:
- (a) states the Specified Street Works Costs that are the subject of the application;
 - (b) sets out the adjustments to the value of the SWR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) includes such detailed supporting evidence that the Specified Street Works Costs are efficient and unavoidable as are reasonable in the circumstances.
- 3.2.32 An application under this Part must:
- (a) relate to Specified Street Works Costs;
 - (b) relate to Specified Street Works Costs that have been imposed or are expected to be imposed on or after 1 April 2023;
 - (c) take account of allowed expenditure, which can be avoided as a result of the any changes related to the application.
- 3.2.33 The following modifications to this licence may be made under the Specified Street Works Costs Re-opener:
- (a) modifications to the value of SWR_t term set out in Appendix 1;
 - (b) modifications confined to allowances related to Specified Street Works Costs; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.34 The Authority will only make modifications to this licence under the Specified Street Works Costs Re-opener by direction:
- (a) where the licensee has incurred or expects to incur Specified Street Works Costs;

- (b) where the requirements in paragraphs 3.1.31 and 3.1.32 have been met; and
- (c) there is sufficient evidence to demonstrate that the modification to allowances is efficient.

Part G: Cyber Resilience OT Re-opener

- 3.2.35 This Part establishes the Cyber Resilience OT Re-opener. The values of the related PCFM Variable Values are set out in Special Condition 3.3 (Evaluative Price Control Deliverables).
- 3.2.36 The Cyber Resilience OT Re-opener may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's Distribution System and information systems with respect to CAF Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite;
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT; or
 - (d) modifications to:
 - i. the outputs, delivery dates or allowances set as part of RIIO-ED2 Final Determinations; or
 - ii. the other existing outputs, delivery dates or allowances
 are required in order to correct errors or to make refinements to improve the licensee's cyber resilience in relation to OT.
- 3.2.37 The licensee may only apply for modifications to this licence under the Cyber Resilience OT Re-opener:
- (a) Between 24 January 2024 and 31 January 2024
 - (b) Between 24 January 2026 and 31 January 2026; and
 - (c) such other periods as the Authority may direct.
- 3.2.38 The licensee must when making an application under the Cyber Resilience OT Re-opener, send to the Authority a written application that:
- (a) gives details of the circumstances referred to in paragraph 3.2.36 that exist;
 - (b) sets out any modifications requested to the Cyber Resilience OT Baseline Allowances Table, the Cyber Resilience OT Re-opener Allowances Table and the Cyber Resilience OT PCD Table;
 - (c) explains how any modifications requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;

- (d) explains the basis for any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.39 An application under this Part must:
- (a) relate to circumstances of the type referred to in paragraph 3.2.36 that have developed since the submission of the licensee's RIIO-ED2 Final Business Plan;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure, which can be avoided as a result of the modifications requested.
- 3.2.40 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.36.
- 3.2.41 The following modifications may be made under the Cyber Resilience OT Re-opener:
- (a) if the relevant circumstance is that set out in paragraph 3.2.36(d)(i), modifications to the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.36(a) to (c) or (d)(ii), modifications to the Cyber Resilience OT Re-opener Allowances Table and the Cyber Resilience OT PCD Table;
 - (c) modifications to the definitions of 'Cyber Resilience OT Baseline Allowances Table', 'Cyber Resilience OT Re-opener Allowances Table' and 'Cyber Resilience OT PCD Table' in Special Condition 1.2 (Definitions) to amend the date those tables were sent to the licensee;
 - (d) modifications confined to outputs, delivery dates and allowances related to the circumstances set out in paragraph 3.2.36 that are the subject of this Re-opener; and
 - (e) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.42 The Authority may only make modifications under the Cyber Resilience OT Re-opener by direction:
- (a) where a circumstance in paragraph 3.2.36 exists;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.36(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to OT;

- (c) if the relevant circumstance is that set out in paragraph 3.2.36(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;
- (d) if the relevant circumstance is that set out in paragraph 3.2.36(d), where a change to an existing output is justified:
 - i. in order to correct an error; or
 - ii. because the refinement would improve the licensee's cyber resilience in relation to OT;
- (e) if the modification is requested by the licensee under paragraph 3.2.36, where the requirements in paragraphs 3.2.37 and 3.2.38 have been met; and
- (f) there is sufficient evidence to demonstrate that the modification to allowances is efficient.

Part H: Cyber resilience IT Re-opener

3.2.43 This Part establishes the Cyber Resilience IT Re-opener.

3.2.44 The Cyber Resilience IT Re-opener may be used where there are:

- (a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
- (b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;
- (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT;
- (d) modifications to:
 - i. the outputs, delivery dates or allowances set as part of RIIO-ED2 Final Determinations; or
 - ii. the other existing outputs, delivery dates or allowances required in order to correct errors or to make refinements to improve the licensee's cyber resilience in relation to OT.

3.2.45 The licensee may only apply for modifications to this licence under the Cyber Resilience IT Re-opener Between:

- (a) 24 January 2024 and 31 January 2024;
- (b) 24 January 2026 and 31 January 2026; and
- (c) such other periods as the Authority may direct.

3.2.46 The licensee must when making an application under the Cyber Resilience IT Re-opener, send to the Authority a written application that:

- (a) gives details of the circumstances referred to in paragraph 3.2.44 that exist;

- (b) sets out any modifications requested to the Cyber Resilience IT Baseline Allowances Table, the Cyber Resilience IT Re-opener Allowances Table or the Cyber Resilience IT PCD Table;
- (c) explains how any modifications requested would improve cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems;
- (d) explains the basis for any modifications requested to allowances and the profiling of those allowances; and
- (e) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.47 An application under this Part must:

- (a) relate to circumstances of the type referred to in paragraph 3.2.44 that have developed since the submission of the licensee's Business Plan;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
- (c) take account of allowed expenditure, which can be avoided as a result of the modifications requested.

3.2.48 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.44.

3.2.49 The following modifications may be made under the Cyber Resilience IT Re-opener:

- (a) if the relevant circumstance is that set out in paragraph 3.2.44(d)(i), modifications to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;
- (b) if the relevant circumstance is that set out in paragraphs 3.2.44(a) to (c) or (d)(ii), modifications to the Cyber Resilience IT Re-opener Allowances Table and the Cyber Resilience IT PCD Table;
- (c) modifications to the definitions of 'Cyber Resilience IT Baseline Allowances Table', 'Cyber Resilience IT Re-opener Allowances Table' and 'Cyber Resilience IT PCD Table' in Special Condition 1.2 (Definitions) to amend the date those tables were sent to the licensee;
- (d) modifications confined to outputs, delivery dates and allowances related to the circumstances set out in paragraph 3.2.44 that are the subject of this Re-opener; and
- (e) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.50 The Authority may only make modifications under the Cyber Resilience IT Re-opener by direction:

- (a) where a circumstances in paragraph 3.2.44 exists;
- (b) if the relevant circumstance is that set out in paragraphs 3.2.44(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;
- (c) if the relevant circumstance is that set out in paragraph 3.2.44(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;
- (d) if the relevant circumstance is that set out in paragraph 3.2.56(d), where a change to an existing output is justified:
 - i. in order to correct an error; or
 - ii. because the refinement would improve the licensee's cyber resilience in relation to IT;
- (e) if the modification is requested by the licensee under paragraph 3.2.44, where the requirements in paragraphs 3.2.45 and 3.2.46 have been met; and
- (f) there is sufficient evidence to demonstrate that the modification to allowances is efficient.

Part I: Digitalisation Re-opener (DIGI_r)

3.2.51 This Part establishes the Digitalisation Re-opener.

3.2.52 The Digitalisation Re-opener may be used where the licensee incurs or expects to incur costs that exceed the Materiality Threshold as a result of:

- (a) a material shift in the roles and responsibilities of the licensee due to a change in legislation, licences, regulatory requirements or industry codes, and as a result there is a requirement for the licensee to provide new, or significantly altered, digital or data services, including:
 - i. government or the Authority has implemented energy sector reforms that require new data or digital services to be delivered by the licensee; and
 - ii. a re-tendering of the smart metering system has resulted in additional roles or responsibilities for the licensee with regards to the smart metering system;
- (b) the licensee retrofitting monitoring devices to unmonitored distributed generation on their network as a result of the Authority deciding that there is net customer benefit in doing so; or
- (c) the licensee being required to roll out the outputs of mature innovation projects related to data and digitalisation to fulfil obligations in the conditions of this licence. This includes but is not limited to Eligible SIF Projects, such as the development of a Digital Twin of the licensee's network.

- 3.2.53 The licensee may only apply for modifications to this licence under the Digitalisation Re-opener:
- (a) Between 24 January 2026 and 31 January 2026; and
 - (b) such other periods as the Authority may direct.
- 3.2.54 The licensee must when making an application under the Digitalisation Re-opener, send to the Authority a written application that:
- (a) gives details of the material shift in the roles and responsibilities of the licensee and as a result the new, or significantly altered, digital or data services, to which the application relates;
 - (b) sets out any options considered and discounted by the licensee, including the costs and benefits;
 - (c) sets out any deliverability constraints and key delivery risks and mitigations;
 - (d) sets out any modifications to the value of DIGI_t in Appendix 1;
 - (e) explains the basis for calculating any modifications requested to the allowances and the profiling of those allowances; and
 - (f) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.55 An application under this Part must
- (a) relate to changes to the roles and responsibilities of the licensee introduced on or after the 1 April 2023;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023;
 - (c) take account of allowed expenditure, which can be avoided as a result of the modifications requested.
- 3.2.56 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of circumstances in paragraph 3.2.52.
- 3.2.57 The following modifications to this licence may be made under the Digitalisation Re-opener
- (a) modifications to the value of DIGI_t set out in Appendix 1;
 - (b) modifications confined to circumstances set out in paragraph 3.2.52 that are the subject of the Digitalisation Re-opener; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.58 The Authority may only make modifications to this licence under the Digitalisation Re-opener by direction:

- (a) where there has been a material shift in the roles and responsibilities of the licensee as a result of which there is a requirement for the licensee to provide new, or significantly altered, digital or data services;
- (b) if the modification is requested by the licensee under paragraph 3.2.53, where the requirements in paragraphs 3.2.54 and 3.2.55 have been met; and
- (c) where there is evidence to demonstrate that the modification to allowances is efficient and that the proposed scope of the work is proportionate.

Part J: Bespoke Re-opener #1

3.2.59 [placeholder]

Part K: What process will the Authority follow in making a modification by direction?

- 3.2.60 Before making a modification by direction under this licence condition the Authority must send to the licensee and publish on the Authority's Website:
- (a) the text of the proposed modifications;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

Uncertain Costs without Evaluative Price Control Deliverables allowances by Regulatory Year (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
PSUP _t						
REC _t						
ESR _t						
EVR _t						
SWR _t						
CROT _t						
CRIT _t						
DIGI _t						

3.2.61

Special Condition 3.3 Evaluative Price Control Deliverables

Introduction

- 3.3.1 The purpose of this condition is to set out the Evaluative Price Control Deliverables terms, which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.3.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Evaluative Price Control Deliverables.
- 3.3.3 This condition also explains the assessment principles and the process the Authority must follow in assessing Evaluative Price Control Deliverables.

Part A: The value of the Evaluative Price Control Deliverable terms

- 3.3.4 The following terms are Evaluative Price Control Deliverable terms:

- (a) the Cyber Resilience OT baseline term ($CROT_t$)
- (b) the Cyber Resilience OT non-baseline term ($CROTRE_t$)
- (c) the Cyber Resilience IT baseline term ($CRIT_t$);
- (d) the Cyber Resilience IT non-baseline term ($CRIRE_t$); and
- (e) [placeholder].

