

Licensee Limited

Electricity Distribution Licence

Special Conditions

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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 of this licence and the standard conditions).

Part A: Interpretation

- 1.1.2 Wherever the subscript 't' is used after a term, 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 Other subscripts are also used to denote the value for a specific Regulatory Year and are explained in the relevant special condition.
- 1.1.5 Values derived by reference to the value of revenues accrued, received or paid by or to the licensee are 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 Monetary values 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 converts these values in accordance with Part E 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 is for convenience only.

- 1.1.10 A reference in a special condition of this licence to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
- 1.1.11 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;
 - (e) the Gas Transporter Licence; or
 - (f) the Grid Code
- 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 National Grid Electricity Distribution (West Midlands) plc (registered number 3600574).
EMID	refers to National Grid Electricity Distribution (East Midlands) plc (registered number 2366923).
SWALES	refers to National Grid Electricity Distribution (South Wales) plc (registered number 2366985).
SWEST	refers to National Grid Electricity 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:

- (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 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 its Use of System Charging Statement prepared in accordance with Standard Condition 14 (Charges for Use of System and connection), 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 the Regulatory Year to which the relevant Use of System Charging Statement relates.

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; 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 RAV 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 the allowance for 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 and is further described in Chapter 6 of the ED2 Price Control Financial Handbook;
$TAXA_t$	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 total 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 For Regulatory Years commencing prior to 1 April 2023, the value of K_t is zero.
- 2.1.11 For Regulatory Years commencing on or after 1 April 2023, 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 is 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 prior to 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 2.1.15; and

$RRFP_t$ means the Recovered Revenue forecasting penalty and is derived in accordance with paragraph 2.1.17.

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 and PT_t set out in paragraph 2.1.8;

BR_t^* means the sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in paragraph 2.1.8, as at 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, following discussion with 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, following discussion with 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, 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

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 tax review.

Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review 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 Authority must procure the services of an Appropriately Qualified Independent Examiner to carry out the tax review. In this instance, the licensee must:
 - (a) provide the Authority and the Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability; and
 - (b) out any reasonable steps specified by the Authority or the Appropriately Qualified Independent Examiner for the purposes of the tax review.
- 2.2.6 Following the review, the Appropriately Qualified Independent Examiner must send its findings to the Authority and the Authority may:
 - (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.

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)

Introduction

- 2.3.1 The purpose of this condition is to calculate the term RTNA_t (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority may undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority may direct any adjustment to the value of the term RTNA_t in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ED2 Price Control Financial Handbook.

Formulae for calculating the return adjustment term (RTNA_t)

- 2.3.6 The value of RTNA_t is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2023/24}^{2027/28} RAVL_t \cdot (1 - G)}$$

where:

- RTNR means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.3.7 and 2.3.8;
- RAVL_t means the RAV value for the licensee and has the value derived in accordance with the ED2 Price Control Financial Model; and
- G means notional gearing and has the value of 60%.

- 2.3.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2023/24}^{2027/28} RAVL_t \cdot (1 - G) \cdot$$

$$[-MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2]$$

where:

$RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ED2 Price Control Financial Model;

G means notional gearing and has the value of 60%;

OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ED2 Price Control Financial Model;

$T1$ means threshold 1 and has the value of 3%;

$T2$ means threshold 2 and has the value of 4%;

$AR1$ means adjustment rate 1 and has the value of 50%; and

$AR2$ means adjustment rate 2 and has the value of 90%.

- 2.3.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2023/24}^{2027/28} RAVL_t \cdot (1 - G) \cdot$$

$$[MAX(MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2]$$

where each term has the meaning given in paragraph 2.3.7.

What process will the Authority follow in making a direction?

- 2.3.9 Before making a direction under paragraph 2.3.5, 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 period during which representations on the proposed direction may be made, which must not be less than 28 days.

- 2.3.10 A direction under paragraph 2.3.5 must set out the value of the $RTNA_t$ term and the Regulatory Years to which that adjustment relates.

Chapter 3: Allowance adjustments

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 (in relation to which see the ED2 Price Control Financial Model).
- 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;
 - (c) establish the Network Asset Risk Workbook and a robust and transparent change control framework for it;
 - (d) set out the requirements on the licensee in respect of a NARM Performance Report;
 - (e) provide for an assessment of the licensee's delivery against the Baseline Network Risk Output; and
 - (f) specify 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 ($NARM_t$)

- 3.1.3 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

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

Part C: Network Asset Risk Workbook

- 3.1.5 The Network Asset Risk Workbook forms part of this condition.
- 3.1.6 The Authority must:
- (a) send to the licensee the Network Asset Risk Workbook; and

- (b) publish the Network Asset Risk Workbook on the Authority's Website.
- 3.1.7 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 3.1.8 that would improve the clarity or usefulness to users of the Network Asset Risk Workbook.
- 3.1.8 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) 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
 - (c) correction of manifest errors.
- 3.1.9 Before amending the Network Asset Risk Workbook by direction, the Authority must 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.
- 3.1.10 The Authority must:
 - (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 consolidated version on the Authority's Website.

Part D: Rebasing of the Baseline Network Risk Output

- 3.1.11 The licensee must, when submitting a Rebased Baseline Network Risk Output in accordance with Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Output is:
 - (a) calculated using the current 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.

- 3.1.12 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 Risk Output; and
 - (c) detailed supporting 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.
- 3.1.13 Where the licensee proposes a Rebased Baseline Network Risk Output in accordance with Special Condition 9.2, the Authority must consider the proposal and by direction:
- (a) approve it, in cases where the Rebased Baseline Network Risk Output meets the criteria in paragraph 3.1.11;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Output to meet the criteria in paragraph 3.1.11; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Output does not meet the criteria set out in paragraph 3.1.11 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.14 Before issuing a direction under paragraph 3.1.13, the Authority must 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 must not be less than 28 days.
- 3.1.15 Where the Authority approves Rebased Baseline Network Risk Output under paragraph 3.1.13(a) or (b):
- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of this condition; and
 - (b) the direction under paragraph 3.1.13(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

- 3.1.16 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 against the Baseline Network Risk Output and a breakdown of that Outturn Network Risk Output 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) initial justification 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

- 3.1.17 Following receipt of the NARM Performance Report, the Authority will assess the impact of any relevant Non-NARM Asset Interventions or Non-intervention Risk Changes upon delivery against the Baseline Network Risk Output and form an initial 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
- by consideration of the Adjusted Outturn Network Risk Output in accordance with paragraph 3.1.28.
- 3.1.18 The Authority must 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.
- 3.1.19 The Authority must 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 3.1.28.
- 3.1.20 Where the Authority's decision is that the licensee has over-delivered or under-delivered against its Baseline Network Risk Output, the licensee must within

[28/56] days of the publication under paragraph 3.1 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 Outturn Network Risk Output and the Baseline Network Risk Output;
- (b) includes:
 - i. an explanation of the principal changes, compared with the Baseline Network Risk Output, that have made up the under-delivery or over-delivery, including changes within NARM Asset Register Categories or types of asset intervention;
 - ii. where relevant, references to the relevant sections of the NARM Performance Report, or submissions made by the licensee as part of the annual reporting in accordance with the RIGs;
 - iii. a proposed revision to the Adjusted Outturn Network Risk Output, together with an explanation and supporting information for such revision; and
 - iv. such further information as the licensee considers relevant; and
- (c) is set out in such form approved by the Authority.

3.1.21 Following receipt of the NARM Justification Report, the Authority must form a view on the proportion of under-delivery against the Baseline Network Risk Output that is Justified Under-Delivery or the proportion of over-delivery that is Justified Over-Delivery.

3.1.22 The Authority must publish its view under paragraph 3.1.21 on the Authority's Website together with:

- (a) the reasons for its views; and
- (b) a period during which representations may be made on its view, which must not be less than 28 days.

3.1.23 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.

3.1.24 Before publishing a direction under paragraph 3.1.23, 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.
- 3.1.25 The direction under paragraph 3.1.24 may be published alongside the publication required by paragraph 3.1.23.
- 3.1.26 A direction under paragraph 3.1.24 must 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

- 3.1.27 The value of $NARM_{Rt}$ is derived in accordance with the following formula:

$$NARM_{Rt} = NARM_{AD} \cdot \frac{NARM_{At}}{\sum_t NARM_{At}}$$

where

$NARM_{AD}$ is derived in accordance with paragraph 3.1.35 or paragraph 3.1.37;

$NARM_{At}$ means the baseline allowed NARM expenditure for Regulatory Year t set out in Appendix 1; and

$\sum_t NARM_{At}$ means the total baseline allowed NARM expenditure for the Price Control Period set out in Appendix 1.

- 3.1.28 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.

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

$$NRO_{OA} = NRO_{OR} - NIR_{OD}$$

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.

- 3.1.30 On-target delivery exists where:

$$[NRO_{BL} * (1 + DB_L)] \leq NRO_{OA} \leq [NRO_{BL} * (1 + DB_U)]$$

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).

3.1.31 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).

3.1.32 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).

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

(a) a lower limit of [-x%]; and

(b) an upper limit of [+x%].

3.1.34 For under-delivery that is not a Justified Under-Delivery, the negative adjustment ($NARM_{AD}$) made under Part F is 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), derived in accordance with paragraph 3.1.35;

PEN_{AR} is the penalty adjustment rate of [2.5%] per cent of the avoided costs associated with the under-delivery]; and

UCR_{BL} is the Baseline Unit Cost of Risk (£/£risk), derived in accordance with paragraph 3.1.38.

- 3.1.35 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.

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

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

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; and

UCR_{AD} is the Adjusted Unit Cost of Risk (£/£risk), which is the lower of the Baseline Unit Cost of Risk (UCR_{BL}), derived in accordance with 3.1.38, and the Outturn Unit Cost of Risk (UCR_{OR}), derived in accordance with paragraph 3.1.39.

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

$$NRO_{OAD} = (NRO_{OR} - NRO_{NJOD})$$

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.

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

$$UCR_{BL} = \sum_t NARM_{At} / NRO_{BL}$$

where:

NRO_{BL} is the Baseline Network Risk Output (£risk); and

$\sum_t NARM_{At}$ is the total baseline allowed NARM expenditure (£) for the Price Control Period as set out in Appendix 1.

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

$$UCR_{OR} = NXP_{OR} / NRO_{OR}$$

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 ($NARMA_t$) (£m)

Licensee	NARM _{At} excluding RPEs (£m)					$\sum NARM_{At}$
	Regulatory Year					RII0-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
SSES	XX.XX	XX.XX	XX.XX	XX.XX	XX.XX	XXX.XX

Appendix 2

Baseline Network Risk Output (NROBL)

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 Cyber Resilience OT Re-opener term;
- (g) the Cyber Resilience IT Re-opener term;
- (h) the Digitalisation Re-opener term ($DIGI_t$);
- (i) the Storm Arwen Re-opener term (SAR_t);
- (j) the Load Related Expenditure Re-opener term (LRE_t);
- (k) the High Value Projects Re-opener term (HVP_t);
- (l) Wayleaves and Diversions Re-opener term (WDV_t);
- (m) the West Coast of Cumbria Re-opener term (WCC_t) – ENWL only;
- (n) the Hebrides and Orkney Re-opener term (HO_t) – SSEN only;
- (o) Shetland Enduring Solution re-opener (SES_t)– SSEN only; and
- (p) Shetland Extension Fixed Energy Costs ($SEFEC_t$) Re-opener term – SSEN only.

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 there are changes to the scope of work the licensee is required to carry out relating to the Physical Security of Critical National Infrastructure in response to changes to government policy or requirements.

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) during 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 site and the Critical National Infrastructure classification of the site to which the application relates;

- (b) gives details of the changes in government policy or requirements for Physical Security to which this application relates;
 - (c) sets out the scope or changes to the scope of work the licensee is required to carry out in response to the changes in government policy or requirements to which the application relates;
 - (d) sets out any modifications to the value of $PSUP_t$ in Appendix 1 being sought;
 - (e) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (f) provides such detailed supporting evidence as is reasonable in the circumstances, including any reports prepared by external auditors.
- 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 relating to the Physical Security of Critical National Infrastructure in response to changes to government policy or requirements 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 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 relating to the Physical Security of Critical National Infrastructure in response to changes to government policy or requirements.
- 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 relating to the Physical Security of Critical National Infrastructure 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 relating to the Physical Security of Critical National Infrastructure in response to changes to government policy or requirements;
 - (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) during 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 being sought;
 - (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 where:
 - (a) the licensee has incurred or expects to incur Rail Electrification Costs;

- (b) the requirements in paragraphs 3.2.16 and 3.2.17 have been met; and
- (c) there is 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.
- 3.2.22 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) during such other periods as the Authority may direct.
- 3.2.23 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 modifications to the value of ESR_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances;
 - (e) sets out engagement undertaken with the GB System Operator and other relevant Network Licensees on the proposed scope of works; and
 - (f) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.24 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.
- 3.2.25 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.
- 3.2.26 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.
- 3.2.27 The Authority may only make modifications to this licence under the Electricity System Restoration Re-opener by direction where:
- (a) there has been a change to the Electricity System Restoration Scope of Work;
 - (b) the modification has been requested by the licensee under paragraph 3.2.22, and the requirements in paragraphs 3.2.23 and 3.2.24 have been met; and
 - (c) 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)

- 3.2.28 This Part establishes the Environmental Re-opener.
- 3.2.29 The Environmental Re-opener may be used where the licensee has incurred or expects to incur costs caused by new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan that exceed the Materiality Threshold.
- 3.2.30 The licensee may only apply for modifications to this licence under the Environmental Re-opener between:
- (a) 23 January 2023 and 27 January 2023;
 - (b) 22 January 2024 and 26 January 2024;
 - (c) 27 January 2025 and 31 January 2025;
 - (d) 26 January 2026 and 31 January 2026; and
 - (e) 25 January 2027 and 29 January 2027.
- 3.2.31 The licensee must when making an application under the Environmental Re-opener, send to the Authority a written application that:
- (a) states the new or amended legislative requirements that are the subject of the application and their relationship with the Environmental Action Plan;
 - (b) sets out any modifications to the value of EVR_t in Appendix 1 being sought;
 - (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.
- 3.2.32 An application under this Part must:
 - (a) relate to costs that have been incurred or are 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 new or amended legislative requirements to which the application relates.
- 3.2.33 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware that the licensee has incurred or expects to incur costs caused by new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan that exceed the Materiality Threshold.
- 3.2.34 The following modifications to this licence may be made under the Environmental Re-opener:
 - (a) modifications to the value of EVR_t set out in Appendix 1;
 - (b) modifications confined to allowances related to new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan that exceed the Materiality Threshold; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.35 The Authority may only make modifications to this licence under the Environmental Re-opener by direction where:
 - (a) the circumstances in paragraph 3.2.29 exist; and
 - (b) if the modification has been requested by the licensee under paragraph 3.2.30, where the requirements in 3.2.31 and 3.2.32 have been met.
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

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

- 3.2.36 This Part establishes the Specified Street Works Costs Re-opener.
- 3.2.37 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.
- 3.2.38 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) during such other periods as the Authority directs.