- 3.3.5 The value of $CROT_t$ is derived in accordance with the following formula:

$$CROT_t = (CROBA_t - CROPCD_t) - CROU_t$$

where:

- $CROBA_t$ has the value set out in the Cyber Resilience OT Baseline Allowances Table;
- $CROPCD_t$ has the value directed by the Authority in accordance with Part C; and
- $CROU_t$ has the value directed by the Authority in accordance with Part D.

- 3.3.6 The value of $CROTRE_t$ is derived in accordance with the following formula:

$$CROTRE_t = (CROR_t - CROPCCR_t) - CROUR_t$$

where:

- $CROR_t$ has the value set out in the Cyber Resilience OT Re-opener Allowances Table, in relation to which see Part G of Special Condition 3.2 (Uncertain Costs Re-openers);
- $CROPCCR_t$ has the value directed by the Authority in accordance with Part C; and
- $CROUR_t$ has the value directed by the Authority in accordance with Part D.

- 3.3.7 The value of $CRIT_t$ is derived in accordance with the following formula:

$$CRIT_t = CRIBA_t - CRIPCD_t$$

where:

CRIBA_t has the value set out in the Cyber Resilience IT Baseline Allowances Table; and

CRIPCD_t has the value directed by the Authority in accordance with Part C.

3.3.8 The value of CRITRE_t is derived in accordance with the following formula:

$$CRITRE_t = CRIR_t - CRIPCDR_t$$

where:

CRIR_t has the value set out in the Cyber Resilience IT Re-opener Allowances Table, in relation to which see Part H of Special Condition 3.2 (Uncertain Costs Re-openers); and

CRIPCDR_t has the value directed by the Authority in accordance with Part C.

3.3.9 The value of each other Evaluative Price Control Deliverable term is derived in accordance with the following formula:

$$\text{Evaluative Price Control Deliverable term}_t = EPCDA_t - EPCDB_t$$

where:

EPCDA_t means the value of the Evaluative Price Control Deliverable term set out in Appendix 1 or the relevant confidential document; and

EPCDB_t has the value zero unless the Authority directs otherwise in accordance with Part C.

Part B: Requirement to deliver certain Evaluative Price Control Deliverables

3.3.10 The licensee must take all reasonable steps to deliver the outputs specified in the Cyber Resilience OT PCD Table and the Cyber Resilience IT PCD Table in accordance with and by the delivery dates specified in those tables.

3.3.11 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in Appendix 2.

3.3.12 The licensee is also funded to deliver the outputs specified in Appendix 3 in accordance with and by the delivery dates specified in Appendix 3.

Part C: Assessment of the Evaluative Price Control Deliverables

3.3.13 The Authority may, in accordance with the assessment principles set out in this Part, consider directing an adjustment to allowances where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Appendix 2 or Appendix 3.

3.3.14 In deciding whether to make a direction to adjust allowances where an Evaluative Price Control Deliverable has not been Fully Delivered and in

deciding the contents of such a direction, the Authority must apply the following assessment principles:

- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;
- (b) where an output is Not Delivered, the Authority may direct a reduction of the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output was made, where the licensee demonstrates that the costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;
- (c) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;
- (d) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and
 - i. the licensee demonstrates that any underspend against the associated allowance is attributable to Efficiency or Innovation; and
 - ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered,

the Authority may direct an adjustment to the associated allowance only in accordance with the following formula:

$$\text{adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

- (e) where none of the circumstances described in sub-paragraphs (b) to (d) applies, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
 - i. have due regard to the particular characteristics of the output;
 - ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
 - iii. establish efficient costs using the following methods:
 - (AA) where these are available, using benchmarking against historical data; or
 - (BB) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
- (f) the Authority will not direct an increase to allowances for an Evaluative Price Control Deliverable that has not been Fully Delivered;

- (g) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
- (h) the split between fast money and the RAV for any adjustments will be as set out in the ED2 Price Control Financial Model.

Part D: Use it or lose it adjustment for cyber resilience OT allowances

- 3.3.15 The Authority may make a use it or lose it adjustment to cyber resilience OT allowances, by directing a value for $CROU_t$ and $CROUR_t$, where:
- (a) cyber resilience OT allowances have not been spent; or
 - (b) have not been spent in a way that is efficient to improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes.
- 3.3.16 The assessment under this Part will be made after any assessment under Part C.

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

- 3.3.17 Before making a direction under this licence condition, the Authority must send to the licensee:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.3.18 Where a direction relates to the following Evaluative Price Control Deliverable terms, the Authority will also publish the proposed direction on the Authority's Website:
- (a) XXX_t ; and
 - (b) XXX_t .
- 3.3.19 Where the direction is made under Part C, it must set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the reduction to allowances and the Regulatory Years to which that adjustment relates, and in relation to:
 - i. cyber resilience OT will specify the value of $CROPCD_t$ and $CROPCDR_t$; and
 - ii. cyber resilience IT will specify the value of $CRIPPCD_t$ and $CRIPPCDR_t$; and
 - (c) the methodology and data that has been used to decide the matters required by sub-paragraphs (a) and (b).
- 3.3.20 Where a direction is made under Part D, it must set out:

- (a) whether the direction is being made under paragraph 3.3.15(a) or (b);
- (b) the value of $CROU_t$ and $CROUR_t$ and the Regulatory Years to which the adjustment relates; and
- (c) the methodology and data that has been used to decide the matters required by sub-paragraphs (a) and (b).

Appendix 1

Evaluative Price Control Deliverables allowances by Regulatory Year (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
XXX _t						
XXX _t						

Appendix 2

Mock PCD

Output	Delivery date	Allowance (£m)					
		21/22	22/23	23/24	24/25	25/26	Total

Appendix 3

Other PCD

Output	Delivery date	Allowance (£m)					
		21/22	22/23	23/24	24/25	25/26	Total

Special Condition 3.4 Use It Or Lose It Allowances

Introduction

- 3.4.1 The purpose of this condition is to set the value of the Use It Or Lose It Allowance terms, which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.4.2 These terms are treated by the ED2 Price Control Financial Model so as to receive neutral treatment by the Totex Incentive Mechanism.
- 3.4.3 This condition also establishes the WSC Governance Document, which the licensee must comply with in its administration and delivery of WSC Projects.

Part A: Value of the Use It Or Lose It Allowances term

3.4.4 The following are Use It Or Lose It Allowance terms:

- (a) the Visual Amenity Projects term (VAP_t);
- (b) the Worst Served Customers term (WSC_t);
- (c) the bespoke #1 term / [not used];
- (d) the bespoke #2 term / [not used]; and
- (e) the bespoke #3 term / [not used].

3.4.5 For the Regulatory Year commencing 1 April 2023, the value of VAP_t is derived in accordance with the following formula:

$$VAP_t = \min(VAPTE_t, VAPCAP)$$

where:

$VAPTE_t$ means the total expenditure on Visual Amenity Projects; and

$VAPCAP$ means the value of the licensee's expenditure cap for Visual Amenity Projects for the Price Control Period, as set out in Appendix 1.

3.4.6 For Regulatory Years commencing on or after 1 April 2024, the value of VAP_t is derived in accordance with the following formula:

$$VAP_t = \max \left[\min \left(VAPTE_t, VAPCAP - \sum_{k=2023/24}^{t-1} VAPTE_k \right), 0 \right]$$

where:

$VAPTE_t$ has the meaning given in paragraph 3.4.5;

$WSCCSC$ has the meaning given in paragraph 3.4.5; and

$\sum_{k=2023/24}^{t-1} WSCCSE_k$ means the total expenditure during the Price Control Period on Visual Amenity Projects prior to Regulatory Year t .

3.4.7 For the Regulatory Year commencing 1 April 2023, the value of WSC_t is derived in accordance with the following formula:

$$WSC_t = \min(WSCCSE_t, WSCCSC)$$

where:

$WSCCSE_t$ means the total expenditure on WSC Projects; and

$WSCCSC$ means the value of the licensee's expenditure cap for WSC Projects for the Price Control Period, as set out in Appendix 2.

- 3.4.8 For Regulatory Years commencing on or after 1 April 2024, the value of WSC_t is derived in accordance with the following formula:

$$WSC_t = \max \left[\min \left(WSCCSE_t, WSCCSC - \sum_{k=2023/24}^{t-1} WSCCSE_k \right), 0 \right]$$

where:

$WSCCSE_t$ has the meaning given in paragraph 3.4.7;

$WSCCSC$ has the meaning given in paragraph 3.4.7; and

$\sum_{k=2023/24}^{t-1} WSCCSE_k$ means the total expenditure during the Price Control Period on WSC Projects prior to Regulatory Year t.

- 3.4.9 The value of [bespoke #1]

- 3.4.10 The value of [bespoke #2]

- 3.4.11 The value of [bespoke #3]

Part B: The WSC Governance Document

- 3.4.12 The licensee must comply with the WSC Governance Document in its administration and delivery of its WSC Projects.

- 3.4.13 The WSC Governance Document will make provision about the governance and administration of the Worst Served Customers Use It Or Lose It Allowance, including:

- (a) the eligibility criteria that WSC Projects must meet; and
- (b) reporting requirements in respect of WSC Projects.

- 3.4.14 The procedure for issuing and amending the WSC Governance Document is provided in Special Condition 1.3 (Common procedures).

Appendix 1

Value of the licensee's Visual Amenity Projects expenditure cap (VAPCAP)

Licensee	Value of cap (£m)
ENWL	XX
NPGN	XX
NPGY	XX
WMID	XX
EMID	XX
SWALES	XX

SWEST	XX
LPN	XX
SPN	XX
EPN	XX
SPD	XX
SPMW	XX

Appendix 2

Value of the licensee's Worst Served Customers expenditure cap (WSCCSC)

Licensee	Value of cap (£m)
ENWL	XX
NPGN	XX
NPGY	XX
WMID	XX
EMID	XX
SWALES	XX
SWEST	XX
LPN	XX
SPN	XX
EPN	XX
SPD	XX
SPMW	XX
SSEH	XX
SSES	XX

Appendix 3

Value of the licensee's bespoke #1 expenditure cap (BSP1)

Licensee	Value of cap (£m)
ENWL	XX
NPGN	XX

NPGY	XX
WMID	XX
EMID	XX
SWALES	XX
SWEST	XX
LPN	XX
SPN	XX
EPN	XX
SPD	XX
SPMW	XX

Appendix 4

Value of the licensee's bespoke #2 expenditure cap (BSP2)

Licensee	Value of cap (£m)
ENWL	XX
NPGN	XX
NPGY	XX
WMID	XX
EMID	XX
SWALES	XX
SWEST	XX
LPN	XX
SPN	XX
EPN	XX
SPD	XX
SPMW	XX

Appendix 5

Value of the licensee's bespoke #3 expenditure cap (BSP3)

Licensee	Value of cap (£m)
ENWL	XX

NPGN	XX
NPGY	XX
WMID	XX
EMID	XX
SWALES	XX
SWEST	XX
LPN	XX
SPN	XX
EPN	XX
SPD	XX
SPMW	XX

Special Condition 3.5 [x [

Special Condition 3.6 Net Zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term NZ_t (the Net Zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to:
- (a) specify any Price Control Deliverable relating to Net Zero Developments;
 - (b) establish a Re-opener for the Authority to trigger amendments to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
 - (c) provide for an assessment of the Price Control Deliverables specified in this condition.
- 3.6.3 This condition also explains the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the Net Zero Re-opener term (NZ_t)

- 3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO_t means the sum of allowances in Appendix 1; and

NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

- 3.6.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

Part C: Net Zero Re-opener

- 3.6.6 This Part establishes the Net Zero Re-opener.
- 3.6.7 The Net Zero Re-opener may be used where:
- (a) a Net Zero Development has occurred or is expected to occur;
 - (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
 - (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
 - (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
 - (e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.
- 3.6.8 The Authority may make modifications under the Net Zero Re-opener at any time during the Price Control Period where the conditions in paragraph 3.6.7 are met.
- 3.6.9 The following modifications to the licence may be made under the Net Zero Re-opener:
- (a) modifications to the outputs, delivery dates and allowances in Appendix 1;
 - (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence;
 - (c) modifications confined to outputs, delivery dates and allowances relevant to the Net Zero Development that is the subject of the Re-opener; and
 - (d) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.6.10 Any modifications made under the Net Zero Re-opener will be made under section 11A (modifications of conditions of licences) of the Act.
- 3.6.11 The requirement to comply with the Re-opener Guidance and Application Requirements Document when submitting a Re-opener application is established by Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Part D: Assessment of the Price Control Deliverable (NZRO_t)

3.6.12 The Authority will, in accordance with the assessment principles set out in Part D of Special Condition 3.3 (Evaluative Price Control Deliverables), consider directing a value for NZRO_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.6.13 Before making a direction under paragraph 3.6.12, the Authority will send to the licensee and publish on the Authority's Website:

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

3.6.14 A direction under paragraph 3.6.12 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the NZRO_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the NZRO_t term.

Appendix 1

Net Zero Price Control Deliverable (£m)

Regulatory Year							
Output	Delivery date	2023/24	2024/25	2025/26	2026/27	2027/28	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.7 [x]

Special Condition 3.8 Coordinated Adjustment Mechanism Re-opener (CAM_t)

Introduction

3.8.1 The purpose of this condition is to calculate the term CAM_t (the Coordinated Adjustment Mechanism Re-opener term). This contributes to the calculation of the Totex Allowance.

- 3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

- 3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2023, 2024, 2025, 2026, 2027, or during such other periods as the Authority may direct.

Part C: How to make an application

- 3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:
- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
 - (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
 - (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation does deliver greater overall consumer value;
 - (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
 - (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
 - (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;

- (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
 - (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.
- 3.8.7 An application under paragraph 3.8.4 must:
- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023.
- 3.8.8 The requirement to comply with the Re-opener Guidance and Application Requirements Document when submitting a Re-opener application is established by Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Part D: What costs are within scope of this Re-opener?

- 3.8.9 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

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

- 3.8.10 In deciding whether to make a direction under paragraph 3.8.4 the Authority will apply the following criteria:
- (a) where an application under paragraph 3.8.4 has been made as a result of reaching an agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee; and
 - (b) the requirements of paragraphs 3.8.5 to 3.8.7 have been met.
- 3.8.11 Before making a direction under paragraph 3.8.4 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) period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.8.12 The direction will set out:
- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;

- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Carry-over Green Recovery Scheme Project Costs (CGRS_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the term CGRS_t (the Carry-over Green Recovery Scheme term). This contributes to the calculation of the Totex Allowance, but is treated by the ED2 Price Control Financial Model so as to receive neutral treatment by the Totex Incentive Mechanism.

Part A: Formula for calculating the Carry-over Green Recovery Scheme term (CGRS_t)

- 3.9.2 For the Regulatory Year commencing on 1 April 2023, the value of CGRS_t is derived in accordance with the following formula:

$$CGRS_t = \min (GRE_t, EGRS)$$

and for subsequent Regulatory Years is derived in accordance with the following formula:

$$CGRS_t = \min \left(GRE_t, EGRS - \sum_{t=2023/24}^{t-1} CGRS_t \right)$$

where:

EGRS means the RIIO-ED1 Green Recovery Scheme term and is derived in accordance with paragraph 3.9.3; and

GRE_t means the amount incurred by the licensee on Green Recovery Scheme Project Costs.

- 3.9.3 The value of EGRS is derived in accordance with the following formula:

$$EGRS = \max \left(0, TGRS - \sum_{t=2020/21}^{2022/23} GRS1_t \right)$$

where:

TGRS means the licensee's total cap for the RIIO-ED1 Period and the current Price Control Period as specified in relation to the licensee in Appendix 1; and

GRS1_t has the value of GRS_t as derived in accordance with Part A of Charge Restriction Condition 3N (Arrangements to exclude Green Recovery

Scheme Project Costs from the Totex Incentive Mechanism) of this licence as in force on 31 March 2023.

Appendix 1

Value for the TGRS term by licensee (£m)

Licensee	TGRS
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Special Condition 3.10 [x]

Special Condition 4.1 Total output delivery incentive performance (ODI_t)

Introduction

- 4.1.1 The purpose of this condition is to calculate the term ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.1.2 The effect is to produce a total of individual output delivery incentive terms.

Part A: Formula for calculating total output delivery incentive performance (ODI_t)

- 4.1.3 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = TTC_t + BMCS_t + MC_t + IIS_t$$

where:

TTC_t is derived in accordance with Special Condition 4.2 (Time to connect output delivery incentive);

$BMCS_t$ is derived in accordance with Special Condition 4.3 (Broad Measure of Customer Satisfaction output delivery incentive); and

IIS_t is derived in accordance with Special Condition 4.4 (Interruptions Incentive Scheme output delivery incentive).

Special Condition 4.2 Time to connect output delivery incentive (TTC_t)

Introduction

4.2.1 The purpose of this condition is to provide for the calculation of the term TTC_t (the time to connect ODI term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).

4.2.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the time to connect output delivery incentive.

Part A: Formula for calculating the time to connect output delivery incentive (TTC_t)

4.2.3 The value of TTC_t is derived in accordance with the following formula:

$$TTC_t = TQA_t + TQB_t + TCA_t + TCB_t$$

where:

TQA_t is derived in accordance with Part B;

TQB_t is derived in accordance with Part C;

TCA_t is derived in accordance with Part D; and

TCB_t is derived in accordance with Part E.

Part B: Formula for calculating the LVSSA time to quote term (TQA_t)

4.2.4 The value of TQA_t is derived in accordance with the following formula:

If $TQAP_t < TQALD_t$,

$$TQA_t = \min(TQARE_t, (TQAT_t - (TQAP_t * TQAI_t)))$$

If $TQAP_t > TQAUD_t$,

$$TQA_t = \max(-TQARE_t, (TQAT_t - (TQAP_t * TQAI_t)))$$

Otherwise,

$$TQA_t = 0$$

where:

$TQARE_t$ means the maximum adjustment to calculated revenue as specified for the licensee in Appendix 1;

$TQAT_t$	means the target time to produce a LVSSA quotation and has the value of [X] working days;
$TQAP_t$	means the licensee's average time taken to produce a LVSSA quotation;
$TQAI_t$	means the incentive rate for the LVSSA time to quote term and has the value set out in Appendix 2;
$TQALD_t$	means the value of TQAP below which an adjustment will be applied, fixed at [X]; and
$TQAUD_t$	means the value of TQAP above which an adjustment will be applied, fixed at [X].

Part C: Formula for calculating the LVSSB time to quote term (TQB_t)

4.2.5 The value of TQB_t is derived in accordance with the following formula:

If $TQBP_t < TQBLD_t$,

$$TQB_t = \min(TQBRE_t, (TQBT_t - (TQBP_t * TQBI_t)))$$

If $TQBP_t > TQBUD_t$,

$$TQB_t = \max(-TQBRE_t, (TQBT_t - (TQBP_t * TQBI_t)))$$

Otherwise,

$$TQB_t = 0$$

where:

$TQBRE_t$	means the maximum adjustment to allowed revenue as specified for the licensee in Appendix [X];
$TQBT_t$	means the target time to produce a LVSSB quotation and has the value of [X] working days;
$TQBP_t$	means the licensee's average time taken to produce a LVSSB quotation;
$TQBI_t$	means the incentive rate for the LVSSB time to quote term and has the value set out in Appendix [X];
$TQBLD_t$	means the value of TQBP below which an adjustment will be applied, fixed at [X] working days; and
$TQBUD_t$	means the value of TQBP above which an adjustment will be applied, fixed at [X] working days.

Part D: Formula for calculating the LVSSA time to connect term (TCA_t)

4.2.6 The value of TCA_t is derived in accordance with the following formula:

If $TCAP_t < TCALD_t$,

$$TCA_t = \min(TCARE_t, (TCAT_t - (TCAP_t * TCAI_t)))$$

If $TCAP_t > TCAUD_t$,

$$TCA_t = \max(-TCARE_t, (TCAT_t - (TCAP_t * TCAI_t)))$$

Otherwise,

$$TCA_t = 0$$

where:

$TCARE_t$	means the maximum adjustment to allowed revenue as specified for the licensee in Appendix [X];
$TCAT_t$	means the target time taken from LVSSA connection offer acceptance to completion and has the value of [X] working days;
$TCAP_t$	means the licensee's average time taken from LVSSA connection offer acceptance to completion;
$TCAI_t$	means the incentive rate for the LVSSA time to connect term and has the value set out in Appendix [X];
$TCALD_t$	means the value of TCAP below which an adjustment will be applied, fixed at [X] working days; and
$TCAUD_t$	means the value of TCAP above which an adjustment will be applied, fixed at [X] working days.

Part E: Formula for calculating the LVSSB time to connect term (TCB_t)

4.2.7 The value of TCB_t is derived in accordance with the following formula:

If $TCBP_t < TCBLD_t$,

$$TCB_t = \min(TCBRE_t, (TCBT_t - (TCBP_t * TCBI_t)))$$

If $TCBP_t > TCBUD_t$,

$$TCB_t = \max(-TCBRE_t, (TCBT_t - (TCBP_t * TCBI_t)))$$

Otherwise,

$$TCB_t = 0$$

where:

$TCBRE_t$	means the maximum adjustment to allowed revenue as specified for the licensee in Appendix [X];
$TCBT_t$	means the target time taken from LVSSB connection offer acceptance to completion and has the value of [X] working days;
$TCBP_t$	means the licensee's average time taken from LVSSB connection offer acceptance to completion;
$TCBI_t$	means the incentive rate for the LVSSB time to connect term and has the value set out in Appendix [X];
$TCBLD_t$	means the value of TCBP below which an adjustment will be applied, fixed at [X] working days; and
$TCBUD_t$	means the value of TCBP above which an adjustment will be applied, fixed at [X] working days.

Appendix 1

TQARE_t – Maximum revenue exposure adjustment for the LVSSA Time to Quote term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 2

TQAI_t – Incentive rate for the LVSSA Time to Quote term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 3

TQBRE_t – Maximum revenue exposure adjustment for the LVSSA Time to Quote term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					

NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 4

TQBI_t – Incentive rate for the LVSSB Time to Quote term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 5

TCARE_t – Maximum revenue exposure adjustment for the LVSSA Time to Connect term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 6

TCA_k – Incentive rate for the LVSSA Time to Connect term (£m)
in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 7

TCBRE_t – Maximum revenue exposure adjustment for the LVSSB Time to Connect term (£m) in relation to performance in the Regulatory Years 2023/24 to 2027/28

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 8

**TCBI_t – Incentive rate for the LVSSB Time to Connect term (£m)
in relation to performance in the Regulatory Years 2023/24 to 2027/28**

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Special Condition 4.3 Broad measure of customer service output delivery incentive (BMCS_t)

Introduction

- 4.3.1 The purpose of this condition is to calculate the term BMCS_t (the broad measure of customer service term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).

- 4.3.2 The effect of this condition is to adjust revenue to reward or penalise the licensee in relation to its performance under the broad measure of customer service output delivery incentive

Part A: Formula for calculating the broad measure of customer service term (BMCS_t)

- 4.3.3 The value of BMCS_t is derived in accordance with the following formula:

$$BMCS_t = CS_t + CM_t$$

where:

CS_t means the Customer Satisfaction Survey term and is derived in accordance with Part B; and

CM_t means the complaint metrics term and is derived in accordance with Part F.