- 3.2.39 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 any modifications to the value of SWR_t in Appendix 1 being sought;
 - (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.
- 3.2.40 An application under this Part must:
- (a) relate to Specified Street Works Costs that have been incurred or are 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 cause of the changes to the Specified Street Works Costs which are the subject of the application.
- 3.2.41 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.
- 3.2.42 The Authority may only make modifications to this licence under the Specified Street Works Costs Re-opener by direction where:
- (a) the licensee has incurred or expects to incur Specified Street Works Costs;
 - (b) the requirements in paragraphs 3.1.39 and 3.1.40 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part G: Cyber Resilience OT Re-opener

- 3.2.43 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).
- 3.2.44 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 network 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 required to be made to:
 - i. the outputs, delivery dates or allowances set as part of RII0-ED2 Final Determinations;
 - ii. other existing outputs, delivery dates or allowances; or
 - iii. 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 OT Re-opener:
- (a) Between 3 April 2023 and 10 April 2023
 - (b) Between 1 April 2025 and 7 April 2025; and
 - (c) during such other periods as the Authority may direct.
- 3.2.46 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 3.2.44 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.
- 3.2.47 An application under this Part must:
- (a) relate to circumstances of the type referred to in paragraph 3.2.44 that have developed since 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 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 OT Re-opener:
- (a) if the relevant circumstance is that set out in paragraph 3.2.44(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 3.2.44(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 3.2.44 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 OT Re-opener by direction:
- (a) where a circumstance 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 OT;
 - (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 OT;
 - (d) if the relevant circumstance is that set out in paragraph 3.2.44(d), where a change to an existing output is justified;
 - (e) in order to correct an error;
 - (f) because the refinement would improve the licensee's cyber resilience in relation to OT;
 - (g) if the modification is requested by the licensee under paragraph 3.2.45, where the requirements in paragraphs 3.2.46 and 3.2.47 have been met; and
 - (h) there is evidence to demonstrate that the modification to allowances is efficient.

Part H: Cyber resilience IT Re-opener

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

3.2.52 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 IT networks and systems with respect to CAF Outcomes;
 - (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; or
 - (d) modifications required to be made to:
 - i. the outputs, delivery dates or allowances set as part of RIIO-ED2 Final Determinations;
 - ii. other existing outputs, delivery dates or allowances; or
 - iii. correct errors or to make refinements to improve the licensee's cyber resilience in relation to IT.
- 3.2.53 The licensee may only apply for modifications to this licence under the Cyber Resilience IT Re-opener:
- (a) Between 3 April 2023 and 10 April 2023;
 - (b) Between 1 April 2025 and 07 April 2025; and
 - (c) during such other periods as the Authority may direct.
- 3.2.54 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 3.2.52 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 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.
- 3.2.55 An application under this Part must:
- (a) relate to circumstances of the type referred to in paragraph 3.2.52 that have developed since 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 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 set out in paragraph 3.2.52.
- 3.2.57 The following modifications may be made under the Cyber Resilience IT Re-opener:
- (a) if the relevant circumstance is that set out in paragraph 3.2.52(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 3.2.52(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 3.2.52 that are the subject of this Re-opener; and
 - (e) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.58 The Authority may only make modifications under the Cyber Resilience IT Re-opener by direction:
- (a) where a circumstances in paragraph 3.2.52 exists;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.52(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 3.2.52(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 3.2.52(d), where a change to an existing output is justified;
 - (e) in order to correct an error;
 - (f) because the refinement would improve the licensee's cyber resilience in relation to IT;
 - (g) 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
 - (h) there is evidence to demonstrate that the modification to allowances is efficient.

Part I: Digitalisation Re-opener (DIGI_t)

- 3.2.59 This Part establishes the Digitalisation Re-opener.
- 3.2.60 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 change in the roles and responsibilities of the licensee due to a change in legislation, licences, regulatory requirements, or industry codes, where as a result there is a requirement for the licensee to provide new, or significantly altered, digital or data services, including but not limited to:
 - (i) government or the Authority implementing 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 resulting in additional roles or responsibilities for the licensee with regards to the smart metering system;
 - (b) the licensee retrofitting monitoring devices to unmonitored Distributed Generators as a result of the Authority deciding that there is net customer benefit in doing so; or
 - (c) the licensee being required to implement 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.
- 3.2.61 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) during such other periods as the Authority may direct.
- 3.2.62 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 change 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 being sought;
 - (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.

- 3.2.63 An application under this Part must:
- (a) relate to changes to the roles and responsibilities of the licensee introduced 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 modifications requested.
- 3.2.64 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 3.2.60.
- 3.2.65 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 3.2.60 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.
- 3.2.66 The Authority may only make modifications to this licence under the Digitalisation Re-opener by direction:
- (a) where there has been a change 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 3.2.61 where the requirements in paragraphs 3.2.62 and 3.2.63 have been met; and
 - (c) where there is evidence to demonstrate that the modification to allowances is efficient and proportionate.

Part J: Storm Arwen Re-opener (SAR_t)

- 3.2.67 This Part establishes the Storm Arwen Re-opener.
- 3.2.68 The Storm Arwen Re-opener may be used where:
- (a) the costs incurred by the licensee in operating its Distribution Business have changed as a direct result of the Storm Arwen Recommendations, including actions taken in consequence of those recommendations; and
 - (b) where the change in the licensee's incurred or expected costs exceeds the Materiality Threshold.
- 3.2.69 The licensee may only apply to the Authority for modifications to this licence under the Storm Arwen Re-opener:
- (a) Between 22 January 2024 and 28 January 2024; and

- (b) during such other periods as the Authority may direct.
- 3.2.70 The licensee must, when making an application under the Storm Arwen Re-opener, send to the Authority a written application that:
- (a) sets out the changes to the way in which the licensee operates its Distribution Business and the associated costs, including an explanation of how the circumstances in paragraph 3.2.68 are met;
 - (b) sets out the modifications to the value of SAR_t in Appendix 1 being sought;
 - (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.
- 3.2.71 An application under this Part must:
- (a) be confined to changes to the way in which the licensee operates its Distribution Business which are a direct result of the Storm Arwen Recommendations, or actions taken in consequence of those recommendations;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of other allowed expenditure that could be avoided or reduced as a result of changes to the way in which the licensee operates its Distribution Business which are a direct result of the Storm Arwen Recommendations, or actions taken in consequence of those recommendations.
- 3.2.72 The following modifications to this licence may be made under the Storm Arwen Re-opener:
- (a) modifications to the value of SAR_t set out in Appendix 1;
 - (b) modifications confined to allowances related to changes to the way in which the licensee operates its Distribution Business which are a direct result of the Storm Arwen Recommendations, or actions taken in consequence of those recommendations ; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.73 The Authority may only make modifications to this licence under the Storm Arwen Re-opener by direction where:
- (a) there has been a change to the way in which the licensee operates its Distribution Business which are a direct result of the Storm Arwen Recommendations, or actions taken in consequence of those recommendations;
 - (b) the requirements in paragraphs 3.2.70 and 3.2.71 have been met; and

- (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part K: Load Related Expenditure Re-opener (LRE_t)

- 3.2.74 This Part establishes the Load Related Expenditure Re-opener.
- 3.2.75 The Load Related Expenditure Re-opener may be used where the licensee's Load Related Expenditure has increased or is expected to increase, as a result of:
 - (a) an increase in current or forecast demand on the Distribution System or a change in conditions on the Distribution System; and
 - (b) the Load Related Expenditure:
 - i. is not provided for in baseline allowances;
 - ii. does not fall within the scope of Special Condition 3.9 (Load Related Expenditure Volume Drivers); and
 - iii. exceeds the Materiality Threshold.
- 3.2.76 The licensee may only apply for modifications to this licence under the Load Related Expenditure Re-opener:
 - (a) Between 7 April 2025 and 11 April 2025; and
 - (b) during such other periods as the Authority may direct.
- 3.2.77 The licensee must when making an application under the Load Related Expenditure Re-opener, send to the Authority a written application that:
 - (a) gives details of the circumstances under paragraph 3.2.5 that exist;
 - (b) sets out whether the licensee considers the application relates to Strategic Investment;
 - (c) sets out any modifications requested to the LRE_t term in Appendix 1;
 - (d) sets out any modifications requested to the SIN_V_t term in Appendix 1 of Special Condition 3.3 (Evaluative Price Control Deliverables);
 - (e) sets out any modifications requested to the outputs, delivery dates and allowances in Appendix 3 of Special Condition 3.3;
 - (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, including evidence of the efficiency of the Load Related Expenditure.
- 3.2.78 An application under this Part must:
 - (a) be confined to Load Related Expenditure 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 modifications to Load Related Expenditure requested.
- 3.2.79 The Authority may also instigate this Re-opener at any time during the Price Control Period where it has become aware of the circumstances set out in paragraph 3.2.75.
- 3.2.80 The following modifications to this licence may be made under the Load Related Expenditure Re-opener:
 - (a) modifications to the value of LRE_t in Appendix 1, where those modifications do not relate to Strategic Investments;
 - (b) modifications to the value of $SINV_t$ in Appendix 1 to Special Condition 3.3 and the outputs, delivery dates and allowances in Appendix 3 of Special Condition 3.3, where those modifications relate to Strategic Investments; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.81 The Authority may only make modifications to this licence under the Load Related Expenditure Re-opener by direction:
 - (a) where the circumstances in paragraph 3.2.75 exist;
 - (b) if the modification is requested by the licensee under paragraph 3.2.76, where the requirements in paragraphs 3.2.77 and 3.2.78 have been met; and
 - (c) where the Authority is satisfied there is evidence to demonstrate that the modification to the allowances is efficient.

Part L: High Value Projects Re-opener (HVP_t)

- 3.2.82 This Part establishes the High Value Projects Re-opener.
- 3.2.83 The High Value Projects Re-opener may be used where the licensee has incurred or expects to incur costs on a High Value Project.
- 3.2.84 The licensee may only apply for modifications to this licence under the High Value Projects Re-opener:
 - (a) Between 24 January 2026 and 31 January 2026; and
 - (b) during such other periods as the Authority may direct.
- 3.2.85 The licensee must when making an application under the High Value Projects Re-opener, send to the Authority a written application that:
 - (a) explains why the licensee considers it has incurred or expects to incur costs on a High Value Project;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out in relation to the High Value Project that is the subject of the application;

- (c) sets out any modifications to the value of HVP_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.86 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions of this licence;
 - (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 High Value Project.
- 3.2.87 The following modifications to this licence may be made under the High Value Projects Re-opener:
- (a) modifications to the value of HVP_t set out in Appendix 1;
 - (b) modifications confined to allowances related to High Value Projects; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.88 The Authority may only make modifications to this licence under the High Value Projects Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.83 exist;
 - (b) the requirements in paragraphs 3.2.85 and 3.2.86 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part M: Wayleaves and Diversions Re-opener (WDV_t)

- 3.2.89 This Part establishes the Wayleaves and Diversions Re-opener.
- 3.2.90 The Wayleaves and Diversions Re-opener may be used where the licensee has incurred or expects to incur Wayleaves and Diversions Costs that exceed the Materiality Threshold.
- 3.2.91 The licensee may only apply for modifications to this licence under the Wayleaves and Diversions Re-opener:
- (a) Between 24 January 2025 and 31 January 2025; and
 - (b) during such other periods as the Authority directs.
- 3.2.92 The licensee must when making an application under the Wayleaves and Diversions Re-opener send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.90 have been met;

- (b) sets out any options considered and discounted by the licensee, including the costs and benefits;
 - (c) sets out any modifications to the value of WDV_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.93 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 work that is the subject of the application.
- 3.2.94 The following modifications to this licence may be made under the Wayleaves and Diversions Re-opener:
- (a) modifications to the value of WDV_t set out in Appendix 1;
 - (b) modifications confined to allowances related to work that is the subject of the application; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.95 The Authority may only make modifications to this licence under the Wayleaves and Diversions Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.90 exist;
 - (b) the requirements in paragraphs 3.2.92 and 3.93 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part N: West Coast of Cumbria Re-opener (WCC_t) – ENWL only

- 3.2.96 This Part establishes the West Coast of Cumbria Re-opener.
- 3.2.97 The West Coast of Cumbria Re-opener may be used where:
- (a) a Transmission Licensee has submitted an Initial Needs Case to the Authority in relation to a LOTI to connect a new nuclear development on the West Coast of Cumbria and the Authority has published a response; or
 - (b) a Transmission Licensee has sought the approval of the Authority for the Final Needs Case in relation to a LOTI to connect a new nuclear development on the West Coast of Cumbria; or
 - (c) an application to connect a new nuclear development on the West Coast of Cumbria under the Distribution Connection and Use of System Agreement has been approved; and

- (d) the licensee has incurred or expects to incur costs associated with new nuclear generation seeking to connect at West Coast of Cumbria, that exceed the Materiality Threshold.
- 3.2.98 The licensee may only apply for modifications to this licence under the West Coast of Cumbria Re-opener at such time as the Authority directs.
- 3.2.99 The licensee must when making an application under the West Coast of Cumbria Re-opener, send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.97 have been fulfilled;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out associated with new nuclear generation seeking to connect at West Coast of Cumbria;
 - (c) sets out any modifications to the value of WCC_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.100 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 work the licensee has carried out or proposes to carry out associated with new nuclear generation seeking to connect at the West Coast of Cumbria.
- 3.2.101 The following modifications to this licence may be made under the West Coast of Cumbria Re-opener:
- (a) modifications to the value of WCC_t set out in Appendix 1;
 - (b) modifications confined to allowances related to work the licensee has carried out or proposes to carry out associated with new nuclear generation seeking to connect at West Coast of Cumbria; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.102 The Authority may only make modifications to this licence under the West Coast of Cumbria Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.97 exist;
 - (b) the requirements in paragraphs 3.2.99 and 3.2.100 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.
- 3.2.103 The licensee must use reasonable endeavours to ensure that the Authority is kept informed of any material developments, including delays, of which it is

aware that relate to new nuclear generation seeking to connect at West Coast of Cumbria and the implications for the licensee's associated costs.

Part O: Hebrides and Orkney Re-opener (HO_t) – SSEN only

3.2.104 This Part establishes the Hebrides and Orkney Re-opener.

3.2.105 The Hebrides and Orkney Re-opener may be used where:

- (a) the licensee has incurred or expects to incur costs as a result of changes to the scope or timing of work relating to five sub-sea cables:
 - i. Skye to South Uist (North);
 - ii. Pentland Firth West;
 - iii. Mainland Orkney – Hoy South;
 - iv. Eriskay – Barra 2; and
 - v. South Uist – Eriskay; and
- (b) the change in those costs exceeds the Materiality Threshold and are not otherwise funded by the special conditions of this licence.

3.2.106 The licensee may only apply for modifications to this licence under the Hebrides and Orkney Re-opener:

- (a) Between 24 January 2024 and 31 January 2024;
- (b) Between 24 January 2025 and 31 January 2025; and
- (c) during such other periods as the Authority directs.

3.2.107 The licensee must when making an application under the Hebrides and Orkney Re-opener, send to the Authority a written application that:

- (a) sets out how the criteria in paragraph 3.2.105 have been fulfilled;
- (b) sets out the scope of work the licensee has carried out or proposes to carry out that is the subject of the application;
- (c) sets out any modifications to the value of HO_t in Appendix 1 being sought;
- (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
- (e) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.108 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 work the licensee has carried out that is the subject of the application.