Part B: Formula for calculating the Customer Satisfaction Survey term (CS_t)

- 4.3.4 The value of CS_t is derived in accordance with the following formula:

$$CS_t = CSA_t + CSB_t + CSC_t$$

where:

CSA_t means the supply interruptions customer satisfaction term and is derived in accordance with Part C;

CSB_t means the connections customer satisfaction term and is derived in accordance with Part D; and

CSC_t means the general enquiries customer satisfaction term and is derived in accordance with Part E.

Part C: Formulae for calculating the supply interruptions customer satisfaction term (CSA_t)

- 4.3.5 The value of CSA_t is derived in accordance with the following formulae:

If $SITL_t \leq SIAS_t \leq SITU_t$ then:

$$CSA_t = 0$$

If $SIAS_t > SITU_t$, then:

$$CSA_t = \min(CSAU_t, \max(-CSAD_t, ((SIAS_t - SITU_t) \times SIRIR_t) - ((PUC_t \times 100) \times UCPIR)))$$

If $SIAS_t < SITL_t$, then:

$$CSA_t = \max(-CSAD_t, ((SIAS_t - SITL_t) \times SIPIR_t) - ((PUC_t \times 100) \times UCPIR))$$

where:

$CSAU_t$	means the maximum positive adjustment in respect of the Supply Interruptions Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 1;
$SIAS_t$	means the licensee's actual performance for the Supply Interruptions Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;
$SITL_t$	means the lower target for the Supply Interruptions Element of the Customer Satisfaction Survey and equals 8.7
$SITU_t$	means the upper target for the Supply Interruptions Element of the Customer Satisfaction Survey and equals 9.1
$SIRIR_t$	means the licensee's reward incentive rate for the Supply Interruptions Element of the Customer Satisfaction Survey, as specified in Appendix 2;
$CSAD_t$	means the maximum negative adjustment in respect of the Supply Interruptions Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 3;
$SIPIR_t$	means the licensee's penalty incentive rate for the Supply Interruptions Element of the Customer Satisfaction Survey, as specified in Appendix 4;
PUC_t	is derived in accordance with the following formula: $\frac{\text{total number of Unsuccessful Calls to the licensee's Specified Lines}}{\text{total number of calls to the licensee's Specified Lines}}$
$UCPIR$	means the licensee's penalty incentive rate for the number of Unsuccessful Calls to the licensee's Specified Lines, as specified in Appendix 5.

Part D: Formulae for calculating the connections customer satisfaction term (CSB_t)

4.3.6 The value of CSB_t is derived in accordance with the following formulae:

If $CAS_t \geq CIM_t$ then:

$$CSB_t = \min (CSBU_t, ((CAS_t - CIM_t) \times CRIR_t))$$

If $CAS_t < CIM_t$ then:

$$CSB_t = \max (-CSBD_t, ((CAS_t - CIM_t) \times CPIR_t))$$

where:

$CSBU_t$ means the maximum positive adjustment in respect of the Connections Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 6;

CAS_t means the licensee's actual performance for the Connections Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;

CIM_t means the target score for the Connections Element of the Customer Satisfaction Survey and equals [8.2];

$CRIR_t$ means the licensee's reward incentive rate for the Connections Element of the Customer Satisfaction Survey, as specified in Appendix 7;

$CSBD_t$ means the maximum negative adjustment in respect of the Connections Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 8; and

$CPIR_t$ means the licensee's penalty incentive rate for the Connections Element of the Customer Satisfaction Survey, as specified in Appendix 9.

Part E: Formulae for calculating the general enquiries customer satisfaction term (CSC_t)

4.3.7 The value of CSC_t is derived in accordance with the following formulae:

If $GAS_t \geq GIM_t$ then:

$$CSC_t = \min (CSCU_t, ((GAS_t - GIM_t) \times GRIR_t))$$

If $GAS_t < GIM_t$ then:

$$CSC_t = \max (-CSCD_t, ((GAS_t - GIM_t) \times GPIR_t))$$

where:

$CSCU_t$ means the maximum positive adjustment in respect of the General Enquiries Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 10;

GAS_t means the licensee's actual performance for the General Enquiries Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;

GIM_t	means the target score for the General Enquiries Element of the Customer Satisfaction Survey and equals [8.2];
$GRIR_t$	means the licensee's reward incentive rate for the General Enquiries Element of the Customer Satisfaction Survey, as specified in Appendix 11;
$CSCD_t$	means the maximum negative adjustment in respect of the General Enquiries Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 12; and
$GPIR_t$	means the licensee's penalty incentive rate for the General Enquiries Element of the Customer Satisfaction Survey, as specified in Appendix 13.

Part F: Formulae for calculating the complaints metric term (CM_t)

4.3.8 The value of CM_t is derived in accordance with the following formulae:

If $CMP_t \leq TCM_t$, then $CM_t = 0$

and otherwise:

$$CM_t = \max(-ARCM_t, (TCM_t - CMP_t) \times IRCM_t)$$

where:

$ARCM_t$ means the maximum negative adjustment in respect of the complaints metric for the licensee, as specified in Appendix 14; and

CMP_t is derived in accordance with paragraph 4.3.9.

4.3.9 The value of CMP_t is derived in accordance with the following formula:

$$CMP_t = (PCUDPO_t \times 0.1) + (PCUDPT_t \times 0.3) + (PRC_t \times 0.5) + (POF_t \times 0.1)$$

where:

$PCUDPO_t$ means the number of Unresolved Complaints by the end of the first Working Day after the day on which the Complaint was first received, expressed as a proportion of total Complaints;

$PCUDPT_t$ means the number of Unresolved Complaints after the end of 31 calendar days from the end of the first Working Day after the day on which the Complaint was first received, expressed as a proportion of total Complaints;

PRC_t means the number of Repeat Complaints, expressed as a proportion of total Complaints;

- POF_t means the number of Energy Ombudsman Findings Against the Licensee, expressed as a proportion of total Complaints;
- TCM_t means the target value of the complaints metric and equals [8.33]; and
- $IRCM_t$ means the incentive rate for the complaints metric, as specified in Appendix 15.

Appendix 1

Maximum positive adjustment in respect of the Supply Interruptions Element of the Customer Satisfaction Survey - CSAU_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					
ENWL					
NPgN					
NPgY					
WMID					
EMID					

SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 2

Reward incentive rate for the Supply Interruptions Element of the Customer Satisfaction Survey - SIRIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					

EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 3

Maximum negative adjustment in respect of the Supply Interruptions Element of the Customer Satisfaction Survey - CSAD_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					
ENWL					
NPgN					
NPgY					

WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 4

Penalty incentive rate for the Supply Interruptions Element of the Customer Satisfaction Survey - SIPIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					

LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 5

Penalty incentive rate for the number of Unsuccessful Calls to the licensee's Specified Lines - UCPIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					

SPMW					
SSEH					
SSES					

Appendix 6

Maximum positive adjustment in respect of the Connections Element of the Customer Satisfaction Survey - CSBU_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 7

Reward incentive rate for the Connections Element of the Customer Satisfaction Survey - CRIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 8

Maximum negative adjustment in respect of the Connections Element of the Customer Satisfaction Survey CSBD_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					

NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 9

Penalty incentive rate for the Connections Element of the Customer Satisfaction Survey CPIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					

LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 10

Maximum positive adjustment in respect of the General Enquiries element of the Customer Satisfaction Survey - CSCU_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					

SPMW					
SSEH					
SSES					

Appendix 11

Reward incentive rate for the General Enquiries element of the Customer Satisfaction Survey - GRIR_t (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 12

Maximum negative adjustment in respect of the General Enquiries element of the Customer Satisfaction Survey - $CSCD_t$ (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 13

Penalty incentive rate for the General Enquiries element of the Customer Satisfaction Survey $GPIR_t$ (£m)

	Regulatory Year
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Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 14

Maximum negative adjustment in respect of the complaints metric - $ARCM_t$ (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					

EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 15

Incentive rate for the complaints metric - $IRCM_t$ (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					

EPN					
SPD					
SPMW					
SSEH					
SSES					

Special Condition 4.4 Interruptions incentives scheme output delivery incentive (IIS_t)

Introduction

- 4.4.1 The purpose of this condition is to provide for the calculation of the term IQ_t (the interruptions incentive scheme ODI term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the Interruptions Incentive Scheme.

Part A: Formula for calculating the interruptions incentive scheme ODI term (IQ_t)

- 4.4.3 The value of IQ_t is derived in accordance with the following formula:

$$IQ_t = (QZ_t + QC_t + QD_t)$$

where:

QZ_t is derived in accordance with Part B;

QC_t is derived in accordance with Part E; and

QD_t is derived in accordance with Part F.

Part B: Formula for calculating the interruptions term (QZ_t)

- 4.4.4 The value of QZ_t is derived in accordance with the following formula:

$$QZ_t = \max[\min(RCAP_t, QA_t + QB_t), -PCAP_t]$$

provided that:

$$QZ_t + SWE_t \geq -TRIIS_t$$

and where that is not the case, QZ_t is derived in accordance with the following formula:

$$QZ_t = -TRIIS_t - SWE_t$$

where:

$RCAP_t$	has the value specified for the licensee in Appendix 1;
$PCAP_t$	has the value specified for the licensee in Appendix 2;
QA_t	is derived in accordance with Part C;
QB_t	is derived in accordance with Part D;
SWE_t	is derived in accordance with the following formula, with all the terms defined in Part E: $SWE_t = QC_t - \min[(SWPM_t - SWPD_t) * (FPPR - 1), 0] - \min[SWPM_t, SWPD_t]$
$TRIIS_t$	means the maximum amount of revenue that is exposed to penalties under all elements of IQ_t and has the value specified for the licensee in Appendix 3.

Part C: Formula for calculating the customer interruptions term (QA_t)

4.4.1 The value of QA_t is derived in accordance with the following formula:

$$QA_t = (TA_t - CIIS_t) * IRA_t * TIS_t$$

where:

TA_t	means the target for the number of Customers interrupted and is derived in accordance with paragraph 4.4.6;
$CIIS_t$	subject to Part G, means the performance of the licensee in respect of the number of Customers interrupted and is derived in accordance with paragraph 4.4.7;
IRA_t	means the incentive rate for the number of Customers interrupted as specified for the licensee in Appendix 5; and
TIS_t	means the Totex Incentive Strength Rate.

4.4.2 The value of TA_t is derived in accordance with the following formula

$$TA_t = TAP_t + TAU_t$$

where:

TAP_t	means the target for the number of pre-arranged Customers interrupted and is derived in accordance with the following formula:
---------	--

$$TAP_t = \frac{CIB_{t-4} + CIB_{t-3} + CIB_{t-2}}{3} * 0.5$$

where:

CIB_t has the meaning given in paragraph 4.4.7

TAU_t means the target for the number of unplanned Customers interrupted as specified for the licensee in Appendix 4.

4.4.3 The value of $CIIS_t$ is derived in accordance with the following formula:

$$CIIS_t = CIA_t + (A * CIB_t) + (B * CIC_t) + CID_t + (C * CIE_t)$$

where:

A has the value of 0.5;

B has the value of zero;

C has the value of zero;

CIA_t is the number of Customers interrupted per year arising from unplanned incidents on the licensee's Distribution System in and is derived from the relevant formula in the RIGs;

CIB_t is the number of Customers interrupted per year arising from pre-arranged incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

CIC_t is the number of Customers interrupted per year arising from incidents on the systems of the Transmission Licensees and is derived from the relevant formula in the RIGs;

CID_t is the number of Customers interrupted per year arising from incidents on the systems of Distributed Generators connected to the licensee's Distribution System and is derived from the relevant formula in the RIGs; and

CIE_t is the number of Customers interrupted per year arising from incidents on any other connected systems and is derived from the relevant formula in the RIGs.

Part D: Formula for calculating the duration of Customer interruptions term (QB_t)

4.4.4 The value of QB_t is derived in accordance with the following formula:

$$QB_t = (TB_t - CMLIS_t) * IRB_t * TIS_t$$

where:

TB_t is derived in accordance with paragraph 4.4.9;

$CMLIS_t$ subject to Part G, means the performance in respect of the duration of Customer interruptions and is derived in accordance with the formula in paragraph 4.4.10;

IRB_t means the incentive rate for the licensee for the duration of Customer interruptions as specified in Appendix 7; and

TIS_t means the Totex Incentive Strength Rate.

4.4.5 The value of TB_t is derived in accordance with the following formula:

$$TB_t = TBP_t + TBU_t$$

where:

TBP_t means the target for the duration of pre-arranged Customers interrupted and is derived in accordance with the formula:

$$TBP_t = \frac{CMLB_{t-4} + CMLB_{t-3} + CMLB_{t-2}}{3} \times 0.5$$

where:

$CMLB_t$ has the meaning given in paragraph 4.4.10.

TBU_t means the target for the duration of unplanned Customers interrupted as specified in Appendix 6.

4.4.6 The value of $CMLIS_t$ is derived in accordance with the following formula:

$$CMLIS_t = CMLA_t + (D * CMLB_t) + (E * CMLC_t) + CMLD_t + (F * CMLE_t)$$

where:

D has the value of 0.5;

E has the value of 0.10;

F has the value of 0.10;

$CMLA_t$ is the duration of Customer interruptions arising from unplanned incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

$CMLB_t$ is the duration of Customer interruptions arising from pre-arranged incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

$CMLC_t$ is the duration of Customer interruptions arising from incidents on the systems of the Transmission Licensees and is derived from the relevant formula in the RIGs;

$CMLD_t$ is the duration of Customer interruptions arising from incidents on the systems of Distributed Generators connected to the licensee's Distribution System and is derived from the relevant formula in the RIGs; and

$CMLE_t$ is the duration of Customer interruptions arising from incidents on any other connected systems and is derived from the relevant formula in the RIGs.

Part E: Formula for calculating the severe weather supply restoration term (QC_t)

4.4.7 The value of QC_t is derived in accordance with the following formula:

$$QC_t = \min[(SWPM_t - SWPD_t) * FPPR, 0] + \max[SWPD_t - RLF_t, 0]$$

where:

$SWPM_t$ is the total amount of severe weather payments that the licensee:

(a) has made formally to Customers for failures to meet the standard of performance for restoration under severe weather conditions imposed on the licensee under Regulation 7 of the Electricity (Standards of Performance) Regulations 2015; or

(b) has made to Customers in the form of ex gratia payments for a severe weather event (provided that, in calculating $SWPM_t$, no more than a total of £700 of payments per Customer for any given event may be taken into account);

$SWPD_t$ is the total amount of the payments that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply restoration under severe weather conditions imposed on the licensee under Regulation 7 of the Electricity (Standards of Performance) Regulations 2015;

$FPPR$ is the additional penalty applied on top of any unpaid payments for the Regulation 7 of the Electricity (Standards of Performance) Regulations 2015 and has the value of 1.2; and

RLF_t means the maximum amount of revenue exposed to the severe weather arrangements and has the value specified for the licensee in Appendix 8.

Part F: Formula for calculating the normal weather supply restoration term (QD_t)

4.4.8 The value of QD_t is derived in accordance with the following formula:

$$QD_t = \min[(NCPM_t - NCPD_t) * FPPR, 0] + \max[NCPD_t - RLG_t, 0] + OOE_t$$

where:

- NCPM_t* is the total amount of payments that the licensee has made to Customers for failures to meet the standards of performance for supply restoration imposed on the licensee under Regulations 5, 6, and 8 of the Electricity (Standards of Performance) Regulations 2015 or that has been made to Customers in the form of ex gratia payments in respect of such failure;
- NCPD_t* is the total amount of the payments that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failure to meet the standards of performance for supply restoration imposed on the licensee under Regulations 5, 6, and 8 of the Electricity (Standards of Performance) Regulations 2015;
- FPPR* is the additional penalty applied on top of any unpaid payments for the relevant Regulation and has the value of 1.2;
- OOEE_t* means payments made under Regulations 5, 6 or 8 of the Electricity (Standards of Performance) Regulations 2015 by the licensee to Customers in respect of one or more Other Exceptional Event, and in respect of which the requirements set out in paragraph 4.4.19 have been met; and
- RLG_t* means the maximum amount of revenue exposed to the normal weather arrangements and has the value as specified for the licensee in Appendix 9.

Part G: Adjustments for Severe Weather Events

- 4.4.9 Where the licensee considers that its performance in respect of any matter used for calculating CIIS_t or CMLIS_t (as provided for respectively under Parts C and D of this condition) has been affected by a Severe Weather Event, it may apply to the Authority for a direction adjusting the value of CIIS_t or CMLIS_t.
- 4.4.10 When making an application under paragraph 4.4.19, the licensee must:
- (a) notify the Authority of the event in writing, within:
 - (i) 14 days of the date on which the licensee considers that the effect of the event has ceased; or
 - (ii) 14 days of the end of the Regulatory Year in which the effect of the event has ceased.
 whichever is the earlier;
 - (b) except where the Authority otherwise consents, submit to the Authority a statement of facts (in a format specified for the purpose by the Authority) with respect to the event, within 56 days of the date of the notification under sub-paragraph (a); and

- (c) provide such further information, if any, as the Authority may reasonably require.

4.4.11 The Authority will only make a direction adjusting the value of CIIS_t or CMLIS_t where:

- (a) it relates to a Severe Weather Event;
- (b) the licensee has complied with the requirements in paragraph 4.4.10;
- (c) the Authority, or an Appropriate Auditor, nominated by the Authority under standard condition 46 (Regulatory Instructions and Guidance), has verified the impact of the Severe Weather Event on the licensee's performance; and
- (d) the adjustment reflects the impact of the Severe Weather Event, in accordance with the report of the Appropriate Auditor under paragraph 4.4.11(c), or as determined by the Authority, based on the information submitted by the licensee.

Part H: Adjustments for Other Exceptional Events

4.4.12 Where the licensee considers that its performance in respect of any matter used for calculating CIIS_t or CMLIS_t (as provided for respectively under Parts C and D of this condition) has been affected by an Other Exceptional Event, it may apply to the Authority for a direction under this Part.

A direction under this Part may:

- (a) specify a value for the OOOE term;
- (b) direct the licensee to exclude from the calculation of CIIS_t and CMLIS_t, all or part of the impact of the event that is in excess of the threshold specified for the licensee in Appendix 11 in successive three month periods from the start of the event until its effect has ceased.

4.4.13 When making an application under this Part, the licensee must:

- (c) notify the Authority of the event in writing within:
 - (i) 14 days of the date on which the licensee considers that the effect of the event has ceased; or
 - (ii) 14 days of the end of the regulatory year in which the effect of the event has ceased.

whichever is the earlier;

- (d) except where the Authority otherwise consents, submit to the Authority a statement of facts (in a format specified for the purpose by the Authority) with respect to the event within 56 days of the date of the notification under sub-paragraph (a); and

- (e) provide such further information, if any, as the Authority may reasonably require.

4.4.1 The Authority will only make a direction under this Part where:

- (f) it relates to an Other Exceptional Event;
- (g) the licensee has complied with the requirements in paragraph 4.4.13;
- (h) the licensee has demonstrated that it has taken all reasonable steps to ensure that its actions or lack of actions were not contributory factors to the occurrence of the event;
- (i) the licensee has demonstrated that it took all appropriate steps within its power to:
 - (i) limit the number of Customers interrupted by the event; and
 - (ii) restore Customers' supplies quickly and efficiently, having due regard to safety and other legal obligations; and
- (j) the Authority, or an Appropriate Auditor nominated by the Authority under standard condition 46, has verified the event and its effect;
- (k) where directing a value for the OOE term, the Authority considers it appropriate that payments by the licensee to Customers under Regulations 5, 6 and 8 of the Electricity (Standards of Performance) Regulations 2015 should be recovered by the licensee via the OOE term.

Part I: What process will the Authority follow in making a direction under Part G or H?

4.4.2 Before issuing a direction Part G or H the Authority will send to the licensee and publish on the Authority's Website:

- (l) the text of the proposed direction;
- (m) the reasons for the proposed direction; and
- (n) a statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

RCAP_t – Reward cap for customer interruptions and minutes lost term (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 2

PCAP_t – Penalty cap for customer interruptions and minutes lost term (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 3

TRIIS_t – Revenue exposure to interruptions incentive scheme term (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 4

TAU_t – Number of unplanned customer interruptions term targets

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 5

IRA_t – Customer interruptions term incentive rate (£m per CI)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 6

TBU_t – Duration of unplanned customer interruptions term targets

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 7

IRB_t – Duration of customer interruptions term incentive rate (£m per CML)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 8

RLF_t – Severe weather revenue exposure term (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 9

RLG_t – Normal weather revenue exposure term (£m)

	Regulatory Year				
Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL					
NPgN					
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 10

Exceptionality requirement for a Severe Weather Events

Licensee	Severe weather exceptionality threshold (number of weather related high voltage faults in a 24 hour period)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 11

Exceptionality requirements for an Other Exceptional Event

Licensee	CIIS ** threshold amount	CMLIS ** threshold amount
ENWL		
NPgN		
NPgY		
WMID		
EMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

** CIIS = Customer interruptions, CMLIS = Customer minutes lost

Special Condition 4.5 Major connections output delivery incentive

Introduction

- 4.5.1 The purpose of this condition is to provide for the calculation of the term MC_t (the major connections ODI term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of the condition is to penalise the licensee in relation to its performance under the major connections output delivery incentive where

Part A: Formula for calculating the major connections output delivery incentive (MC_t)

- 4.5.3 The penalty will be applied for performance with respect to:
- (a) both Contestable and Non-Contestable connections activities in Relevant Market Segments of the Local Connections Market where the licensee is not able to earn an Unregulated Margin and;
 - (b) specific Non-Contestable connection activities in Relevant Market Segments where the licensee is able to earn an Unregulated Margin and are further defined in the Major Connections Annual Report Guidance.

4.5.4 The value of MC_t, is derived in accordance with the following formula.

If $CSAS_t > CSAT_t$, then

$$MC_t = 0$$

If $CSAS_t < CSAT_t$, and $> CSAC_t$, then

$$MC_t = 0$$

If $CSAS_t < CSAC_t$, then

$$MC_t = RMSF \times \left(\frac{0.25\% \times EARE}{\text{Number of Relevant Market Segments for the licensee}} \right)$$

where:

CSAS _t	means the licensee's actual performance for the Major Connections Customer Satisfaction Survey, as measured in accordance with the RIGs;
CSAT _t	means the target score for the Major Connections Customer Satisfaction Survey and equals XX;
CSAC _t	means the collar for the Major Connections Customer Satisfaction Survey, as specified in Appendix 1;
RMSF	means the number of Relevant Market Segments, where the licensee has not demonstrated evidence of effective competition; and
EARE	means the Ex Ante Regulatory Equity.

Part B: Obligation to provide a statement for Relevant Market Segments

4.5.5 The licensee must provide a statement to the Authority for each Relevant Market Segment of the Local Connections Market that:

- (a) adheres to the criteria; and
- (b) complies with the procedures and timescales specified in the Major Connections Output Delivery Guidance.

Part C: Major Connections Output Delivery Incentive Guidance

4.5.6 The Major Connections Output Delivery Incentive Guidance will set out:

- (a) a criteria; and
- (b) the procedure and timescales for the statement required by Part B.