3.2.109 The following modifications to this licence may be made under the Hebrides and Orkney Re-opener:

- (a) modifications to the value of HO_t set out in Appendix 1;
 - (b) modifications confined to allowances related to work that is the subject of the application; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.110 The Authority may only make modifications to this licence under the Hebrides and Orkney Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.105 exist;
 - (b) the requirements in paragraphs 3.2.107 and 3.2.108 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part P: Shetland Enduring Solution Re-opener (SES_t) – SSEN only

- 3.2.111 This Part establishes the Shetland Enduring Solution Re-opener.
- 3.2.112 The Shetland Enduring Solution Re-opener may be used where:
- (a) the licensee has incurred or expects to incur costs related to the Shetland Enduring Solution that exceed the Materiality Threshold; or
 - (b) the licensee has incurred or expects to incur costs related to the Shetland Enduring Solution that are 10% over or under the allowances set in response to an application under paragraph 3.2.112(a).
- 3.2.113 The licensee may only apply for modifications to this licence under:
- (a) paragraph 3.2.112(a) Between 24 January 2024 and 31 January 2024 or during such other periods as the Authority may direct; and
 - (b) paragraph 3.2.112(b) Between 24 January 2028 and 31 January 2028 or during such other periods as the Authority may direct.
- 3.2.114 The licensee must when making an application under the Shetland Enduring Solution Re-opener, send to the Authority a written application that:
- (a) sets out how the requirement in paragraph 3.2.112 has been fulfilled;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out associated with the Shetland Enduring Solution;
 - (c) sets out any modifications to the value of SES_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.115 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions of this licence;

- (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 Shetland Enduring Solution.
- 3.2.116 The following modifications to this licence may be made under the Shetland Enduring Solution Re-opener:
- (a) modifications to the value of SES_t set out in Appendix 1;
 - (b) modifications confined to allowances related to the Shetland Enduring Solution; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.117 The Authority may only make modifications to this licence under the Shetland Enduring Solution Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.112 exist;
 - (b) the requirements in paragraphs 3.2.114 and 3.2.115 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

Part Q: Shetland Extension Fixed Energy Costs Re-opener (SEFEC) - SSEN only

- 3.2.118 This Part establishes the Shetland Extension Fixed Energy Costs Re-opener.
- 3.2.119 The Shetland Extension Fixed Energy Costs Re-opener may be used where:
- (a) the licensee has incurred or expects to incur Shetland Extension Fixed Energy Costs that exceed the Materiality Threshold; or
 - (b) the licensee has incurred or expects to incur Shetland Extension Fixed Energy Costs that are 10% over or under the allowances set in response to an application under paragraph 3.2.119(a).
- 3.2.120 The licensee may only apply for modifications to this licence under:
- (a) paragraph 3.2.119(a) Between 24 January 2024 and 31 January 2024 or during such other periods as the Authority directs;
 - (b) paragraph 3.2.119(b) Between 24 January 2028 and 31 January 2028; and
 - (c) during such other periods as the Authority directs.
- 3.2.121 The licensee must when making an application under the Shetland Enduring Solution Re-opener, send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.119 have been fulfilled;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out associated with the Shetland Extension Fixed Energy Costs;

- (c) sets out any modifications to the value of SEFEC_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.122 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions of this licence;
 - (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 work that led to the licensee incurring or expecting to incur Shetland Extension Fixed Energy Costs.
- 3.2.123 The following modifications to this licence may be made under the Shetland Extension Fixed Energy Costs Re-opener:
- (a) modifications to the value of SEFEC_t set out in Appendix 1;
 - (b) modifications confined to allowances related to Shetland Extension Fixed Energy Costs; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.124 The Authority may only make modifications to this licence under the Shetland Extension Fixed Energy Costs Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.119 exist;
 - (b) the requirements in paragraphs 3.2.121 and 3.2.122 have been met; and
 - (c) there is evidence to demonstrate that the modification to allowances is efficient.

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

- 3.2.125 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 (£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						
DIGI _t						
SAR _t						
LRE _t						
HVP _t						
WDV _t						
WCC _t						
HO _t						
SES _t						
SEFEC _t						

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) the Strategic Investment term (SINV_t).
- 3.3.5 The value of CROT_t is derived in accordance with the following formula:

$$CROT_t = CROBA_t - CROPD_t$$

where:

$CROBA_t$ has the value set out in the Cyber Resilience OT Baseline Allowances Table; and

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

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

$$CROTRE_t = CROR_t - CROPCDR_t$$

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); and

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

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 $SINV_t$ is derived in accordance with the following formula:

$$SINV_t = SINVA_t - SINVB_t$$

where:

$SINVA_t$ means the value of $SINVA_t$ set out in Appendix 1; and

$SINVB_t$ 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 is also funded to deliver the outputs specified in Appendix 2 in accordance with and by the delivery dates specified in Appendix 2.

Part C: Assessment of the Evaluative Price Control Deliverables

- 3.3.12 The Authority may, in accordance with the assessment principles set out in this Part, direct 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 or Appendix 2.
- 3.3.13 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 underspends against the associated allowances are attributable to Efficiency or Innovation, the Authority may 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 must 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; and
 - (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 must:
 - 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 may 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 must allocate 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 must be as set out in the ED2 Price Control Financial Model.

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

3.3.14 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.

3.3.15 Where a direction relates to $SINV_t$, the Authority must also publish the proposed direction on the Authority's Website.

3.3.16 The direction 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 must specify the value of $CROPCD_t$ and $CROPCDR_t$; and
 - ii. cyber resilience IT must 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).

Appendix 1

Evaluative Price Control Deliverables allowances (£m)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total allowance (all years)
$SINV_t$						
NSE_t – SPEN only						

Appendix 2

Evaluative Price Control Deliverables

Output	Delivery Date	Allowance (£m)					
							Total Allowance (All years)
			2023/24	2024/25	2025/26	2026/27	2027/28

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 terms

- 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); and
 - (c) the EV Optioneering Projects term (EOP_t) – SPEN only.

Part B: Formulae for calculating the Worst Served Customers term (WSC_t)

- 3.4.5 For the Regulatory Year commencing on 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.

- 3.4.6 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.

- 3.4.7 The licensee must comply with the WSC Governance Document in its administration and delivery of its WSC Projects.
- 3.4.8 The WSC Governance Document may 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.
- 3.4.9 The procedure for issuing and amending the WSC Governance Document is provided in Special Condition 1.3 (Common procedures).

Formulae for calculating the Visual Amenity Projects term (VAP_t)

- 3.4.10 For the Regulatory Year commencing on 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.

3.4.11 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;

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

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

Part C: Formulae for calculating the EV Optioneering Projects term (EOP_t) – SPEN only

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

$$EOP_t = \min(EOPE_t, EOPCAP)$$

where:

$EOPE_t$ means the total expenditure on EV Optioneering Projects; and

$EOPCAP$ means the value of the licensee's expenditure cap for EV Optioneering Projects for the Price Control Period, as set out in Appendix 3.

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

$$EOP_t = \max \left[\min \left(EOPE_t, EOPCAP - \sum_{k=2023/24}^{t-1} EOPE_k \right), 0 \right]$$

where:

$EOPE_t$ has the meaning given in paragraph 3.4.12;

$EOPCAP$ has the meaning given in paragraph 3.4.12; and

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

Appendix 1

Visual Amenity Projects expenditure cap (VAPCAP) (£m)

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 2

Worst Served Customers expenditure cap (WSCCSC) (£m)

Licensee	Value of cap (£m)
ENWL	18
NPGN	1
NPGY	3
WMID	1
EMID	-
SWALES	1
SWEST	1

LPN	-
SPN	11
EPN	15
SPD	5
SPMW	8
SSEH	18
SSES	3

Appendix 3

EV Optioneering Projects expenditure cap (EOPCAP) (£m) – SPEN only

Licensee	Value of cap (£m)
SPM	2.55
SPD	2.80

Special Condition 3.5 PCB Interventions volume driver (PCBA_t)

Introduction

- 3.5.1 The purpose of this condition is to calculate the term PCBA_t (the PCB volume driver term), which contributes to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.5.2 The effect of this condition is to fund the licensee for asset replacement work carried out to reduce PCB contaminated pole mounted transformers on its overhead network during the Price Control Period relative to baseline allowances.

Part A: Formula for calculating the PCB Interventions volume driver term (PCBA_t)

- 3.5.3 For the Regulatory Years commencing on 1 April 2023 to 1 April 2025 the value of PCBA_t is derived in accordance with the following formula:

$$PCBA_t = ((PCBVA_t \times PCBUA) + (PCBVB_t \times PCBUB)) \div 1,000,000$$

where:

- PCBVA_t* means the total number of PCB Interventions for [rating/size of PMT A] in the licensee's Distribution Services Area;
- PCBUA* means the licensee's allowed unit cost of PCB Interventions for [rating/size of PMT] A as specified in Appendix 1;

$PCBVB_t$ means the total number of PCB Interventions for [rating/size of PMT B] in the licensee's Distribution Services Area; and

$PCBUB$ means the licensee's allowed unit cost of PCB Interventions for [rating/size of PMT] B specified in Appendix 2.

- 3.5.4 For Regulatory Years commencing on or after 1 April 2026, the value of $PCBA_t$ is zero.

Appendix 1

Allowed Unit Cost of PCB Interventions for [rating/size of PMT A] (PCBUA) (£/intervention)

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

Appendix 2

Allowed Unit Cost of PCB Interventions for [rating/size of PMT B] (PCBUA) (£/intervention)

Licensee	Unit Cost
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	

SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

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 (in relation to which see the ED2 Price Control Financial Model).
- 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 must 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 may, in accordance with the assessment principles set out in Part D of Special Condition 3.3 (Evaluative Price Control Deliverables), direct 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 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 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 must 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 Deliverables (NZO_t) (£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 Coordinated Adjustment Mechanism Re-opener (CAM_t)

Introduction

- 3.7.1 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 (in relation to which see the ED2 Price Control Financial Model).
- 3.7.2 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.
- 3.7.3 This condition also sets out 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?

- 3.7.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and any 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

- 3.7.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.7.4 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

- 3.7.6 An application under paragraph 3.7.4 must:

- (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 any 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.

- 3.7.7 An application under paragraph 3.7.4 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.

- 3.7.8 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?

- 3.7.9 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?

- 3.7.10 In deciding whether to make a direction under paragraph 3.7.4 the Authority must assess whether the requirements of paragraphs 3.7.4, and 3.7.6 to 3.7.8 have been met.
- 3.7.11 Before making a direction under paragraph 3.7.4 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 statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.7.12 The direction must 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 3.8 Carry-over Green Recovery Scheme Project Costs ($CGRS_t$)

Introduction

- 3.8.1 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 and receives neutral treatment under the Totex Incentive Mechanism.
- 3.8.2 The effect of this condition is to carry-over remaining Green Recovery Scheme funding provided in RII0-ED1 Period.

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

- 3.8.3 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 3.8.4; and

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

3.8.4 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 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

Total Green Recovery Scheme cap (TGRS) (£m)

Licensee	TGRS (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	

SSEH	
SSES	

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the Secondary Reinforcement volume driver term) and LVSVD_t (the Low Voltage Services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to Secondary Reinforcement and Low Voltage Services during the Price Control Period relative to baseline allowances.
- 3.9.3 This condition also sets out the scope of the Load Related Expenditure Volume Drivers Governance Document and the procedure the Authority will follow when issuing and amending that document.

Part A: Formula for calculating the Secondary Reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \cdot SRCD_{t,i}}{1,000,000}$$

where:

$SRUC_{t,i}$ means the unit cost of capacity type i, set out in Appendix 1; and
 $SRCD_{t,i}$ means the capacity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed £[x]m.

Part B: Formula for calculating the Low Voltage Services volume driver term (LVSVD_t)

- 3.9.6 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \cdot LVSAR_{t,i}}{1,000,000}$$

where:

$LVSUC_{t,i}$ means the unit cost of asset type i, set out in Appendix 2; and
 $LVSAR_{t,i}$ means the asset reinforced of type i, as set out in Appendix 2.

- 3.9.7 The value of LVSVD across the Price Control Period cannot exceed £[x]m.

Part C: Load Related Expenditure Volume Drivers Governance Document

- 3.9.8 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when incurring expenditure under this condition.
- 3.9.9 The Load Related Expenditure Volume Drivers Governance Document may:
- (a) make provision about the governance and administration of this volume driver; and
 - (b) in relation to Secondary Reinforcement, include the delivery metrics that expenditure incurred under this condition will be subject to.
- 3.9.10 The procedure for issuing and amending the Load Related Expenditure Volume Drivers Governance Document is set out in Special Condition 1.3 (Common procedures).

Appendix 1

SRVD_t unit cost by capacity type (£)

i	Definition of Capacity Delivered SRCD _i	SRUC _i
1	MVA released by installing a ground mounted Transformer, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/MVA
2	MVA released by installing a pole mounted Transformer, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/MVA
3	Kilometres (km) of low voltage circuits installed, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/km
4	Kilometres (km) of high voltage circuits installed, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/km

Appendix 2

LVSVD_t unit cost by asset type (£)

i	Definition of asset reinforced LVSAR _i	LVSUC _i
1	Overhead pole line – Low Voltage Service (overhead line) reinforced, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/each
2	Cable – Low Voltage Service (underground cable) reinforced, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/each
3	Switchgear - cut out (Metered) reinforced, determined in accordance with Load Related Expenditure Volume Drivers Governance Document	£'000/each

Special Condition 3.10 Allowed Expenditure for 1-in-20 Severe Weather Events (OTSW_t)

Introduction

- 3.10.1 The purpose of this condition is to calculate the 1-in-20 Severe Weather Event term (OTSW_t), which contributes to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.10.2 The effect of this condition is to provide additional allowances where the licensee has incurred Restoration Costs and Customer Support Costs as a result of a 1-in-20 Severe Weather Event.

Part A: Formula for calculating the 1-in-20 Severe Weather Event term (OTSW_t)

- 3.10.3 The value of OTSW_t is derived in accordance with the following formula:

$$OTSW_t = VAEF_t + VAEW_t$$

where:

$VAEF_t$ means the Restoration Costs incurred by the licensee as a result of a 1-in-20 Severe Weather Event; and

$VAEW_t$ means the Customer Support Costs incurred by the licensee as a result of a 1-in-20 Severe Weather Event.

Appendix 1

Severe weather 1-20 thresholds

Licensee	Commencement threshold number (number of high voltage weather related incidents in a 24 hour period)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	

SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Special Condition 3.11 Net to gross adjustment for Load Related Expenditure ($NGLRE_t$)

Introduction

- 3.11.1 The purpose of this condition is to calculate the term $NGLRE_t$ (the net to gross Load Related Expenditure term). This contributes to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model) and receives neutral treatment by the Totex Incentive Mechanism.
- 3.11.2 The effect of this condition is to adjust allowances where the actual percentage of Gross Load Related Expenditure provided by Specific Customer Funded Reinforcement during the Price Control Period falls outside the Specific Customer Funded Reinforcement Percentage Band and this is not justified by the licensee, unless this has already been funded by other Load Related Expenditure mechanisms in the price control.
- 3.11.3 This condition also sets out:
- (a) the baseline percentage of the Gross Load Related Expenditure that is expected to be funded through Specific Customer Funded Reinforcement charged to the Customer during the Price Control Period;
 - (b) reporting obligations on the licensee; and
 - (c) the circumstances in which and the process the Authority must follow in making adjustments to allowances under this condition.

Part A: Value of the net to gross Load Related Expenditure term ($NGLRE_t$)

- 3.11.4 The value of $NGLRE_t$ is zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Baseline percentage of Gross Load Related Expenditure

3.11.5 The baseline percentage of Gross Load Related Expenditure that it is anticipated the licensee will deliver via Specific Customer Funded Reinforcement is set out in Appendix 2.

Part C: Reporting requirement

3.11.6 The licensee must report to the Authority by 31 July 2028 whether:

- (a) its Relevant Expenditure has fallen outside a Specific Customer Funded Reinforcement Percentage Band; and
- (b) there is a justified reason for not making an adjustment to allowances under this Part.

3.11.7 Where the licensee's Relevant Expenditure has fallen outside its Specific Customer Funded Reinforcement Percentage Band, the licensee must include a detailed explanation of the following in the report required by paragraph 3.11.6:

- (a) reasons for any changes in the Number of Connection Projects in the Price Control Period relative to the Baseline Number of Connection Projects;
- (b) reasons why reinforcement that was forecast to be funded through Gross Load Related Expenditure at the outset of the Price Control Period has in fact been delivered through Specific Customer Funded Reinforcement;
- (c) any changes in the licensee's use of contractors to deliver activities defined as Gross Load Related Expenditure during the Price Control Period;
- (d) any changes in network loading that may be relevant to the Relevant Expenditure falling outside the Specific Customer Funded Reinforcement Percentage Band; and
- (e) any other factor relevant to the Relevant Expenditure falling outside the Specific Customer Funded Reinforcement Percentage Band.

3.11.8 The licensee must provide such further analysis or information, in such manner and in accordance with such timescales, as the Authority directs to enable it to undertake its assessment for the purposes of making its determination.

Part D: Net to gross Load Related Expenditure adjustment

3.11.9 After the Price Control Period, the Authority may direct a value for NGLRE:

- (a) where the licensee has not justified why the Relevant Expenditure has fallen outside a Specific Customer Funded Reinforcement Percentage Band; and
- (b) unless funding has already been provided for the relevant Load Related Expenditure under Part K of Special Condition 3.2 (Uncertain Costs Re-openers) or through Special Condition 3.9 (Load Related Expenditure volume drivers).

3.11.10 Before making a 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 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.

Appendix 1

Baseline Gross Load Related Expenditure (BGLRE_t) (£m)

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

Appendix 2

Baseline percentage of Gross Load Related Expenditure expected to be delivered via Specific Customer Funded Reinforcement (%)

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

Appendix 3

Baseline Number of Connection Projects

Licensee	Low Voltage	High voltage	Extra high voltage	132kV
ENWL				
NPgN				
NPgY				
EMID				
WMID				

SWALES				
SWEST				
LPN				
SPN				
EPN				
SPD				
SPMW				
SSEH				
SSES				

Appendix 4

Specific Customer Funded Reinforcement Percentage Band

Licensee	Upper threshold	Lower threshold
ENWL		
NPgN		
NPgY		
EMID		
WMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Appendix 5

Baseline Specific Customer Funded Reinforcement (£m)

Licensee	(£m)
ENWL	
NPgN	
NPgY	
EMID	
WMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Special Condition 3.12 Smart Street Mechanistic Price Control Deliverable (SSMP_t) – ENWL only

Introduction

- 3.12.1 The purpose of this condition is to calculate the term SSMP_t (the Smart Street Mechanistic Price Control Deliverable term). This contributes to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).

3.12.2 The effect of this condition is to reduce allowances if the licensee does not install 1000 on load tap changers for Smart Street operations during the Price Control Period.

3.12.3 The condition also sets out reporting obligations on the licensee.

Part A: Formula for calculating the Smart Street Mechanistic Price Control Deliverable term (SSMP_t)

3.12.4 The value of SSMP_t is derived in accordance with the following formula:

$$SSMP_t = SSA_t \cdot SSPS$$

where:

SSPS means the percentage of on load tap changer sites installed during the Price Control Period and is derived in accordance with paragraph 3.12.5; and

SSA_t has the value set out in Appendix 1.

3.12.5 The percentage of on load tap changers installed is derived in accordance with the following formula:

$$SSPS = \min \left[\frac{SSO}{1000}, 1 \right]$$

where:

SSO means the total number of on load tap changers installed over the Price Control Period.

Part B: Reporting requirement

3.12.6 The licensee must send a report to the Authority, in a form approved by the Authority, that includes:

- (a) the number of on load tap changers installed for Smart Street operations where Smart Street has been installed and is active;
- (b) the number of times Smart Street has been activated;
- (c) the number of customers that have been connected to a Smart Street substation; and
- (d) a summary of the MWhr of demand reductions achieved by Smart Street using a representative sample, audited by an independent party, and the validated cost savings to Customers as a result.

3.12.7 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.12.6 by no later than the dates, and in relation to the periods, set out in Appendix 2.

Appendix 1

Smart Street Mechanistic Price Control Deliverable allowances (SSA_t) (£m)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total allowance (all years)
SSA _t	15.6	15.6	15.6	15.6	15.6	78

Appendix 2

Report submission dates and the associated periods to be reported on

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

Special Condition 3.13 Off-gas grid Mechanistic Price Control Deliverable (OGG_t)- UKPN only

Introduction

- 3.13.1 The purpose of this condition is to calculate the term OGG_t (the off-gas grid Mechanistic Price Control Deliverable term). This contributes to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.13.2 The effect of this condition is to reduce allowances if the licensee does not provide capacity ahead of need to enable 129,233 Off-Gas Grid Customers to decarbonise their heat and transport by the end of the Price Control Period.

Part A: Formula for calculating the off-gas grid Mechanistic Price Control Deliverable term (OGG_t)

- 3.13.3 After the Price Control Period, the value of OGG_t will be derived in accordance with the following formula:

$$OGG_t = (OGGA_t \cdot OGGPSA) + (OGGB_t \cdot OGGPSB) + (OGGC_t \cdot OGGPSC) + (OGGD_t \cdot OGGPSD) + (OGGE_t \cdot OGGPSE) + (OGGF_t \cdot OGGPSF) + (OGGG_t \cdot OGGPSG)$$

where:

OGGPSA means the percentage of [asset class, category a] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 34;

$OGGA_t$	has the value set out in Appendix 1;
$OGGPSB$	means the percentage of [asset class, category b] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 35;
$OGGB_t$	has the value set out in Appendix 1;
$OGGPSC$	means the percentage of [asset class, category c] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 36;
$OGGC_t$	has the value set out in Appendix 1;
$OGGPSD$	means the percentage of [asset class, category d] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 37;
$OGGD_t$	has the value set out in Appendix 1;
$OGGPSE$	means the percentage of [asset class, category e] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 3.8;
$OGGE_t$	has the value set out in Appendix 1;
$OGGPSF$	means the percentage of [asset class, category f] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 39;
$OGGF_t$	has the value set out in Appendix 1;
$OGGPSG$	means the percentage of [asset class, category g] specified in Appendix 2 that the licensee delivers for Off-Gas Grid Customers during the Price Control Period, derived in accordance with paragraph 310; and
$OGGG_t$	has the value set out in Appendix 1.

3.13.4 The value of $OGGPSA$ is derived in accordance with the following formula:

$$OGGPSA = \min \left[\frac{AFSU}{\quad}, 1 \right]$$

where:

$AFSU$ means the total number of [asset class, category a] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.5 The value of $OGGPSB$ is derived in accordance with the following formula:

$$OGGPSB = \min \left[\frac{BOHLU}{\quad}, 1 \right]$$

where:

BOHLU means the total number of [asset class, category b] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.6 The value of OGGPSC is derived in accordance with the following formula::

$$OGGPSC = \min \left[\frac{CGMT}{BOHLU}, 1 \right]$$

where:

CGMT means the total number of [asset class, category c] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.7 The value of OGGPSD is derived in accordance with the following formula:

$$OGGPSD = \min \left[\frac{DPMT}{CGMT}, 1 \right]$$

where:

DPMT means the total number of [asset class, category d] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.8 The value of OGGPSE is derived in accordance with the following formula::

$$OGGPSE = \min \left[\frac{ELVP}{DPMT}, 1 \right]$$

where:

ELVP means the total number of [asset class, category e] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.9 The value of OGGPSF is derived in accordance with the following formula:

$$OGGPSF = \min \left[\frac{FLVN}{ELVP}, 1 \right]$$

where:

FLVN means the total number of [asset class, category f] installed for Off-Gas Grid Customers over the Price Control Period.

3.13.10 The value of OGGPSG is derived in accordance with the following formula:

$$OGGPSG = \min \left[\frac{GHVN}{FLVN}, 1 \right]$$

where:

GHVN means the total number of [asset class, category g] installed for Off-Gas Grid Customers over the Price Control Period.

Appendix 1

Off-gas grid Mechanistic Price Control Deliverable allowances (OGGA_t) (£m)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total allowance (all years)
OGGA _t						
OGGB _t						
OGGC _t						
OGGD _t						
OGGE _t						
OGGF _t						
OGGG _t						

Appendix 2

Off-gas grid Mechanistic Price Control Deliverable outputs

Term	Intervention	Volumes licensee is funded to deliver through this PCD
OGGA _t	[asset class, category a]	
OGGB _t	[asset class, category b]	
OGGC _t	[asset class, category c]	
OGGD _t	[asset class, category d]	
OGGE _t	[asset class, category e]	
OGGF _t	[asset class, category f]	
OGGG _t	[asset class, category g]	

Chapter 4: Output delivery incentives

Special Condition 4.1 Total output delivery incentive performance

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 of this condition is to ensure that the licensee's Allowed Revenue reflects the licensee's performance in relation to the output delivery incentives.

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:

$$ODI_t = TTC_t + BMCS_t + IIS_t + MC_t + CVI_t + DSOI_t [+ DFG_t + CSW_t]$$

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);
- IIS_t is derived in accordance with Special Condition 4.4 (Interruptions incentive scheme output delivery incentive);
- MC_t is derived in accordance with Special Condition 4.5 (Major connections output delivery incentive);
- CVI_t is derived in accordance with Special Condition 4.6 (Consumer vulnerability output delivery incentive);
- $DSOI_t$ is derived in accordance with Special Condition 4.8 (Distribution System Operation output delivery incentive);
- DFG_t is derived in accordance with Special Condition 4.9 (Dig, fix and go output delivery incentive) - ENWL only; and
- CSW_t is derived in accordance with Special Condition 4.10 (Collaborative streetworks output delivery incentive) - UKPN only.

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 output delivery incentive 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 this 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 the LVSSA time to quote term and is derived in accordance with Part B;

TQB_t is the LVSSB time to quote term and is derived in accordance with Part C;

TCA_t is the LVSSA time to connect term and is derived in accordance with Part D; and

TCB_t is the LVSSB time to connect term and 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 measured in Working Days;

$TQAI_t$ means the incentive rate for the LVSSA time to quote term and has the value specified for the licensee in Appendix 2;

$TQALD_t$ means the value of $TQAP$ below which a positive adjustment must be applied, fixed at [X] Working Days; and

$TQAUD_t$ means the value of TQAP above which a negative adjustment must be applied, fixed at [X] Working Days.

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 Calculated Revenue as specified for the licensee in Appendix 3;

$TQBT_t$ 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 measured in Working Days;

$TQBI_t$ means the incentive rate for the LVSSB time to quote term and has the value specified for the licensee in Appendix 4;

$TQBLD_t$ means the value of TQBP below which a positive adjustment must be applied, fixed at [X] Working Days; and

$TQBUD_t$ means the value of TQBP above which a negative adjustment must 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 Calculated Revenue as specified for the licensee in Appendix 5;

$TCAT_t$	means the target time taken from acceptance of a LVSSA connection offer to completion of the connection and has the value of [X] Working Days;
$TCAP_t$	means the licensee's average time taken from acceptance of a LVSSA connection offer to completion of the connection measured in Working Days;
$TCAI_t$	means the incentive rate for the LVSSA time to connect term and has the value specified for the licensee in Appendix 6;
$TCALD_t$	means the value of TCAP below which a positive adjustment must be applied, fixed at [X] Working Days; and
$TCAUD_t$	means the value of TCAP above which a negative adjustment must 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 Calculated Revenue as specified for the licensee in Appendix 7;
$TCBT_t$	means the target time taken from acceptance of a LVSSB connection offer to completion of the connection and has the value of [X] Working Days;
$TCBP_t$	means the licensee's average time taken from acceptance of a LVSSB connection offer to completion of the connection measured in Working Days;
$TCBI_t$	means the incentive rate for the LVSSB time to connect term and has the value specified for the licensee in Appendix 8;
$TCBLD_t$	means the value of TCBP below which a positive adjustment must be applied, fixed at [X] Working Days; and
$TCBUD_t$	means the value of TCBP above which a negative adjustment must be applied, fixed at [X] Working Days.

Appendix 1

Maximum revenue exposure adjustment for the LVSSA time to quote term (TQARE_t) (£m)

Licensee	TQARE _t (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 2

Incentive rate for the LVSSA time to quote term (TQAI_t) (£m)

Licensee	TQAI _t (£m)
ENWL	
NPgN	

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

Appendix 3

Maximum revenue exposure adjustment for the LVSSB time to quote term (TQBRE_t) (£m)

Licensee	TQBRE _t (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	

SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 4

Incentive rate for the LVSSB time to quote term (£m) (TQBI_t)

Licensee	TQBI _t (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 5

Maximum revenue exposure adjustment for the LVSSA time to connect term (TCARE_t) (£m)

Licensee	TCARE _t (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	
SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 6

Incentive rate for the LVSSA time to connect term (TCAI_t) (£m)

Licensee	TCAI _t (£m)
ENWL	

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

Appendix 7

Maximum revenue exposure adjustment for the LVSSB time to connect term (TCBRE_t) (£m)

Licensee	TCBRE _t (£m)
ENWL	
NPgN	
NPgY	
WMID	
EMID	
SWALES	

SWEST	
LPN	
SPN	
EPN	
SPD	
SPMW	
SSEH	
SSES	

Appendix 8

Incentive rate for the LVSSB time to connect term (TCBI_t) (£m)

Licensee	TCBI _t (£m)
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 output delivery incentive 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 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 output delivery incentive term (BMCS_t)

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

$$BMCS_t = CSA_t + CSB_t + CSC_t + CM_t$$

where:

- CSA_t means the supply interruptions customer satisfaction term and is derived in accordance with Part B;
- CSB_t means the connections customer satisfaction term and is derived in accordance with Part C;
- CSC_t means the general enquiries customer satisfaction term and is derived in accordance with Part D; and
- CM_t means the Complaint Metrics term and is derived in accordance with Part E.

Part B: Formula for calculating the supply interruptions customer satisfaction term (CSA_t)

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

If $SIDL_t \leq SIAS_t \leq SIDU_t$ then:

$$CSA_t = \max(-SIMP_t, -(PUC_t \times 100) \times UCPIR_t)$$

If $SIAS_t > SIDU_t$, then:

$$CSA_t = \min(SIMR_t, \max(-SIMP_t, ((SIAS_t - SIDU_t) \times SIRIR_t) - ((PUC_t \times 100) \times UCPIR_t))$$

If $SIAS_t < SIDL_t$, then:

$$CSA_t = \max(-SIMP_t, ((SIAS_t - SIDL_t) \times SIPIR_t) - ((PUC_t \times 100) \times UCPIR_t))$$

where:

$SIDL_t$	means the lower deadband value for the Supply Interruptions Element of the Customer Satisfaction Survey and equals 8.60;
$SIAS_t$	means the licensee's actual performance for the Supply Interruptions Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;
$SIDU_t$	means the upper deadband value for the Supply Interruptions Element of the Customer Satisfaction Survey and equals 9.20;
$SIMR_t$	means the maximum reward in respect of the Supply Interruptions Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 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;
$SIMP_t$	means the maximum penalty 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: $\frac{\text{total number of Unsuccessful Calls to the licensee's Specified Lines}}{\text{total number of calls to the licensee's Specified Lines}}$
	and
$UCPIR_t$	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 C: Formula for calculating the connections customer satisfaction term (CSB_t)

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

If $CDL_t \leq CAS_t \leq CDU_t$ then:

$$CSB_t = 0$$

If $CAS_t > CDU_t$ then:

$$CSB_t = \min(CMR_t, ((CAS_t - CDU_t) \times CRIR_t))$$

If $CAS_t < CDL_t$ then:

$$CSA_t = \max(-CMP_t, ((CAS_t - CDL_t) \times CPIR_t))$$

where:

CDL_t	means the lower deadband value for the Connections Element of the Customer Satisfaction Survey and equals 8.60;
CAS_t	means the licensee's actual performance for the Connections Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;
CDU_t	means the upper deadband value for the Connections Element of the Customer Satisfaction Survey and equals 9.20;
CMR_t	means the maximum reward in respect of the Connections Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 6;
$CRIR_t$	means the licensee's reward incentive rate for the Connections Element of the Customer Satisfaction Survey, as specified in Appendix 7;
CMP_t	means the maximum penalty 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 D: Formula for calculating the general enquiries customer satisfaction term (CSC_t)

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

If $GEDL_t \leq GEAS_t \leq GEDU_t$ then:

$$CSC_t = 0$$

If $GEAS_t > GEDU_t$ then:

$$CSC_t = \min(GEMR_t, ((GEAS_t - GEDU_t) \times GERIR_t))$$

If $GEAS_t < GEDL_t$ then:

$$CSC_t = \max(-GEMP_t, ((GEAS_t - GEDL_t) \times GEPIR_t))$$

where:

$GEDL_t$	means the lower deadband value for the General Enquiries Element of the Customer Satisfaction Survey and equals 8.60;
$GEAS_t$	means the licensee's actual performance for the General Enquiries Element of the Customer Satisfaction Survey, as measured in accordance with the RIGs;
$GEDU_t$	means the upper deadband value for the General Enquiries Element of the Customer Satisfaction Survey and equals 9.20;
$GEMR_t$	means the maximum reward in respect of the General Enquiries Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 10;
$GERIR_t$	means the licensee's reward incentive rate for the General Enquiries Element of the Customer Satisfaction Survey, as specified in Appendix 11;
$GEMP_t$	means the maximum penalty in respect of the General Enquiries Element of the Customer Satisfaction Survey for the licensee, as specified in Appendix 12; and
$GEPIR_t$	means the licensee's penalty incentive rate for the General Enquiries Element of the Customer Satisfaction Survey, as specified in Appendix 13.