4.5.7 The procedure for amending or modifying the Major Connections Output Delivery Incentive Guidance is provided in Special Condition 1.3 (Common procedure).

Appendix 1

Collar for the Major Connections Customer Satisfaction Survey (CSAC_t)

Regulatory Year				
2023/24	2024/25	2025/26	2026/27	2027/28

Special Condition 4.6 Vulnerability output delivery incentive

4.6.1 [placeholder]

Special Condition 4.7 Consumer value proposition

Introduction

4.7.1 The purpose of this condition is to:

- (a) specify the CVP Outputs and associated CVP Rewards; and
- (b) allow for the adjustment of the term BPI_t (the business plan incentive term), which contributes to the calculation of Calculated Revenue in Special condition 2.1 (Revenue restriction).

- 4.7.2 This condition also explains the process the Authority must follow when assessing the delivery of the CVP Outputs and directing an adjustment to the BPI_t term.

Part A: What is the licensee expected to deliver

- 4.7.3 Appendix 1 specifies the CVP Outputs that the licensee is expected to deliver, the delivery dates for those outputs and the rewards provided.

Part B: Reporting requirements

- 4.7.4 The licensee must submit a report to the Authority:
- (a) demonstrating how the licensee has delivered its CVP Outputs;
 - (b) where it has not delivered a CVP Output, an explanation of the reasons why; and
 - (c) such detailed evidence as is reasonable in the circumstances.
- 4.7.5 The report must be submitted on or before a date directed by the Authority, which will be after the Price Control Period ends in a format prescribed by the Authority.

Part C: Authority Assessment and direction

- 4.7.6 The Authority may consider directing an adjustment to BPI_t after the Price Control Period where the licensee has not demonstrated CVP Full Delivery.
- 4.7.7 Before making a direction under paragraph 4.7.6 the Authority must 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 must not be less than 28 days.
- 4.7.8 A direction under paragraph 4.7.6 will set out the value of the BPI_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Consumer value propositions

CVP	CVP Output	Delivery date	Reward (£m)

Special Condition 4.8 Distribution Services Owner output delivery incentive

4.8.1 [placeholder]

Special Condition 4.9 Restriction of Allowed Distribution Network Revenue

Introduction

4.9.1 Text

Special Condition 4.10 Revenue adjustments in respect of performance failures

Special Condition 5.1 Total other revenue allowances (ORA_t)

Introduction

- 5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.1.2 The effect is to produce a total of individual other revenue allowance terms.

Part A: Formula for calculating total other revenue allowances (ORA_t)

- 5.1.3 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t$$

where:

NIA_t is derived in accordance with Special Condition 5.2 (RIIO-2 network innovation allowance);

CNIA_t is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance); and

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the network innovation allowance (NIA_t)

- 5.2.4 Subject to the cap in paragraph 5.2.5, the value of NIA_t is derived in accordance with the following formula:

$$NIA_t = 90\% \cdot NIAE_t$$

where:

NIAE_t means the Total NIA Expenditure.

- 5.2.5 The total value of the NIA over the RIIO-2 Price Control Period is subject to the following cap:

$$\sum_{t=2023/24}^{2027/28} (NIA_t) \leq (TNIA)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4; and

$TNIA$ means the value of the licensee's NIA as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the RIIO-2 Price Control Period, except insofar as the Authority directs.

Part B: The RIIO-2 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-2 NIA Governance Document when acting in relation to the NIA.
- 5.2.8 The RIIO-2 NIA Governance Document will make provision about the governance and administration of the NIA, including:
- (a) the eligibility criteria, which RIIO-2 NIA Projects must meet;
 - (b) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
 - (c) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
 - (d) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Electricity Distributors and Transmission Licensees;
 - (e) the reporting on compliance with the provisions of the RIIO-2 NIA Governance Document in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document);
 - (f) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects; and
 - (g) the definition of "unrecoverable NIA expenditure".
- 5.2.9 The procedure for issuing and amending the RIIO-2 NIA Governance Document is provided in Special Condition 1.3 (Common procedures).

Appendix 1

Value of the licensee's network innovation allowance (TNIA_t)

Licensee	Value of TNIA (£m)
XX	XX

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding into the Regulatory Year commencing on 01 April 2023.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 For the Regulatory Year commencing on 1 April 2023, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (\min [0.9 \cdot ECNIA_t, CNIAV] - CNIA_{R_t}) \frac{PI_{2020/21}}{PI_t}$$

where:

- ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition 46 (Regulatory Instructions and Guidance), in nominal prices;
- CNIAV is derived in accordance with Part B;
- CNIA_R means an amount, in nominal prices, recovered by the licensee in relation to the Regulatory Year 2023/24 under the RIIO-1 Network Innovation Allowance which the Authority has directed

is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and

PI_t is the price index derived in accordance with Part E of Special Condition 2.1.

- 5.3.5 For Regulatory Years commencing on or after 1 April 2024, the value of $CNIA_t$ is zero.
- 5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance value term (CNIAV)

- 5.3.7 The value of CNIAV is in nominal prices and is derived in accordance with the following formula:

$$CNIAV = NIAV_{2022/23} \cdot BR_{2022/23} - ENIA_{2022/23}$$

where:

$NIAV_{2022/23}$ is set out in the appendix to Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023;

$BR_{2022/23}$ is calculated in accordance with Part B of Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023;

$ENIA_{2022/23}$ is calculated in accordance with Part B of Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023; and

Part C: The RIIO-1 NIA Governance Document

- 5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document when acting in relation to the Carry-over Network Innovation Allowance.
- 5.3.9 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:
- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to Transmission Licensees and other holders of an Electricity Distribution Licence;
 - (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
 - (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and

(d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

5.3.10 The procedure for amending the RIIIO-1 NIA Governance Document is provided in Special Condition 1.3 (Common procedure).

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PTt)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PTt (the pass-through items term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to users of the licensee's Distribution System.

Part A: Formula for calculating the allowed pass-through term (PTt)

- 6.1.3 The PTt term is derived in accordance with the following formula:

$$PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t + SLR_t + BD_t + EBSSL_t$$

where:

LFt	means the net payments made by the licensee under Standard Condition 5 (Licensee's payments to the Authority);
RBt	means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
TBt	means the value of the Pass-Through Transmission Connection Point Charges incurred by the licensee;
SMCt	means the value of the Smart Meter Communication Licensee Costs incurred by the licensee;
SMITt	means the value of the Smart Meter Information Technology Costs incurred by the licensee;
RFt	means the amount of the incremental costs necessarily incurred by the licensee as a direct result of complying with the additional regulatory requirements referred to in the Authority's letter dated 1 February 2013 entitled "Modifications to the ring fence conditions in network operator licences" and published on the Authority's Website, provided that those costs: (a) have been reported in accordance with the RIGs; and (b) have not been otherwise remunerated under any other provision of this licence;
SLRt	means the Supplier of Last Resort costs term and is derived in accordance with Part C of this condition; and
BDt	means the Bad Debt term and is derived in accordance with Part D.
EBSSLt	means the Energy Bills Support Scheme Levy Payment made by the licensee

Part B: Review of Prescribed Rates pass-through term (RBt)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
 - (b) use reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 The Authority will review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation.
- 6.1.6 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RBt by direction.
- 6.1.7 Before making a direction under paragraph 6.1.6 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 may not be less than 28 days.
- 6.1.8 A direction under paragraph 6.1.6:
- (a) may not specify a different value for RBt for the Regulatory Year following the Regulatory Year in which the revaluation took place or for any earlier Regulatory Year; and
 - (b) may not specify a different value for RBt that is less than zero.

Part C: Formula for calculating the Supplier of Last Resort pass-through term (SLRt)

- 6.1.9 The value of the SLRt term is derived in accordance with the following formula:

$$SLR_t = SLRA_t + ESA_t$$

where:

SLRA_t

means:

the amount of payments, made by the licensee to a Claimant in response to a Valid Claim, in accordance with its obligations under paragraph 4 of standard condition 38B (Treatment of payment claims for last-resort supply where Valid Claim is received on or after 1 April 2019); less any Returned Costs from a Claimant; and

plus any other reasonably incurred costs by the licensee as a result of conducting the processes set out in standard condition 38B; and

ESAt means the Excess Specified Amount in accordance with paragraph 38B.7 of standard condition 38B where Valid Claim is received on or after 1 April 2019.

Part D: Formula for calculating the Bad Debt term (BDt)

6.1.10 The value of the BDt term is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

BDA_t means the aggregate value of Bad Debt the licensee has incurred or expects to incur, with respect to Network Charges owed to the licensee by one or more Defaulting Electricity Supplier; and

RBD_t means the aggregate value of Bad Debt previously recovered, by the licensee via the BDA_t term, where the licensee has been credited through either the Defaulting Electricity Supplier or the administrator or liquidator of a Defaulting Electricity Supplier.

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn contributes to Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + LCN_t + LICE_t + NOCO_t$$

where:

LPT_t is derived in accordance with Special Condition 7.2 (Legacy pass-through items);

LMOD_t has the value in sheet "[DNO]" of the ED2 Price Control Financial Model, unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD);

LK_t	is derived in accordance with Special Condition 7.4 (Legacy K correction);
$LTRU_t$	is derived in accordance with Special Condition 7.5 (Legacy TRU Term);
LCN_t	is derived in accordance with Special Condition 7.7 (Low Carbon Networks Fund);
$LICE_t$	is derived in accordance with Special Condition 7.9 (Legacy ICE Term); and
$NOCO_t$	is derived in accordance with Special Condition 7.10 (Close out of RIIO-1 Network Outputs).

Special Condition 7.2 Legacy pass-through items (LPT_t)

Introduction

- 7.2.1 The purpose of this condition is to calculate the LPT_t term (the legacy pass-through items term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to close out certain RIIO-ED1 allowed pass-through items, such that revenue in the Regulatory Years commencing on 1 April 2023 and 1 April 2024 reflects the specified pass-through costs relating to the Regulatory Years commencing on 1 April 2021 and 1 April 2022 respectively.

Part A: Formula for calculating the RIIO-ED1 pass-through items (LPT_t)

- 7.2.3 For the Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LLF_t + LRB_t + LTB_t + LSMC_t + LSMIT_t + LRF_t + LSLR_t + LEBD_t + LCBD_t + LSEC_t + LSEVEC_t + LSNESEC_t$$

where:

LLF_t has the value of the LF_t as derived in accordance with Part B of Charge Restriction Condition 2B (Calculation of Allowed Pass-Through Items) of this licence as in force on 31 March 2023;

LRB_t has the value of RB_t as derived in accordance with Part C of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

LTB_t	has the value of TB_t as derived in accordance with Part D of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LSMC_t$	has the value of SMC_t as derived in accordance with Part E of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LSMIT_t$	has the value of $SMIT_t$ as derived in accordance with Part F of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
LRF_t	has the value of RF_t as derived in accordance with Part G of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LSLR_t$	has the value of SLR_t as derived in accordance with Part H [Part K for SSE] of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LEBD_t$	has the value of EBD_t as derived in accordance with Part I [Part L for SSE] of Charge Restriction Condition 2B of this licence as in force on 31 March 2023 ;
$LCBD_t$	has the value of CBD_t as derived in accordance with Part J [Part M for SSE] of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LSEC_t$	[SSE only] has the value of SEC_t as derived in accordance with Part H of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$LSEVEC_t$	[SSE only] has the value of $SEVEC_t$ as derived in accordance with Part I of Charge Restriction Condition 2B of this licence as in force on 31 March 2023; and
$LSNESRC_t$	[SSE only] has the value of $SNESRC_t$ as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023.
7.2.4	For Regulatory Years commencing on or after 1 April 2025, the value of X, X, X, X is zero.
7.2.5	For Regulatory Years commencing on or after 1 April 2026, the value of LEBD is zero.