Part E: Formula for calculating the Complaints Metric term (CM_t)

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

If $CMAS_t \leq CMT_t$, then:

$$CM_t = 0$$

If $CMAS_t > CMT_t$ then:

$$CM_t = \max(-CMMP_t, (CMT_t - CMAS_t) \times IRCM_t)$$

where:

$CMAS_t$	means the licensee's actual performance in relation to the Complaints Metric and is derived in accordance with paragraph 4.3.8;
CMT_t	means the target for the Complaints Metric and equals 2.80;
$CMMP_t$	means the maximum penalty in respect of the Complaints Metric for the licensee, as specified in Appendix 14; and
$IRCM_t$	means the licensee's incentive rate for the Complaints Metric, as specified in Appendix 15.

4.3.8 The value of $CMAS_t$ is derived in accordance with the following formula:

$$CMAS_t = (PURCD_t \times 0.1) + (PURCM_t \times 0.3) + (PRC_t \times 0.5) + (POF_t \times 0.1)$$

where:

$PURCD_t$	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 percentage of total Complaints;
$PURCM_t$	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 percentage of total Complaints;
PRC_t	means the number of Repeat Complaints, expressed as a percentage of total Complaints; and
POF_t	means the number of Energy Ombudsman Findings Against the Licensee, expressed as a percentage of total Complaints.

Appendix 1

Maximum positive adjustment in respect of the Supply Interruptions Element of the Customer Satisfaction Survey (SIMR_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 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 (SIMP_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 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 (CMR_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 (CMP_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 (GEMR_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 (GERIR_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 (GEMP_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 (GEPIR_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 14

Maximum negative adjustment in respect of the Complaints Metric (CMMP_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 Iqt (the interruptions incentive scheme output delivery incentive 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 output delivery incentive.

Part A: Formula for calculating the interruptions incentive scheme output delivery incentive term (Iqt)

- 4.4.3 The value of Iqt 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;
- Qat 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:

$$SWE_t = QC_t - \min[(SWPM_t - SWPD_t) * (FPPR - 1), 0] - \min[SWPM_t, SWPD_t]$$

and

$TRIIS_t$ means the maximum amount of revenue that is exposed to penalties under all elements of Iqt and has the value specified for the licensee in Appendix 3.

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

4.4.5 The value of Qat 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.

4.4.6 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; and

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

4.4.7 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)

4.4.8 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.

4.4.9 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; and

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

4.4.10 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)

4.4.11 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:

$SWPM_t$	<p>is the total amount of severe weather payments that the licensee:</p> <p>(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</p> <p>(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 Severe Weather Event may be taken into account);</p>
$SWPD_t$	<p>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;</p>
$FPPR$	<p>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</p>
RLF_t	<p>means the maximum amount of revenue exposed to the severe weather arrangements and has the value specified for the licensee in Appendix 8.</p>

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

4.4.12 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:

$NCPM_t$	<p>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</p>
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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 4.4.18 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

4.4.13 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 $CMLIS_t$.

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

(a) notify the Authority of the event in Writing, within whichever is the earlier of the following periods:

- i. 14 days of the date on which the licensee considers that the effect of the Severe Weather Event has ceased; or
- ii. 14 days of the end of the relevant Regulatory Year;

(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 Severe Weather Event, within the period of 56 days beginning with the date of the notification under sub-paragraph (a); and

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

4.4.15 The Authority may only make a direction under this Part where:

- (a) it relates to a Severe Weather Event;
- (b) the licensee has complied with the requirements in paragraph 4.4.14;

- (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 4.4.15©, or as determined by the Authority, based on the information submitted by the licensee.

Part H: Adjustments for Other Exceptional Events

- 4.4.16 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.
- 4.4.17 A direction under this Part may:
 - (a) specify a value for the OOE term; and
 - (b) direct the licensee to exclude from the calculation of CIIS_t and CMLIS_t, all or part of the impact of the Other Exceptional 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 Other Exceptional Event until its effect has ceased.
- 4.4.18 When making an application under this Part, the licensee must:
 - (a) notify the Authority of the Other Exceptional Event in Writing, within whichever is the earlier of the following periods:
 - i. 14 days of the date on which the licensee considers that the effect of the Other Exceptional Event has ceased; or
 - ii. 14 days of the end of the relevant Regulatory Year;
 - (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 Other Exceptional Event within the period of 56 days beginning with the date of the notification under sub-paragraph (a); and
 - (c) provide such further information, if any, as the Authority may reasonably require.
- 4.4.19 The Authority may only make a direction under this Part where:
 - (a) it relates to an Other Exceptional Event;
 - (b) the licensee has complied with the requirements in paragraph 4.4.18;
 - (c) 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 Other Exceptional Event;
 - (d) 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;
- (e) the Authority, or an Appropriate Auditor nominated by the Authority under Standard Condition 46 (Regulatory Instructions and Guidance), has verified the event and its effect; and
- (f) where directing a value for the OOOE 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 OOOE term.

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

- 4.4.20 Before issuing a direction under Part G or H 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 may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

Reward cap for customer interruptions and minutes lost term (RCAP_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 2

Penalty cap for customer interruptions and minutes lost term (PCAP_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

Revenue exposure to interruptions incentive scheme term (TRISS_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 4

Number of unplanned customer interruptions term targets (TAU_t)

	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

Customer interruptions term incentive rate (IRA_t) (£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

Duration of unplanned customer interruptions term targets (TBU_t)

	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

Duration of customer interruptions term incentive rate (IRB_i) (£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

Severe weather revenue exposure term (RLF_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

Normal weather revenue exposure term (RLG_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

Exceptionality requirement for a Severe Weather Events

Licensee	Severe weather exceptionality threshold (number of weather related Incidents at Distribution Higher Voltage 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		

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 output delivery incentive 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 where its score for the Major Connections Customer Satisfaction Survey falls below the target score.
- 4.5.3 This condition also explains the process the Authority will follow in issuing and amending the RII0-ED2 Major Connections Governance Document.

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

- 4.5.4 For the Regulatory Year commencing on 1 April 2023, the value of MC_t is zero.
- 4.5.5 For Regulatory Years commencing on 1 April 2024 to 1 April 2027, and subject to paragraph 4.5.6, the value of MC_t is derived in accordance with the following formula:

If $MCSAS_t \geq MCSAT_t$, then

$$MC_t = 0$$

If $MCSAS_t < MCSAT_t$, then

$$MC_t = \max \left(-MCAD_t, (MCSAS_t - MCSAT_t) \times MCIR_t \right)$$

where:

$MCSAS_t$ means the licensee's actual performance for the Major Connections Customer Satisfaction Survey, as measured in accordance with the RIGs;

$MCSAT_t$ means the target score for the Major Connections Customer Satisfaction Survey and equals XX;

$MCAD_t$ means the maximum negative adjustment as specified in Appendix 2; and

$MCIR_t$ means the licensee's penalty incentive rate as specified in Appendix 3.

- 4.5.6 Where the Major Connections Survey Threshold has not been met and $MCSAS_t$ is less than $MCSAT_t$, the Authority may direct an adjustment to MC_t . The Major Connections Survey Threshold is set at [].

- 4.5.7 Before making a direction under paragraph 4.5.6 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.

Part B: Requirement to prepare a Major Connections Annual Report

- 4.5.8 The licensee must provide a Major Connections Annual Report to the Authority in accordance with the RIIO-ED2 Major Connections Governance Document.
- 4.5.9 The licensee must publish a Major Connections Annual Report for the preceding Regulatory Year on, or before, the date specified in the RIIO-ED2 Major Connections Governance Document.
- 4.5.10 The licensee must publish its Major Connections Annual Report on the licensee's website where it is readily accessible to the public.

Part C: RIIO-ED2 Major Connections Governance Document

- 4.5.11 The RIIO-ED2 Major Connections Governance Document may make provision about the administration of the major connections output delivery incentive and the requirements for the Major Connections Annual Report, including:
- (a) the requirements for the structure of and content to be included in the Major Connections Annual Report, including expectations about the level of explanatory text; and
 - (b) the customer satisfaction survey script(s) to be used to derive the licensee's actual performance for the customer satisfaction terms set out in Part A of this condition.
- 4.5.12 The licensee must comply with the RIIO-ED2 Major Connections Governance Document in its reporting of the minimum requirements relevant to the major connections output delivery incentive and in relation to preparing and publishing the Major Connections Annual Report.
- 4.5.13 The procedure for amending or modifying the RIIO-ED2 Major Connections Governance Document is set out in Special Condition 1.3 (Common procedure).

Appendix 1

Customer satisfaction target scores for the Major Connections Customer Satisfaction Survey (MCSAT)

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

Appendix 2

Maximum negative adjustment for the MC term (MCAD) (£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

Incentive rate for the MC term (MCIR) (£m)

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

Special Condition 4.6 Consumer vulnerability output delivery incentive

Introduction

- 4.6.1 The purpose of this condition is to calculate the term CVI_t (the consumer vulnerability output delivery incentive term). This contributes to the calculation of the ODI_t term (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to reward or penalise the licensee for its performance in providing services to Domestic Customers in Vulnerable Situations.
- 4.6.3 This condition also explains the process the Authority will follow in issuing and amending the RIIO-ED2 Consumer Vulnerability Guidance Document.

Part A: Formula for calculating the Consumer Vulnerability output delivery incentive (CVI_t)

- 4.6.4 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026, the value of CVI_t is zero.
- 4.6.5 For Regulatory Years commencing on 1 April 2024 and 1 April 2027, the value of CVI_t is derived in accordance with the following formula:

$$CVI_t = (PSR_t + VFP_t + VLCT_t + CSFP_t + CSLCT_t)$$

where:

PSR_t	means the PSR Reach term and is derived in accordance with Part B;
VFP_t	means the value of Fuel Poverty Services Delivered term and is derived in accordance with Part C;
$VLCT_t$	means the value of Low Carbon Transition Services Delivered term and is derived in accordance with Part D;
$CSFP_t$	means the fuel poverty customer satisfaction survey term and is derived in accordance with Part E; and
$CSLCT_t$	means the low carbon transition customer satisfaction survey term and is derived in accordance with Part F.

Part B: Formula for calculating the PSR Reach term (PSR_t)

- 4.6.6 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026, the value of PSR_t is zero.
- 4.6.7 For Regulatory Years commencing on 1 April 2024 and 1 April 2027, the value of PSR_t is derived in accordance with the following formula:

If $PSRTL_t \leq PSRA_t \leq PSRTU_t$ then:

$$PSR_t = 0$$

If $PSRA_t > PSRTU_t$ and the minimum requirement for PSR Reach has been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$PSR_t = \min (PSRAU_t, ((PSRA_t - PSRTU_t) \times PSRIRR_t))$$

If $PSRA_t > PSRTU_t$ and the minimum requirement for PSR Reach has not been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$PSR_t = 0$$

If $PSRA_t < PSRTL_t$ then:

$$PSR_t = \max (-PSRAD_t, ((PSRA_t - PSRTL_t) \times PSRIRP_t))$$

where:

$PSRA_t$	means the licensee's actual performance for the PSR Reach term as measured in accordance with the RIGs;
$PSRTL_t$	means the lower deadband value for the PSR Reach term and equals 0.5;
$PSRTU_t$	means the upper deadband value for the PSR Reach term and equals 0.75;
$PSRAU_t$	means the maximum positive adjustment in respect of the PSR Reach term for the licensee as specified in Appendix 1, which is awarded when $PSRA_t$ is 0.9 or higher;
$PSRIRR_t$	means the licensee's reward incentive rate for the PSR Reach term as specified in Appendix 2;
$PSRAD_t$	means the maximum negative adjustment in respect of the PSR Reach term for the licensee as specified in Appendix 3, which is awarded when $PSRA_t$ is 0.35 or lower; and
$PSRIRP_t$	means the licensee's penalty incentive rate for the PSR Reach term as specified in Appendix 4.

Part C: Formula for calculating the value of Fuel Poverty Services Delivered term (VFP_t)

- 4.6.8 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026 the value of VFP_t is zero.
- 4.6.9 For Regulatory Years commencing on 1 April 2024 and 1 April 2027 the value of VFP_t is derived in accordance with the following formula:

If $VFPTL_t \leq VFPA_t \leq VFPTU_t$ then:

$$VFP_t = 0$$

If $VFPA_t > VFPTU_t$ and the minimum requirement for the value of Fuel Poverty Services Delivered term has been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$VFP_t = \min (VFPAU_t ((VFPA_t - VFPTU_t) \times VFPIRR_t))$$

If $VFPA_t > VFPTU_t$ and the minimum requirement for the value of Fuel Poverty Services Delivered term has not been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$VFP_t = 0$$

If $VFPA_t < VFPTL_t$ then:

$$VFP_t = \max (-VFPAU_t ((VFPA_t - VFPTL_t) \times VFPIRP_t))$$

where:

$VFPA_t$	means the licensee's actual performance for the value of Fuel Poverty Services Delivered term as measured in accordance with the RIGs;
$VFPTL_t$	means the lower deadband value for the Fuel Poverty Services Delivered term for the licensee, as specified in Appendix 5;
$VFPTU_t$	means the upper deadband value for the Fuel Poverty Services Delivered term for the licensee, as specified in Appendix 6;
$VFPAU_t$	means the maximum positive adjustment in respect of the value of Fuel Poverty Services Delivered term for the licensee as specified in Appendix 7;
$VFPIRR_t$	means the licensee's reward incentive rate for the value of Fuel Poverty Services Delivered term as specified in Appendix 8;
$VFPAU_t$	means the maximum negative adjustment in respect of the value of Fuel Poverty Services Delivered term for the licensee as specified in Appendix 9; and
$VFPIRP_t$	means the licensee's penalty incentive rate for value of Fuel Poverty Services Delivered term as specified in Appendix 10.

Part D: Formula for calculating the value of Low Carbon Transition Services Delivered term (VLCT_t)

4.6.10 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026, the value of VLCT_t is zero.

4.6.11 For Regulatory Years commencing on 1 April 2024 and 1 April 2027, the value of VLCT_t is derived in accordance with the following formula:

If $VLCTTL_t \leq VLCTA_t \leq VLCTTU_t$, then:

$$VLCT_t = 0$$

If $VLCTA_t > VLCTTU_t$ and the minimum requirement for the value of Low Carbon Transition Services Delivered has been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$VLCT_t = \min (VLCTAU_t ((VLCTA_t - VLCTTU_t) \times VLCTIRR_t))$$

If $VLCTA_t > VLCTTU_t$ and the minimum requirement for the value of low carbon services delivered has not been met, in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document, then:

$$VLCT_t = 0$$

If $VLCTA_t < VLCTTL_t$, then:

$$VLCT_t = \max (-VLCTAD_t ((VLCTA_t - VLCTTL_t) \times VLCTIRP_t))$$

where:

$VLCTA_t$	means the licensee's actual performance for the value of Low Carbon Transition Services Delivered term as measured in accordance with the RIGs;
$VLCTTL_t$	means the lower deadband value for the Low Carbon Transition Services Delivered term for the licensee as specified in Appendix 11;
$VLCTTU_t$	means the upper deadband value for the Low Carbon Transition Services Delivered term for the licensee as specified in Appendix 12;
$VLCTAU_t$	means the maximum positive adjustment in respect of the value of Low Carbon Transition Services Delivered term for the licensee as specified in Appendix 13;
$VLCTIRR_t$	means the licensee's reward incentive rate for the value of Low Carbon Transition Services Delivered term as specified in Appendix 14;

$VLCTAD_t$	means the maximum negative adjustment in respect of the value of Low Carbon Transition Services Delivered term for the licensee as specified in Appendix 15; and
$VLCTIRP_t$	means the licensee's penalty incentive rate for the value of Low Carbon Transition Services Delivered term, as specified in Appendix 16.

Part E: Formula for calculating the fuel poverty customer satisfaction survey term (CSFP_t)

- 4.6.12 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026, the value of CSFP_t is zero.
- 4.6.13 For Regulatory Years commencing on 1 April 2024 and 1 April 2027, the value of CSFP_t is derived in accordance with the following formulae:

If $CSFPA_t \geq CSFPT_t$, then:

$$CSFP_t = \min (CSFPAU_t ((CSFPA_t - CSFPT_t) \times CSFPIRR_t))$$

If $CSFPA_t < CSFPT_t$, then:

$$CSFP_t = \max (-CSFPAD_t ((CSFPA_t - CSFPT_t) \times CSFPIRR_t))$$

where:

$CSFPA_t$	means the licensee's actual performance for the fuel poverty customer satisfaction survey term as measured in accordance with the RIGs;
$CSFPT_t$	means the target score for the fuel poverty customer satisfaction survey term and equals 9;
$CSFPAU_t$	means the maximum positive adjustment in respect of the fuel poverty customer satisfaction survey term, as specified in Appendix 17, which is awarded when CSFPA _t is 9.5 or higher;
$CSFIRR_t$	means the licensee's reward incentive rate for the fuel poverty customer satisfaction survey term as specified in Appendix 18;
$CSFPAD_t$	means the maximum negative adjustment in respect of the fuel poverty customer satisfaction survey term as specified in Appendix 19, which is awarded when CSFPA _t is 8.5 or lower; and

$CSFPIR_t$ means the licensee's penalty incentive rate for the fuel poverty customer satisfaction survey term, as specified in Appendix 20

Part F: Formula for calculating the low carbon transition customer satisfaction survey term ($CSLCT_t$)

4.6.14 For Regulatory Years commencing on 1 April 2023, 1 April 2025 and 1 April 2026, the value of $CSLCT_t$ is zero.

4.6.15 For Regulatory Years commencing on 1 April 2024 and 1 April 2027, the value of $CSLCT_t$ is derived in accordance with the following formulae:

If $CSLCTA_t \geq CSLCTT_t$, then:

$$CSLCT_t = \min (CSLCTAU_t ((CSLCTA_t - CSLCTT_t) \times CSLCTIRR_t))$$

If $CSLCTA_t < CSLCTT_t$, then:

$$CSLCT_t = \max (-CSLCTAD_t ((CSLCTA_t - CSLCTT_t) \times CSLCTIRR_t))$$

where:

$CSLCTAU_t$ means the maximum positive adjustment in respect of the low carbon transition customer satisfaction survey term, as specified in Appendix 21, which is awarded when $CSLCTA_t$ is 9.5 or higher;

$CSLCTA_t$ means the licensee's actual performance for the low carbon transition customer satisfaction survey term as measured in accordance with the RIGs;

$CSLCTT_t$ means the target score for the low carbon transition customer satisfaction survey term and equals 9;

$CSLCTIRR_t$ means the licensee's reward incentive rate for the low carbon transition customer satisfaction survey term as specified in Appendix 19;

$CSLCTAD_t$ means the maximum negative adjustment in respect of the low carbon transition customer satisfaction survey term, as specified in Appendix 22, which is awarded when $CSLCT_t$ is 8.5 or lower; and

$CSLCTIRP_t$ means the licensee's penalty incentive rate for the low carbon transition customer satisfaction survey term as specified in Appendix 20.

Part G: Annual Vulnerability Report

- 4.6.16 The licensee must prepare an Annual Vulnerability Report in accordance with the RIIO-ED2 Consumer Vulnerability Guidance Document on or before 31 July 2024 and on or before 31 July each year thereafter.
- 4.6.17 The licensee must publish its Annual Vulnerability Report on the licensee's website where it is readily accessible to the public.

Part H: RIIO-ED2 Consumer Vulnerability Guidance Document

- 4.6.18 The RIIO-ED2 Consumer Vulnerability Guidance Document may make provision about the administration of the Consumer Vulnerability output delivery incentive and the requirements for the Annual Vulnerability Report, including:
- (a) the requirements for the structure of and content to be included in the Annual Vulnerability Report, including expectations about the level of explanatory text;
 - (b) the minimum requirements process for the Consumer Vulnerability output delivery incentive; and
 - (c) the customer satisfaction survey script(s) to be used to derive the licensee's actual performance for the customer satisfaction terms set out in Part E and Part F of this condition.
- 4.6.19 The licensee must comply with the RIIO-ED2 Consumer Vulnerability Guidance Document in its reporting of the minimum requirements relevant to the Consumer Vulnerability output delivery incentive and in relation to preparing and publishing the Annual Vulnerability Report.
- 4.6.20 The licensee must comply with the RIIO-ED2 Consumer Vulnerability Guidance Document in its reporting of the minimum requirements relevant to the Consumer Vulnerability output delivery incentive and in relation to preparing and publishing the Annual Vulnerability Report.
- 4.6.21 The procedure the Authority will follow when issuing and amending the RIIO-ED2 Consumer Vulnerability Guidance Document is set out in Special Condition 1.3 (Common procedure).

Appendix 1

Maximum positive adjustment in respect of the PSR Reach term (PSRAU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.4	2.1

NPgN	1.0	1.5
NPgY	1.4	2.1
WMID	1.8	2.7
EMID	1.8	2.7
SWALES	0.9	1.4
SWEST	1.4	2.1
LPN	1.2	1.8
SPN	1.3	1.9
EPN	1.9	2.9
SPD	1.3	2.0
SPMW	1.5	2.2
SSEH	1.0	1.4
SSES	1.8	2.8

Appendix 2

Reward incentive rate for the PSR Reach term (PSRIRR_t) (£m)

Licensee	Regulatory Year	
	2024/25	2027/28
ENWL	9.4	14.1
NPgN	6.7	10.1
NPgY	9.3	13.9
WMID	11.9	17.8
EMID	12.1	18.2
SWALES	6.0	9.1
SWEST	9.1	13.7
LPN	8.0	12.0
SPN	8.4	12.6
EPN	12.8	19.2
SPD	8.9	13.3
SPMW	9.9	14.9
SSEH	6.4	9.7
SSES	12.3	18.5

Appendix 3

Maximum negative adjustment in respect of the PSR Reach term (PSRAD_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.4	2.1
NPgN	1.0	1.5
NPgY	1.4	2.1
WMID	1.8	2.7
EMID	1.8	2.7
SWALES	0.9	1.4
SWEST	1.4	2.1
LPN	1.2	1.8
SPN	1.3	1.9
EPN	1.9	2.9
SPD	1.3	2.0
SPMW	1.5	2.2
SSEH	1.0	1.4
SSES	1.8	2.8

Appendix 4

Penalty incentive rate for the PSR Reach term (PSRIRP_t) (£m)

Licensee	Regulatory Year	
	2024/25	2027/28
ENWL	9.4	14.1
NPgN	6.7	10.1
NPgY	9.3	13.9
WMID	11.9	17.8
EMID	12.1	18.2
SWALES	6.0	9.1
SWEST	9.1	13.7
LPN	8.0	12.0
SPN	8.4	12.6
EPN	12.8	19.2
SPD	8.9	13.3
SPMW	9.9	14.9
SSEH	6.4	9.7
SSES	12.3	18.5

Appendix 5

Bottom of deadband for the value of Fuel Poverty Services Delivered term (VFPTL_t)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL		
NPgN		
NPgY		
WMID		
EMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Appendix 6

Top of deadband for the value of Fuel Poverty Services Delivered term (VFPTU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL		
NPgN		
NPgY		
WMID		
EMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Appendix 7

Maximum positive adjustment in respect of the value of Fuel Poverty Services Delivered term (VFPAU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

**Reward incentive rate for the value of Fuel Poverty Services Delivered term
(VFPIRR_i) (£m)**

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	5.3	7.9
NPgN	3.8	5.7
NPgY	5.2	7.8
WMID	6.7	10.0
EMID	6.8	10.2
SWALES	3.4	5.1
SWEST	5.1	7.7
LPN	4.5	6.7
SPN	4.7	7.1
EPN	7.2	10.8
SPD	5.0	7.5
SPMW	5.6	8.4
SSEH	3.6	5.4
SSES	6.9	10.4

Appendix 8

Maximum negative adjustment in respect of the Fuel Poverty Services Delivered term (VFPAD_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 9

Penalty incentive rate for value of Fuel Poverty Services Delivered term (VFPIR_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	5.3	7.9
NPgN	3.8	5.7
NPgY	5.2	7.8
WMID	6.7	10.0
EMID	6.8	10.2
SWALES	3.4	5.1
SWEST	5.1	7.7
LPN	4.5	6.7
SPN	4.7	7.1
EPN	7.2	10.8
SPD	5.0	7.5
SPMW	5.6	8.4
SSEH	3.6	5.4
SSES	6.9	10.4

Appendix 10

Bottom of deadband for the value of Low Carbon Transition Services Delivered term (VLCTTL)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL		
NPgN		
NPgY		
WMID		
EMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Appendix 11

Top of deadband for the value of Low Carbon Transition Services Delivered term (VLCTTU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL		
NPgN		
NPgY		
WMID		
EMID		
SWALES		
SWEST		
LPN		
SPN		
EPN		
SPD		
SPMW		
SSEH		
SSES		

Appendix 12

Maximum positive adjustment in respect of Low Carbon Transition Services Delivered term (VLCTAU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 13

Reward incentive rate for the value of Low Carbon Transition Services Delivered term (VLCTIRR_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	5.3	7.9
NPgN	3.8	5.7
NPgY	5.2	7.8
WMID	6.7	10.0
EMID	6.8	10.2
SWALES	3.4	5.1
SWEST	5.1	7.7
LPN	4.5	6.7
SPN	4.7	7.1
EPN	7.2	10.8
SPD	5.0	7.5
SPMW	5.6	8.4
SSEH	3.6	5.4
SSES	6.9	10.4

Appendix 14

Maximum negative adjustment in respect of Low Carbon Transition Services Delivered term (VLCTAD_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 15

Penalty incentive rate for the value of Low Carbon Transition Services Delivered term (VLCTIRP_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	5.3	7.9
NPgN	3.8	5.7
NPgY	5.2	7.8
WMID	6.7	10.0
EMID	6.8	10.2
SWALES	3.4	5.1
SWEST	5.1	7.7
LPN	4.5	6.7
SPN	4.7	7.1
EPN	7.2	10.8
SPD	5.0	7.5
SPMW	5.6	8.4
SSEH	3.6	5.4
SSES	6.9	10.4

Appendix 16

Maximum positive adjustment in respect of the fuel poverty customer satisfaction survey term (CSFPAU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 17

Reward incentive rate for the Fuel Poverty Satisfaction Survey term (CSFPIRR_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.1	1.6
NPgN	0.8	1.1
NPgY	1.0	1.6
WMID	1.3	2.0
EMID	1.4	2.0
SWALES	0.7	1.0
SWEST	1.0	1.5
LPN	0.9	1.3
SPN	0.9	1.4
EPN	1.4	2.2
SPD	1.0	1.5
SPMW	1.1	1.7
SSEH	0.7	1.1
SSES	1.4	2.1

Appendix 18

Maximum negative adjustment in respect of the fuel poverty customer satisfaction survey term (CSFPAD_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 19

Penalty incentive rate for the Fuel Poverty Satisfaction Survey term(CSFPIRP_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.1	1.6
NPgN	0.8	1.1
NPgY	1.0	1.6
WMID	1.3	2.0
EMID	1.4	2.0
SWALES	0.7	1.0
SWEST	1.0	1.5
LPN	0.9	1.3
SPN	0.9	1.4
EPN	1.4	2.2
SPD	1.0	1.5
SPMW	1.1	1.7
SSEH	0.7	1.1
SSES	1.4	2.1

Appendix 20

Maximum positive adjustment in respect of the low carbon transition customer satisfaction survey term (CSLCTAU_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 21

Reward incentive rate for the low carbon transition customer satisfaction survey term (CSLCTIRR_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.1	1.6
NPgN	0.8	1.1
NPgY	1.0	1.6
WMID	1.3	2.0
EMID	1.4	2.0
SWALES	0.7	1.0
SWEST	1.0	1.5
LPN	0.9	1.3
SPN	0.9	1.4
EPN	1.4	2.2
SPD	1.0	1.5
SPMW	1.1	1.7
SSEH	0.7	1.1
SSES	1.4	2.1

Appendix 22

Maximum negative adjustment in respect of the low carbon transition customer satisfaction survey term (CSLCTAD_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	0.5	0.8
NPgN	0.4	0.6
NPgY	0.5	0.8
WMID	0.7	1.0
EMID	0.7	1.0
SWALES	0.3	0.5
SWEST	0.5	0.8
LPN	0.4	0.7
SPN	0.5	0.7
EPN	0.7	1.1
SPD	0.5	0.7
SPMW	0.6	0.8
SSEH	0.4	0.5
SSES	0.7	1.0

Appendix 23

Penalty incentive rate for the low carbon transition customer satisfaction survey term (CSLCTIRP_t) (£m)

	Regulatory Year	
Licensee	2024/25	2027/28
ENWL	1.1	1.6
NPgN	0.8	1.1
NPgY	1.0	1.6
WMID	1.3	2.0
EMID	1.4	2.0
SWALES	0.7	1.0
SWEST	1.0	1.5
LPN	0.9	1.3
SPN	0.9	1.4
EPN	1.4	2.2
SPD	1.0	1.5
SPMW	1.1	1.7
SSEH	0.7	1.1
SSES	1.4	2.1

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 it has not done so; 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 must 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 direct a proportionate adjustment to BPI_t after the Price Control Period and the submission of the report specified in Part B 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 must set out the value of the BPI_t term and the Regulatory Year.