Special Condition 7.3 Legacy MOD ($LMOD_t$)

Introduction

- 7.3.1 The purpose of this condition is to set out the process the Authority must follow when directing values for the term $LMOD_t$ (the legacy MOD term). This

contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

- 7.3.2 The effect of this condition is to reflect the close out of the ED1 Price Control Financial Model.

Part A: Authority Assessment and direction

- 7.3.3 The value of $LMOD_t$ is derived in accordance with the following formula:

$$LMOD_t = MOD_t \cdot RPIF_t$$

where:

MOD_t has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the ED1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the ED2 Price Control Financial Handbook; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023.

- 7.3.4 Before making a direction under paragraph 7.3.3 the Authority must 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 must not be less than 14 days.

Special Condition 7.4 Legacy K correction (LK_t)

Introduction

- 7.4.1 The purpose of this condition is to calculate the term LK_t (the legacy K correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.4.2 The effect of this condition is to close out the RIIO-ED1 correction term such that revenue in the Regulatory Year commencing on 1 April 2023 reflects the correction value relating to the Regulatory Year commencing on 1 April 2021.
- 7.4.3 The correction value relating to the Regulatory Year commencing on 1 April 2022 is addressed by Part X of Special Condition 2.1.

Part A: Formula for calculating the legacy correction term (LK_t)

- 7.4.4 For the Regulatory Year commencing on 1 April 2023, the value of LK is derived in accordance with the following formula:

$$LK_t = -K_t$$

where:

K_t has the value of K_t as derived in accordance with Part E of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023.

- 7.4.5 The value of LK_t for Regulatory Years commencing on or after 1 April 2024 is zero.

Special Condition 7.5 Legacy TRU term ($LTRU_t$)

Introduction

- 7.5.1 The purpose of this condition is to calculate the term $LTRU_t$ (the legacy TRU term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.5.2 The effect of this condition is to close out the RIIO-ED1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2023 to 1 April 2026 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2019 to 1 April 2022 respectively.

Part A: Formula for calculating the legacy TRU term ($LTRU_t$)

- 7.5.3 For the Regulatory Years commencing on 1 April 2023 to 1 April 2026, the value of $LTRU_t$ is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where:

TRU_t has the value of TRU_t as derived in accordance with Part C of Special Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023; and

$RPIF_t$ has the value of $RPIF_t$ as derived in accordance with Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023.

- 7.5.4 The value of $LTRU_t$ for Regulatory Years commencing on or after 1 April 2027 is zero.

Special Condition 7.6 Legacy net RAV additions ($LRAV_t$)

Introduction

- 7.6.1 This condition explains the process the Authority must follow when directing values for the term $LRAV_t$ (the legacy net RAV additions term). This contributes to the calculation of the term DPN_t (the depreciation term as calculated by the ED2 Price Control Financial Model), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 7.6.2 The effect is to reflect the close out of the RIIO-ED1 Price Control Financial Model, in respect of legacy net RAV additions.

Part A: Authority assessment and direction

- 7.6.3 The Authority will direct the value of $LRAV_t$, coinciding with the Annual Iteration Process in accordance with Chapter 8 (legacy) of the ED2 Price Control Financial Handbook.
- 7.6.4 Before making a direction under paragraph 7.6.3 the Authority must 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 must not be less than 14 days.

Special Condition 7.7 Low Carbon Networks Fund

Introduction

- 7.7.1 The purpose of this condition is to set out the process for deciding the value of LCN_t (the Low Carbon Networks Fund term). This contributes to the calculation of the LAR_t term (the legacy adjustments term), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.7.2 Although no new Low Carbon Networks Fund projects have been funded since 31 March 2015, this condition makes provision for the maintenance of the Low Carbon Networks Fund arrangements that will enable the Authority to decide the value of LCN_t and for the arrangements relating to the governance and administration of the Low Carbon Networks Fund.

Part A: Formula for calculating the Low Carbon Networks Fund term (LCN_t)

- 7.7.3 The value of LCN_t is derived in accordance with the following formula:

$$LCN_t = LCN2_t - LCN1_t$$

where:

- $LCN2_t$ is an amount determined under the LCNF Second Tier and Discretionary Funding Mechanism in accordance with Part B and the LCN Fund Governance Document; and
- $LCN1_t$ is an amount recovered by the licensee in a previous Regulatory Year under the LCNF First Tier Funding Mechanism that the Authority has determined, in accordance with the provisions set out in the LCN Fund Governance Document, to be unrecoverable.

Part B: The Second Tier and Discretionary Funding Mechanism

- 7.7.4 The Authority may direct how the relevant revenues under LCNF Second Tier Funding and LCNF Discretionary Funding:
- (a) should be paid to customers through the LCNF Second Tier and Discretionary Funding Mechanism; or
 - (b) where the Authority considers it to be appropriate, whether they should be retained by the licensee.
- 7.7.5 $LCN2_t$ is the amount specified that is to be recovered by each Distribution Services Provider as directed by the Authority under paragraph 7.7.6 in relation to:
- (a) the LCNF Second Tier Funding specified for Regulatory Year t ;
 - (b) any LCNF Discretionary Funding specified for Regulatory Year t ;
 - (c) any LCNF Halted Project Revenues specified for Regulatory Year t ;
 - (d) any LCNF Disallowed Expenditure specified for Regulatory Year t ;

- (e) any Returned LCN Fund Royalties specified for Regulatory Year t ; and
 - (f) any LCN Fund Returned Project Revenues specified for Regulatory Year t .
- 7.7.6 In each Regulatory Year t , as provided for by the LCN Fund Governance Document, the Authority will calculate and, by direction given to all of the Distribution Services Providers, specify in accordance with the appropriate provisions set out in the LCN Fund Governance Document:
- (a) the value for $LCN2_t$ for each Distribution Services Provider (being the amount to be recovered by each Distribution Services Provider through Use of System Charges in order to contribute to its own or another Distribution Services Provider's LCNF Second Tier Funding and LCNF Discretionary Funding for that Regulatory Year);
 - (b) the net amounts to be transferred between Distribution Services Providers in order to ensure that each Distribution Services Provider receives an amount (if any) equal to the proportion of the LCNF Second Tier Funding and LCNF Discretionary Funding for that Regulatory Year that is attributable to the licensee's Eligible LCN Fund Projects (adjusted to take into account any LCNF Halted Project Revenue, Returned LCN Fund Royalties, LCNF Disallowed Expenditure and LCN Fund Returned Project Revenues); and
 - (c) the manner in which and the timescale over which the net amounts referred to in 7.7.6(b) are to be transferred.
- 7.7.7 The licensee must comply with any direction issued by the Authority under paragraph 7.7.6.

Part C: Unrecoverable expenditure

- 7.7.8 In any Regulatory Year t , the Authority may set, by direction given to the licensee, an amount for $LCN1_t$ that will reduce the licensee's Allowed Revenue by the amount that the Authority has determined to be unrecoverable.

Part D: The LCN Fund Governance Document

- 7.7.9 The licensee must comply with the LCN Fund Governance Document when acting in relation to the Low Carbon Networks Fund.
- 7.7.10 The LCN Fund Governance Document makes and will continue to make provision about or impose requirements in respect of:
- (a) the arrangements for ensuring that relevant matters learnt from the implementation of Eligible LCN Fund Projects can be captured and disseminated;
 - (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the LCN Fund Governance Document);

- (c) arrangements relating to intellectual property rights, including Returned LCN Fund Royalties, in respect of Eligible LCN Fund Projects; and
 - (d) any other matters related to the regulation, governance, or administration of the Low Carbon Networks Fund.
- 7.7.11 The procedure for amending the LCN Fund Governance Document is provided in Special Condition 1.3 (Common procedures).

Special Condition 7.8 RIIO-ED1 network innovation competition

Introduction

- 7.8.1 The NIC was in operation during the RIIO-1 Price Control Period to fund innovative low carbon or environmental projects. Although there is no provision for new NIC projects from 1 April 2023, this condition makes provision for arrangements relating to the regulation, administration, and governance of the NIC.
- 7.8.2 Parts A and C are supplemented by the relevant provisions of the Electricity Network Innovation Competition Governance Document. The Electricity Network Innovation Competition Governance Document provides fuller details on the process for the Funding Return Mechanism and Successful Delivery Reward.

Part A: The Funding Return Mechanism

- 7.8.3 The Authority may direct how any relevant revenues should either:
- (o) be paid to the System Operator through the Funding Return Mechanism; or
 - (p) where the Authority considers it to be appropriate, be retained by the licensee.
- 7.8.4 In each Regulatory Year, in accordance with the appropriate provisions of the Electricity Network Innovation Competition Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:
- (q) the amount of any Funding Return that the licensee must pay to the System Operator; and
 - (r) the manner in which and the timescale over which that amount is to be so paid.

Part B: The Electricity Network Innovation Competition Governance Document

- 7.8.5 The licensee must comply with the Electricity Network Innovation Competition Governance Document when acting in relation to the NIC.
- 7.8.6 The Electricity Network Innovation Competition Governance Document makes and will continue to make provision about:
- (s) the process and procedures that will be in place for the assessment, approval, and financing of project funding (where necessary);

- (t) arrangements to ensure that relevant learning from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Electricity Distributors and Transmission Licensees;
- (u) the nature of the reporting obligations in respect of Eligible NIC Projects (which may include reporting in respect of their funding and completion, as well as reporting on compliance with this condition and the provisions of the Electricity Network Innovation Competition Governance Document);
- (v) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (w) any other matters relating to the governance of the NIC.

7.8.7 The procedure for amending the Electricity Network Innovation Competition Governance Document is provided in Special Condition 1.3 (Common procedures).

Part C: Successful Delivery Reward

7.8.8 The Authority may direct that the System Operator pay the licensee a Successful Delivery Reward, in accordance with the provisions of the Electricity Network Innovation Competition Governance Document.

Special Condition 7.9 Close out of the RIIO-ED1 incentive on connections engagement ($LICE_t$)

Introduction

- 7.9.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term $LICE_t$ (the legacy ICE term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.9.2 The effect of this condition is to reflect the close out of the RIIO-ED1 incentive on connections engagement.

Part A: Authority assessment and direction

- 7.9.3 For the Regulatory Year commencing on 1 April 2023, the value of $LICE_t$ has the value of ICE_t as determined in accordance with Part B of Charge Restriction Condition 2E (Incentive on Connections Engagement) of this licence as in force on 31 March 2023.
- 7.9.4 The value of $LICE_t$ for Regulatory Years commencing on or after 1 April 2024 is zero.

Part B: Amendments to the Incentive on Connections Engagement Guidance

- 7.9.5 The Incentive on Connections Engagement Guidance will continue to make provision in relation to the RIIO-ED1 incentive on connections engagement.

7.9.6 The procedure for amending the Incentive on Connections Engagement Guidance is provided in Special Condition 1.3 (Common procedure).

Special Condition 7.10 [NOMs]

Special Condition 7.11 [BMCS]

Chapter 8: Governance

Special Condition 8.1 Governance of the ED2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ED2 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ED2 Price Control Financial Instruments.

Part A: The ED2 Price Control Financial Instruments

8.1.2 Each of the following ED2 Price Control Financial Instruments forms part of this condition:

- (a) the ED2 Price Control Financial Handbook; and
- (b) the ED2 Price Control Financial Model.

Part B: Modification of the ED2 Price Control Financial Instruments

8.1.3 The Authority may direct modifications to the ED2 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the ED2 Price Control Financial Instruments; and
- (b) the modification will have either:
 - i. no impact; or
 - ii. an impact below the Materiality Threshold on the licensee's Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.