Appendix 1

Consumer value propositions

CVP	CVP Output	Delivery date	Reward (£m)
SSEN			
Protecting marine biodiversity: life below water	Plant a minimum of 17 hectares of seagrass beds at or near subsea cable sites	31 March 2028	[£1.7m]
Personal resilience plans	Provide and ensure battery packs are installed for at least 20,000 Medically Dependent Customers	31 March 2028	[£1.1m]
WPD			
Smart energy action plans	Deliver bespoke smart energy action plans to 1.2 million Priority Services Register Customers every two years.	31 March 2028	[£3.6m]

Special Condition 4.8 Distribution System Operation output delivery incentive

Introduction

- 4.8.1 The purpose of this condition is to provide for the calculation of the term $DSOI_t$ (the Distribution System Operation output delivery incentive 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).
- 4.8.2 The effect of this condition is to reward or penalise the licensee's performance of its Distribution System Operation functions.
- 4.8.3 This condition also explains the process the Authority will follow in issuing and amending the Distribution System Operation Incentive Governance Document.

Part A: Formula for calculating the Distribution System Operation output delivery incentive term ($DSOI_t$)

- 4.8.4 The value of the term $DSOI_t$ is derived in accordance with the following formula:

$$DSOI_t = DSOS_t + DSOP_t + DSOM_t$$

where:

$DSOS_t$	means the Distribution System Operation Stakeholder Satisfaction Survey term and is derived in accordance with Part B;
$DSOP_t$	means the Distribution System Operation Performance Panel assessment term and is derived in accordance with Part C; and
$DSOM_t$	means the Distribution System Operation outturn performance metrics term and is derived in accordance with Part D.

Part B: Formulae for calculating the Distribution System Operation Stakeholder Satisfaction Survey term ($DSOS_t$)

4.8.5 The value of $DSOS_t$ is derived in accordance with the following formulae:

If $DSOSDL_t \leq DSOSAS_t \leq DSOSDU_t$ then:

$$DSOS_t = 0$$

If $DSOSAS_t > DSOSDU_t$ then:

$$DSOS_t = \min(DSOSAU_t, ((DSOSAS_t - DSOSDU_t) \times DSOSRIR_t))$$

If $DSOSAS_t < DSOSDL_t$ then:

$$DSOS_t = \max(-DSOSAD_t, ((DSOSAS_t - DSOSDL_t) \times DSOSPIR_t))$$

where:

$DSOSAS_t$	means the licensee's actual performance for the Distribution System Operation Stakeholder Satisfaction Survey term, as measured in accordance with the RIGs;
$DSOSDL_t$	means the lower deadband for the Distribution System Operation Stakeholder Satisfaction Survey term and equals 7.5;
$DSOSDU_t$	means the upper deadband for the Distribution System Operation Stakeholder Satisfaction Survey term and equals 7.9;
$DSOSAU_t$	means the maximum positive adjustment in respect of the Distribution System Operation Stakeholder Satisfaction Survey term for the licensee, as specified in Appendix 1, which is awarded when $DSOSAS_t$ is greater than or equal to 9;
$DSOSRIR_t$	means the licensee's reward incentive rate for the Distribution System Operation Stakeholder Satisfaction Survey term, as specified in Appendix 2;
$DSOSAD_t$	means the maximum negative adjustment in respect of the Distribution System Operation Stakeholder Satisfaction Survey term for the licensee, as specified in Appendix 3, which is awarded when $DSOSAS_t$ is less than or equal to 6.4; and

$DSOSPIR_t$ means the licensee's penalty incentive rate for the Distribution System Operation Stakeholder Satisfaction Survey term, as specified in Appendix 4.

4.8.6 The Authority may keep $DSOSDL_t$ and $DSOSDU_t$ under review and any modifications must be made under section 11A of the Act.

Part C: Formulae for calculating the Distribution System Operation Performance Panel assessment term ($DSOP_t$)

4.8.7 The value of $DSOP_t$ is derived in accordance with the following formulae:

If $DSOPDL_t \leq DSOPAS_t \leq DSOPDU_t$, then:

$$DSOP_t = 0$$

If $DSOPAS_t > DSOPDU_t$ then:

$$DSOP_t = \min(DSOPAU_t, ((DSOPAS_t - DSOPDU_t) \times DSOPRIR_t))$$

If $DSOPAS_t < DSOPDL_t$ then:

$$DSOP_t = \max(-DSOPAD_t, ((DSOPAS_t - DSOPDL_t) \times DSOPPIR_t))$$

where:

$DSOPAS_t$ means the licensee's Distribution System Operation Performance Panel actual score as determined by the Authority in accordance with the Distribution System Operation Incentive Governance Document;

$DSOPDL_t$ means the lower deadband for the Distribution System Operation Performance Panel term and equals 5;

$DSOPDU_t$ means the upper deadband for the Distribution System Operation Performance Panel term and equals 6;

$DSOPAU_t$ means the maximum positive adjustment in respect of the Distribution System Operation Performance Panel term for the licensee, as specified in Appendix 5, which is awarded when $DSOPAS_t$ is greater than or equal to 9;

$DSOPRIR_t$ means the licensee's reward incentive rate for the Distribution System Operation Performance Panel term, as specified in Appendix 6;

$DSOPAD_t$ means the maximum negative adjustment in respect of the Distribution System Operation Performance Panel term for the

licensee, as specified in Appendix 7, which is awarded when $DSOPAS_t$ is less than or equal to 2; and

$DSOPPIR_t$ means the licensee's penalty incentive rate for the Distribution System Operation Performance Panel term, as specified in Appendix 8.

Part D: Formula for calculating the Distribution System Operation outturn performance metrics term ($DSOM_t$)

4.8.8 The value of $DSOM_t$ is derived in accordance with the following formula:

$$DSOM_t = FT_t + NV_t + CE_t$$

where:

FT_t means the Flexibility Market Testing Outturn Performance Metric term and is derived in accordance with Part E;

NV_t means the Network Visibility Outturn Performance Metric term and is derived in accordance with Part F; and

CE_t means the Curtailment Efficiency Outturn Performance Metric term and is derived in accordance with part G.

Part E: Formulae for calculating the Flexibility Market Testing Outturn Performance Metric term (FT_t)

4.8.9 [For the Regulatory Year commencing on 1 April 2023, the value of FT_t is zero.]

4.8.10 For subsequent Regulatory Years, the value of FT_t is derived in accordance with the following formula:

If $FTAS_t < FTT_t$ then:

$$FT_t = \max(-FTAD_t, ((FTAS_t - FTT_t) \times FTPIR_t))$$

Otherwise:

$$FT_t = 0$$

where:

$FTAS_t$ means the licensee's actual performance for the Flexibility Market Testing Outturn Performance Metric, as measured in accordance with the Distribution System Operation Incentive Governance Document;

FTT_t means the target score for the Flexibility Market Testing Outturn Performance Metric for the licensee as specified in Appendix 9 and equals [X];

$FTAD_t$ means the maximum negative adjustment in respect of the Flexibility Market Testing Outturn Performance Metric for the licensee as specified in Appendix 10, and is awarded when $FTAS_t$ is less than or equal to [X]; and

$FTPIR_t$ means the licensee's penalty incentive rate for the Flexibility Market Testing Outturn Performance Metric and has the value specified in Appendix 11.

4.8.11 The Authority may keep FTT_t under review and any modifications must be made under section 11A of the Act.

Part F: Formulae for calculating the Network Visibility Outturn Performance Metric term (NV_t)

4.8.12 [For the Regulatory Year commencing on 1 April 2023, the value of NV_t is zero.]

4.8.13 For subsequent Regulatory Years, the value of NV_t is derived in accordance with the following formula:

If $NVAS_t > NVT_t$ then:

$$NV_t = \min(NVAU_t, ((NVAS_t - NVT_t) \times NVRIR_t))$$

If $NVAS_t < NVT_t$ then:

$$NV_t = \max(-NVAD_t, ((NVAS_t - NVT_t) \times NVPIR_t))$$

Otherwise:

$$NV_t = 0$$

where:

$NVAS_t$	means the licensee's actual performance for the Network Visibility Outturn Performance Metric, as measured in accordance with the Distribution System Operation Incentive Governance Document;
NVT_t	means the target score for the Network Visibility Outturn Performance Metric for the licensee as specified in Appendix 14 and equals [X];
$NVAU_t$	means the maximum positive adjustment in respect of the Network Visibility Outturn Performance Metric for the licensee as specified in Appendix 15 and is awarded when $NVAS_t$ is greater than or equal to [X];
$NVRIR_t$	means the licensee's reward incentive rate for the Network Visibility Outturn Performance Metric and has the value specified in Appendix 16;
$NVAD_t$	means the maximum negative adjustment in respect of the Network Visibility Outturn Performance Metric for the licensee as specified in Appendix 17 and is awarded when $NVAS_t$ is less than or equal to [X]; and
$NVPIR_t$	means the licensee's penalty incentive rate for the Network Visibility Outturn Performance Metric and has the value specified in Appendix 18.

4.8.14 The Authority may keep NV_t under review and any modifications must be made under section 11A of the Act.

Part G: Formulae for calculating the Curtailment Efficiency Outturn Performance Metric term (CE_t)

4.8.15 [For the Regulatory Year commencing on 1 April 2023, the value of CE_t is zero.]

4.8.16 For subsequent Regulatory Years, the value of CE_t is derived in accordance with the following formula:

If $CEAS_t < CET_t$ then:

$$CE_t = \min(CEAU_t, ((CET_t - CEAS_t) \times CERIR_t))$$

Otherwise:

$$CE_t = 0$$

where:

$CEAS_t$	means the licensee's actual performance for the Curtailment Efficiency Outturn Performance Metric, as measured in accordance with the Distribution System Operation Incentive Governance Document;
CET_t	means the target score for the Curtailment Efficiency Outturn Performance Metric for the licensee as specified in Appendix 19 and equals [X];
$CEAU_t$	means the maximum positive adjustment in respect of the Curtailment Efficiency Outturn Performance Metric for the licensee as specified in Appendix 20 and is awarded when $CEAS_t$ is less than or equal to [X]; and
$CERIR_t$	means the licensee's reward incentive rate for the Curtailment Efficiency Outturn Performance Metric and has the value specified in Appendix 21.

4.8.17 The Authority may keep CET_t under review and any modifications must be made under section 11A of the Act.

Part H: Requirement to prepare and publish a Distribution System Operation Performance Panel Submission

4.8.18 With effect from the Regulatory Year beginning on 1 April 2024, the licensee must prepare a Distribution System Operation Performance Panel Submission in accordance with the Distribution System Operation Incentive Governance Document.

4.8.19 The licensee must publish a Distribution System Operation Performance Panel Submission for the preceding Regulatory Year on, or before, the date specified in the Distribution System Operation Incentive Governance Document.

- 4.8.20 The licensee must publish its Distribution System Operation Performance Panel Submission on the licensee's website where it is readily accessible to the public.

Part I: The Distribution System Operation Incentive Governance Document

- 4.8.21 The licensee must comply with the Distribution System Operation Incentive Governance Document in relation to the Distribution System Operation output delivery incentive.
- 4.8.22 The Distribution System Operation Incentive Governance Document may make provision about the governance of this output delivery incentive, including:
- (a) the criteria against which the performance of the licensee will be assessed;
 - (b) the process and procedures that will be in place for assessing the performance of the licensee;
 - (c) the requirements the licensee must fulfil as part of the assessment process, including the information the licensee must provide to determine the value of $DSOS_t$, FT_t , NV_t and CE_t , and its attendance at Distribution System Operation Performance Panel meetings;
 - (d) the information that will be used for the performance assessment, including how reporting will be used in that evaluation;
 - (e) the manner and process by which the licensee's Distribution System Operation Performance Panel Submission will be used by the Authority to determine the value of $DSOP_t$;
 - (f) the role of the Distribution System Operation Performance Panel; and
 - (g) the process for the appointment, by the Authority, of persons who will make up the Distribution System Operation Performance Panel.
- 4.8.23 The procedure for issuing and amending the Distribution System Operation Incentive Governance Document is provided in Special Condition 1.3 (Common procedure).

Appendix 1

Maximum positive adjustment for the Distribution System Operation Stakeholder Satisfaction Survey term ($DSOSAU_t$) (£m)

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

	Regulatory Year				
Licensee	2023/2 4	2024/2 5	2025/2 6	2026/2 7	2027/2 8
NPgY					
WMID					
EMID					
SWALES					
SWEST					
LPN					
SPN					
EPN					
SPD					
SPMW					
SSEH					
SSES					

Appendix 2

Reward incentive rate for the Distribution System Operation Stakeholder Satisfaction Survey term (DSOSRIR_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 for the Distribution System Operation Stakeholder Satisfaction Survey term (DSOSAD_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 4

Penalty incentive rate for the Distribution System Operation Stakeholder Satisfaction Survey term (DSOSPIR_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

Maximum positive adjustment for the Distribution System Operation Performance Panel term (DSOPAU_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

Reward incentive rate for the Distribution System Operation Performance Panel assessment term (DSOPRIR_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

Maximum negative adjustment in respect of the Distribution System Operation Performance Panel assessment term (DSOPAD_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

Penalty incentive rate for the Distribution System Operation Performance Panel assessment term (DSOPPIR_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

Target score for the Flexibility Market Testing Outturn Performance Metric term (FTT_t)

	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 negative adjustment term for the Flexibility Market Testing Outturn Performance Metric (FTAD_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

Penalty incentive rate for the Flexibility Market Testing Outturn Performance Metric (FTPIR_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

Target score for the Network Visibility Outturn Performance Metric (NVT_t)

	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

Maximum positive adjustment in respect of the Network Visibility Outturn Performance Metric (NVAU_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 14

Reward incentive rate for the Network Visibility Outturn Performance Metric (NVRIR_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

Maximum negative adjustment for the Network Visibility Outturn Performance Metric (NVAD_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 16

Penalty incentive rate for the Network Visibility Outturn Performance Metric (NVPIR_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 17

Target score for the Curtailment Efficiency Outturn Performance Metric (CET_t)

	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 18

Maximum positive adjustment in respect of the Curtailment Efficiency Outturn Performance Metric (CEAU_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 19

Reward incentive rate for the Curtailment Efficiency Outturn Performance Metric (CERIR_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 4.9 Dig, fix and go output delivery incentive (DFG_t) - ENWL only

Introduction

- 4.9.1 The purpose of this condition is to provide for the calculation of the term DFG_t (the dig, fix and go output delivery incentive 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).
- 4.9.2 The effect of this condition is to reward or penalise the licensee in relation to the End-to-End Restoration Time following unplanned emergency streetworks.

Part A: Formula for calculating the dig, fix and go output delivery incentive term (DFG_t)

- 4.9.3 The value of DFG_t is derived in accordance with the following formula:

If $ESD_t < ESAD_t$

$$DFG_t = \min[(ESD_t \times DFGR_t), DFGM_t] \times TIS$$

If $ESD_t > ESAD_t$

$$DFG_t = \max[(ESD_t \times -DFGR_t), DFGM_t] \times TIS$$

where:

ESD_t	means the average End-to-End Restoration Time after unplanned emergency streetworks, measured in number of days or part days, rounded to one decimal place;
$ESAD_t$	is the target average restoration time and has the value 5.1 days;
$DFGR_t$	equals £0.98m;
$DFGM_t$	means the maximum adjustment and equals 0.2% of Ex-Ante Regulatory Equity; and
TIS	means the Totex Incentive Strength Rate.

Special Condition 4.10 Collaborative streetworks output delivery incentive (CSW_t) - UKPN only

Introduction

- 4.10.1 The purpose of this condition is to calculate the term CSW_t (the collaborative streetworks output delivery incentive 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).
- 4.10.2 The effect of this incentive is to reward the licensee where it delivers a Collaborative Streetworks Project.