8.1.5 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;

- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as the addition or removal of PCFM Variable Values; and
- (e) corrections of manifest errors.

Part C: Circumstances in which a modification may be made

8.1.6 Before making a direction under paragraph 8.1.3, the Authority will:

- (a) consider any views expressed and representations made by the ED2 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraphs 8.1.5(a) to (d); and
- (b) publish on the Authority's Website:
 - i. the text of the proposed direction;
 - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5; and
 - iii. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

8.1.7 A direction under paragraph 8.1.3 will set out:

- (a) the modifications to the ED2 Price Control Finance Instruments; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

8.1.8 The following do not constitute a modification of the ED2 Price Control Financial Model:

- (a) entering a PCFM Variable Value into the ED2 Price Control Financial Model;
- (b) changing the filename of the spreadsheet containing the ED2 Price Control Financial Model; and
- (c) changing the “publication date” on the “Cover” sheet of the ED2 Price Control Financial Model.

Part D: Availability and updating of ED2 Price Control Financial Instruments

8.1.9 The Authority will maintain on the Authority's Website a copy of the ED2 Price Control Instruments for Regulatory Years commencing on or after 1 April 2023.

8.1.10 The Authority will ensure that any modifications of the ED2 Price Control Financial Instruments, whether under this condition or otherwise, are promptly incorporated into consolidated versions maintained on the Authority's Website.

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also establishes the Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.

Part B: Environmental Reporting Guidance

- 9.1.7 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
 - (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
 - (c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
- 9.1.8 The procedure for issuing and amending the Environmental Reporting Guidance is provided in Special Condition 1.3 (Common procedure).

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.

9.2.2 It also sets out:

- (a) the process for modifying the NARM Methodology; and
- (b) the requirements on the licensee in respect of the Information Gathering Plan.

Part A: Requirement to have a NARM Methodology

9.2.3 The licensee must have in place and act in accordance with a NARM Methodology which is comprised of:

- (a) a Common Network Asset Indices Methodology that complies with the requirements of paragraph 9.2.4; and
- (b) a Network Asset Indices Methodology that complies with the requirements of paragraph 9.2.6.

9.2.4 The licensee must use best endeavours to work in co-operation with all other Distribution Network Operators to develop and maintain a Common Network Asset Indices Methodology that facilitates the achievement of the NARM Objectives.

9.2.5 The licensee must at all times keep the Common Network Asset Indices Methodology under review and modify it to ensure that it continues to facilitate the achievement of the NARM Objectives.

9.2.6 The licensee's Network Asset Indices Methodology must:

- (a) enable the licensee to:
 - i. assess its NARM Assets against the Network Asset Risk Metric; and
 - ii. report in accordance with the RIGs;
- (b) enable the licensee to assess its performance against the Baseline Network Risk Output; and
- (c) be consistent with the Common Network Asset Indices Methodology.

9.2.7 The licensee must at all times keep its Network Asset Indices Methodology under review and modify it and make any modifications necessary to ensure it complies with the requirements of paragraph 9.2.6.

Part B: The NARM Objectives

9.2.8 The NARM Objectives are:

- (a) to enable the robust estimation of Long-term Monetised Risk of condition-based asset failure for each NARM Asset;
- (b) to enable the robust estimation of the Long-term Monetised Risk Benefits delivered, or expected to be delivered, through NARM Asset Interventions on specific assets or groups of assets;

- (c) to enable the Authority to establish the licensee's Baseline Network Risk Output and to undertake an objective assessment of the licensee's delivery against the Baseline Network Risk Output;
- (d) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - i. the licensee's investment plans for managing and renewing its NARM Assets through NARM Asset Interventions; and
 - ii. the licensee's outturn delivery of NARM Asset Intervention investment options;
- (e) to enable the identification and quantification of drivers leading to changes in Long-term Monetised Risk over time;
- (f) to enable the comparative analysis of network asset performance between Distribution Network Operators over time; and
- (g) to enable the communication to the Authority and other interested parties of relevant information affecting the Baseline Network Output in an accessible and transparent manner.

Part C: Modifications to the Common Network Asset Indices Methodology that have a material impact on the Baseline Network Risk Output

- 9.2.9 This Part applies where the licensee proposes to make modifications to the Common Network Asset Indices Methodology that would have a material impact on the Baseline Network Risk Output.
- 9.2.10 Where the licensee proposes to modify the Common Network Asset Indices Methodology under this Part, it must:
 - (a) consult with all other interested parties, allowing them a period of at least 28 days within which to make written representations with respect to the licensee's modification proposal; and
 - (b) submit to the Authority and to all other Distribution Network Operators a report containing all of the matters listed in paragraph 9.2.12.
- 9.2.11 The requirements of paragraph 9.2.10 may be satisfied:
 - (a) by another Distribution Network Operator on behalf of the licensee; or
 - (b) jointly by the licensee and another Distribution Network Operator .
- 9.2.12 The matters to which paragraph 9.2.10(b) refers are:
 - (a) a statement of the proposed modification to the Common Network Asset Indices Methodology, including a copy of the draft Common Network Asset Indices Methodology which shows the proposed modifications;
 - (b) a full and fair summary of any representations that were made to the licensee pursuant to paragraph 9.2.10(a) and were not withdrawn;
 - (c) an explanation of any changes that the licensee has made to its modification proposal as a consequence of such representations;

- (d) an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - (e) a presentation of the data and other relevant information (including historical data) that the licensee has used for the purpose of developing the proposed modification; and
 - (f) a timetable for the implementation of the proposed modification, including an implementation date.
- 9.2.13 Within 28 days of a submission under paragraph 9.2.10(b), the licensee must notify the Authority as to whether it expects that the proposed modification, if implemented, would require:
 - (a) a change to the licensee's Network Asset Indices Methodology;
 - (b) a change to the licensee's Network Asset Risk Workbook;
 - (c) a restatement of data previously reported for historical years.
- 9.2.14 The Authority may by direction:
 - (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments; or
 - (c) reject the proposed modification.
- 9.2.15 The licensee must implement a modification approved under paragraph 9.2.14(a) or (b) by the date specified by the Authority in the direction approving the modification, which must not be earlier than three months after the date of the direction.
- 9.2.16 Where the Authority makes a direction under paragraph 9.2.14(a) or (b), the Authority may also direct the date by which the licensee must submit any Rebased Baseline Network Risk Outputs in accordance with Part D of Special Condition 3.1 (Baseline Network Risk Outputs), which must not be earlier than the date of implementation directed in accordance with paragraph 9.2.15.
- 9.2.17 Before issuing a direction under paragraph 9.2.14, the Authority must publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 9.2.18 If any modification of the Common Network Asset Indices Methodology under this Part results in a change to the basis on which the licensee's progress against its Baseline Network Risk Output is reported, the licensee must within six months of implementation of the modification, or such later date as the

Authority may direct, submit to the Authority a restatement of data for the preceding years of the Price Control Period on the basis of the modified Common Network Asset Indices Methodology.

Part D: Modifications to the Common Network Asset Indices Methodology that do not have a material impact on the Baseline Network Risk Output

9.2.19 The licensee may make modifications under this Part of the type set out in paragraph 9.2.20 where:

- (a) the modification would improve the clarity of the Common Network Asset Indices Methodology;
- (b) it has obtained the agreement of all Distribution Network Operators; and
- (c) the modification will have no material impact on the licensee's or any other Distribution Network Operator's:
 - i. Baseline Network Risk Output; or
 - ii. delivery against its Baseline Network Risk Output.

9.2.20 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming, or re-ordering of sections or appendices;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as the addition, removal or modification of defined terms; and
- (e) corrections of manifest errors.

9.2.21 Where the licensee proposes a modification under this Part, it must send to the Authority and all other Distribution Network Operators a statement that sets out:

- (a) the proposed modification to the Common Network Asset Indices Methodology;
- (b) how, in the licensee's opinion, the proposed modification, if made, would improve the clarity of the Common Network Asset Indices Methodology; and
- (c) the materiality of the proposed modification on the licensee's and all other Distribution Network Operator's Baseline Network Risk Output.

9.2.22 The Authority may by direction:

- (a) approve the proposed modification;

- (b) approve the proposed modification with amendments; or
 - (c) reject the proposed modification and, where necessary, direct the licensee to make a further submission under this Part.
- 9.2.23 Before issuing a direction under paragraph 9.2.22, the Authority must publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed direction, which must not be less than 28 days.

Part E: Information Gathering Plan

- 9.2.24 The licensee must:
 - (a) by 30 September 2023; and
 - (b) within 3 months of a direction under paragraph 9.2.14 (a) or (b),provide the Authority with an Information Gathering Plan.
- 9.2.25 The Information Gathering Plan must:
 - (a) set out how the licensee will gather and record the information required for its implementation of the Common Network Asset Indices Methodology; and
 - (b) include the scope and form of the data that the licensee will collect and the frequency with which data will be collected to enable the licensee to report on progress against its Baseline Network Risk Output in accordance with the Common Network Asset Indices Methodology annually, in accordance with the RIGs.
- 9.2.26 The Authority may direct the licensee to modify the Information Gathering Plan in such manner, to such extent, and with effect from such date as may be specified in the direction after consulting the licensee.
- 9.2.27 The licensee must keep the Information Gathering Plan under review and, where necessary, modify it to ensure that it complies with the requirements of paragraph 9.2.25.

Special Condition 9.3 Price Control Deliverable reporting requirements

Introduction

- 9.3.1 The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative Price Control Deliverables.

- 9.3.2 This condition also provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Reporting requirement

- 9.3.3 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative Price Control Deliverable output for which the delivery date specified in Special Condition 3.3 (Evaluative Price Control Deliverables) was in the previous Regulatory Year.
- 9.3.4 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.3.5 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report clearly demonstrates that the relevant output has been Fully Delivered.
- 9.3.6 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.3.7 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Special Condition 3.3 (Evaluative Price Control Deliverables) in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part B: Cyber resilience reporting

- 9.3.8 The licensee must send a report to the Authority, in a form approved by the Authority that includes:
- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table; and
 - (c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (d) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
 - (e) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (d) on improving cyber resilience in relation to IT, including risk reduction;
 - (f) a description of how the licensee has considered any relevant guidance provided by the Authority;

- (g) a summary of the current status of CAF Outcomes; and
 - (h) such detailed supporting evidence as is reasonable in the circumstances.
- 9.3.9 Unless the Authority otherwise directs, the licensee must send reports under paragraph 9.3.8 by no later than the dates, and in relation to the periods, set out in Appendix 1.

Part C: PCD Reporting Requirements and Methodology Document

- 9.3.10 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part A.
- 9.3.11 The PCD Reporting Requirements and Methodology Document will set out:
- (a) how the licensee must prepare the reports required by Part A; and
 - (b) further guidance about and worked examples of the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Evaluative Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.3.12 The procedure for issuing and amending the PCD Reporting Requirements and Methodology Document is provided in Special Condition 1.3 (Common procedure).

Appendix 1

Report submission dates and the associated periods to be reported on in relation to cyber resilience OT and IT

Dates each year by which reports must be submitted from 31 January 2024 to 31 July 2028	Associated periods to be reported on
31 July	1 October to 1 March
31 January	1 April to 30 September

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 This condition requires the licensee to prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.2 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.
- 9.4.3 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
 - (a) the Re-openers to which the document applies;
 - (b) the level of detail required in the application;
 - (c) any requirement to publish the application;
 - (d) when it is appropriate to make redactions in published applications; and
 - (e) any requirement for assurance.
- 9.4.4 The procedure for issuing and amending the Re-opener Guidance and Application Requirements Document is provided in Special Condition 1.3 (Common procedure).