4.10.3 This condition also requires the licensee to keep a central information source on the ENA Smarter Networks Portal.

Part A: Formula for calculating the collaborative streetworks output delivery incentive (CSW_t)

4.10.4 The value of the CSW_t term is derived in accordance with the following formula:

$$CSW_t = \min [(X_t \cdot CSWP), 0.002 \cdot EARE] \cdot TIS$$

where:

X_t means the number of Collaborative Streetworks Projects completed by the licensee;

$CSWP$ means a reward of £0.305m for each Collaborative Streetworks Project completed;

TIS means the Totex Incentive Strength; and

$EARE$ means Ex-Ante Regulatory Equity.

Part B: Knowledge sharing requirement

4.10.5 The licensee must keep a central information source on the ENA Smarter Networks Portal in relation to the Collaborative Streetworks Project, which may take the form of links to the relevant Greater London Authority information portal.

Chapter 5: Other revenue allowances

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:

$$ORA_t = NIA_t + CNIA_t + CGSRA_t - AUM_t$$

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);

CGSRA_t is derived in accordance with Special Condition 5.4 (Revenue adjustments in respect of connection performance failures); and

AUM_t means the aggregate amount of Margin that the licensee has within one year of the relevant Clawback Direction, and despite having taken all reasonable steps to do so, been unable to repay and has notified the Authority of in accordance with paragraph 9.10.13 of Special Condition 9.10 (Margins on licensee's Connection Activities).

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:

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

where:

$NIAE_t$ means the Total NIA Expenditure; and

$UNIA_t$ means an amount of unrecoverable NIA in relation to a Licensee's failure to comply with the RIIO-2 NIA Governance Document, and has the value directed by the Authority in accordance with paragraph 5.2.10.

- 5.2.5 The total value of the NIA over the 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 may 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 must seek 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 nature of the reporting obligations 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
 - (f) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
- 5.2.9 The procedure for issuing and amending the RIIO-2 NIA Governance Document is set out in Special Condition 1.3 (Common procedures).

Part C: Unrecoverable NIA expenditure

- 5.2.10 The Authority may only direct a value for $UNIA_t$
- 1. where the licensee has not complied with the RIIO-2 NIA Governance Document; and
 - 2. in order to disallow NIA expenditure in relation to that failure to comply with the RIIO-2 NIA Governance Document.
- 5.2.11 In reaching a decision on a value for $UNIA_t$, the Authority must consider the impact that the licensee's non-compliance with provisions of the RIIO-2 NIA Governance Document is likely to have on consumers.
- 5.2.12 Before making a direction under paragraph 5.2.10 the Authority must send to the licensee and publish on the Authority's Website:
- 3. the text of the proposed modifications;
 - 4. the reasons for the proposed direction; and
 - 5. 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

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

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 1 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:

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

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) expressed in 2023/24 prices;

CNIAV is derived in accordance with Part B;

CNIAR means an amount, recovered by the licensee in relation to Regulatory Year *t* or a previous Regulatory Year which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document, expressed in 2023/24 prices; 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 (CNIIV)

- 5.3.7 The value of CNIIV is derived in accordance with the following formula:

$$CNIIV = \max((NIAV_{2022/23} \cdot BR_{2022/23}) - (ENIA_{2022/23} \cdot 0.9), 0) \frac{PI_t}{PI_{2022/23}}$$

where:

$NIAV_{2022/23}$	has the value set out in the Appendix to Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023;
$BR_{2022/23}$	has the value of BR_t derived in accordance with Part B of Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023, expressed in 2022/23 prices; and
$ENIA_{2022/23}$	has the value of $ENIA_t$ derived in accordance with Part B of Special Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023, expressed in 2022/23 prices.

Part C: The RIIO-1 Electricity NIA Governance Document

- 5.3.8 The licensee must comply with the RIIO-1 Electricity NIA Governance Document when acting in relation to the Carry-over Network Innovation Allowance.
- 5.3.9 The RIIO-1 Electricity NIA Governance Document makes and may 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 RIIO-1 NIA Governance Document is set out in Special Condition 1.3 (Common procedure).

Part D: CNIA directed by the Authority as Unrecoverable

5.3.11 The Authority may only direct a value for CNIAR:

- (a) where the licensee has not complied with the RIIO-1 Electricity NIA Governance Document; and
- (b) in order to disallow NIA expenditure in relation to that failure to comply with the RIIO-1 Electricity NIA Governance Document.

5.3.12 In reaching a decision on a value for CNIAR, the Authority must consider the impact that the licensee's non-compliance with provisions of the RIIO-1 NIA Governance Document is likely to have on consumers.

5.3.13 Before making a direction under paragraph 5.3.11 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.

Special Condition 5.4 Revenue adjustments in respect of connection performance failures

Introduction

5.4.1 The purpose of this condition is to calculate the term $CGSRA_t$ (the Connections Regulations 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).

5.4.2 The effect of this condition is to adjust revenue where the sum of payments made by the licensee under Connection Regulations and Distributed Generation Connection Standards exceeds the licensee's revenue exposure cap.

Formula for calculating the connection guaranteed standards revenue adjustment term ($CGSRA_t$)

5.4.3 The value of $CGSRA_t$ is derived in accordance with the following formula.

If $CGSPM_t > TCGSR_t$

$$CGSRA_t = CGSPM_t - TCGSR_t$$

and if not, then the value of $CGSRA_t$ is zero.

where:

- CGSPM* means the total amount of payments made by the licensee to Customers in respect of failures to meet the requirements of the Connection Regulations and Distributed Generation Connection Standards; and
- TCGSR* means the maximum amount of Calculated Revenue that the licensee is exposed to during the Price Control Period as a result of the requirements of the Connection Regulations and any Distributed Generation Connection Standards, and has the value specified for the licensee in the Appendix 1.

Appendix 1

Total RIIO-ED2 revenue exposure to payments under the Connection Regulations and any Distributed Generation Connection Standards (TCGSR) (£m)

Licensee	TCGSR (£m)				
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					

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (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 pass-through items term (PT_t)

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

$$PT_t = LF_t + RB_t + TB_t + SMC_t + SMIT_t + RF_t + SLR_t + IBDA_t + EDE_t + SEC_t$$

where:

LF_t	means the net payments made by the licensee under Standard Condition 5 (Licensee's payments to the Authority);
RB_t	means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
TB_t	means the value of the Transmission Connection Point Charges incurred by the licensee;
SMC_t	means the value of the Smart Meter Communication Licensee Costs incurred by the licensee;
$SMIT_t$	means the value of the Smart Meter Information Technology Costs incurred by the licensee;
RF_t	<p>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:</p> <p>(a) have been reported in accordance with the RIGs; and</p> <p>(b) have not been otherwise remunerated under any other provision of this licence;</p>

SLR_t	means the aggregate amount of Valid Claims requiring payment in accordance with the licensee's obligations under Standard Condition 38B (Last Resort Supply: Payment Claims);
$IBDA_t$	means the aggregate amount of Valid Bad Debt Claims requiring payment in accordance with the licensee's obligations under Standard Condition 38C (Treatment of Valid Bad Debt Claims);
EDE_t	means the payments in relation to the Pension Scheme Established Deficit repair expenditure, as set in the triennial review of Pension Scheme Established Deficit provided for in the ED2 Price Control Financial Handbook; and
SEC_t	means the Shetland Extension Variable Energy Costs, derived in accordance with Part C of this condition - SSE only.

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

- 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 may 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 may adjust the value of RB_t by direction.
- 6.1.7 Before making a direction under paragraph 6.1.6 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.
- 6.1.8 A direction under paragraph 6.1.6:
- (a) may not specify a different value for RB_t 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 RB_t that is less than zero.

Part C: Shetland Variable Energy Costs - SSE only

6.1.9 The value of SEC_t is derived in accordance with the following formula:

$$SEC_t = LPSF_t + EP_t - SH_t$$

where:

$LPSF_t$ means the cost of fuel purchased for use by Lerwick power station, any fuel costs for any use of temporary generation in the event of inability by Lerwick power station or Sullom Voe terminal to meet the full demand on Shetland;

EP_t means the cost of environmental permits in respect of generation on Shetland; and

SH_t means the income from units purchased by Electricity Suppliers in respect of generation on Shetland.

Chapter 7: Legacy

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).

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

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

$$LAR_t = LMOD_t + LIP_t + LPT_t + LK_t + LTRU_t + LCN_t + LCGSRA_t$$

where:

- $LMOD_t$ is derived in accordance with Special Condition 7.2 (Legacy MOD);
- LIP_t is derived in accordance with Special Condition 7.4 (Legacy Incentive Performance);
- LPT_t is derived in accordance with Special Condition 7.5 (Legacy pass-through items);
- LK_t is derived in accordance with Special Condition 7.6 (Legacy K correction);
- $LTRU_t$ is derived in accordance with Special Condition 7.7 (Legacy TRU Term);
- LCN_t is derived in accordance with Special Condition 7.8 (Low Carbon Networks Fund); and
- $LCGSRA_t$ is derived in accordance with Part B.

- 7.1.3 Where a value required to calculate LAR_t refers to the special conditions of this licence as in force on 31 March 2023, the price base of that component is as specified in that version of the licence. Otherwise LAR_t and its components are in nominal prices.

Part B: Formula for calculating the legacy revenue adjustments in respect of performance failures term ($LCGSRA_t$)

- 7.1.4 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, $LCGSRA_t$ has the value of $CGSRA_t$ derived in accordance with Part A of Charge Restriction Condition 2L (Revenue adjustments in respect of performance failures) of this licence as in force on 31 March 2023.
- 7.1.5 For Regulatory Years commencing on or after 1 April 2025, the value of $LCGSRA_t$ is zero.

Special Condition 7.2 Legacy MOD ($LMOD_t$)

Introduction

- 7.2.1 The purpose of this condition is to calculate 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to close out those aspects of the ED1 Price Control Financial Model that require a direction by the Authority.
- 7.2.3 This condition also explains the process the Authority must follow when making a direction.

Part A: Formula for calculating the legacy MOD term ($LMOD_t$)

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

$$LMOD_t = \frac{MOD}{5} \cdot CWACC_t \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

- MOD means the value derived from the ED1 Legacy Price Control Financial Model, calculated and directed by the Authority in accordance with General Financial Adjustment Methodology in Chapter 8 of the ED2 Price Control Financial Handbook;
- $CWACC_t$ means compound WACC and has the value derived in accordance with Part B;
- PI_t is the price index derived in accordance with Part E of Special Condition 7.1; and
- $PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

Part B: Compound WACC

- 7.2.5 For the Regulatory Year commencing on 1 April 2023, $CWACC_t$ has the value of 1.
- 7.2.6 For Regulatory Years commencing on or after 1 April 2024, $CWACC_t$ is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2023/24}^{t-1} (1 + WACC_t)$$

where:

$WACC_t$ means vanilla weighted average cost of capital, derived in accordance with the ED2 Price Control Financial Handbook.

Part C: What procedure will the Authority follow in making a direction?

7.2.7 Before making a direction under Part A 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.

Special Condition 7.3 Legacy net RAV additions and tax pool balances

Introduction

- 7.3.1 The purpose of this condition is to explain the process the Authority must follow when directing opening balances for the legacy net RAV additions and tax pool balances.
- 7.3.2 The effect is to reflect the close out of the RII0-ED1 Price Control Financial Model, in respect of legacy net RAV additions and tax pool balances.

Part A: The legacy net RAV additions term ($LRAV_t$)

- 7.3.3 The Authority must direct the value of $LRAV_t$ in accordance with the General Financial Adjustment Methodology in Chapter 8 of the ED2 Price Control Financial Handbook.

Part B: Carry over of tax pool balances

- 7.3.4 The Authority must direct the value of the terms OGP, OSRP, OSBP, ODRP, LODRP and OTL in accordance with the General Financial Adjustment Methodology in Chapter 8 of the ED2 Price Control Financial Handbook.

Part C: What procedure will the Authority follow in making a direction?

7.3.5 Before making a direction under this condition 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.

Special Condition 7.4 Legacy incentive performance (LIP_t)

Introduction

- 7.4.1 The purpose of this condition is to calculate the LIP_t term (the legacy incentive performance 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.4.2 The effect of this condition is to close out certain RIIO-ED1 incentives.

Part A: Formula for calculating the legacy incentive performance term (LIP_t) term

- 7.4.3 The value of LIP_t is derived in accordance with the following formula:

$$LIP_t = LBM_t + LIQ_t + LICE_t + LTTC_t$$

where:

- LBM_t means the legacy broad measure of customer service adjustment term and is derived in accordance with Part B;
- LIQ_t means the legacy interruptions-related quality of service incentive term and is derived in accordance with Part C;
- $LICE_t$ means the legacy incentive on connections engagement term and is derived in accordance with Part D; and
- $LTTC_t$ means the legacy time to connect incentive term and is derived in accordance with Part E.

Part B: Formula for calculating the legacy broad measure of customer service adjustment term (LBM_t)

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

$$LBM_t = [CS_{t-2} + CM_{t-2} + SE_{t-2}] \cdot RPIA_{t-2}$$

where:

- CS_{t-2} has the value of the CS_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2C (Broad measure of customer service adjustment) of this licence as in force on 31 March 2023;
- CM_{t-2} has the value of the CM_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2C of this licence as in force on 31 March 2023;
- SE_{t-2} has the value of the SE_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2C of this licence as in force on 31 March 2023; and

$RPIA_{t-2}$ has the meaning given in Part C of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023.

7.4.5 For Regulatory Years commencing on or after 1 April 2025, the value of LBM_t is zero.

Part C: Formula for calculating the legacy interruptions-related quality of service incentive term (LIQ_t)

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

$$LIQ_t = [QZ_{t-2} + QC_{t-2} + QD_{t-2}] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

QZ_{t-2} has the value of the QZ_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2D (Adjustment of licensee's revenues to reflect interruptions-related quality of service performance) of this licence as in force on 31 March 2023;

QC_{t-2} has the value of the QC_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2D of this licence as in force on 31 March 2023;

QD_{t-2} has the value of the QD_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2D of this licence as in force on 31 March 2023;

$LPVF_t$ is derived in accordance with paragraph 7.4.7;

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

$PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.4.7 The value of $LPVF_t$ is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

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 Between 1 April 2015 and 1 April 2022, it has the value of "vanilla WACC" derived in accordance with the ED1 Price Control Financial Handbook.

7.4.8 For Regulatory Years commencing on or after 1 April 2025, the value of LIQ_t is zero.

Part D: Formula for calculating the legacy incentive on connections engagements term (LICE_t)

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

$$LICE_t = ICEO_{t-3} \cdot RPIA_{t-3}$$

where:

- ICEO_{t-3}* has the value of ICEO_{t-3} as derived in accordance with Part B of Charge Restriction Condition 2E (Incentive on connections engagement) of this licence as in force on 31 March 2023; and
- RPIA_{t-3}* has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023.

- 7.4.10 For Regulatory Years commencing on or after 1 April 2026, the value of LICE_t is zero.
- 7.4.11 The Incentive on Connections Engagement Guidance may continue to make provision in relation to the RIIO-ED1 incentive on connections engagement.
- 7.4.12 The procedure for amending the Incentive on Connections Engagement Guidance is set out in Special Condition 1.3 (Common procedure).

Part E: Formula for calculating the legacy time to connect incentive term (LTTC_t)

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

$$LTTC_t = [TQA_{t-2} + TQB_{t-2} + TCA_{t-2} + TCB_{t-2}] \cdot RPIA_{t-2}$$

- 7.4.14 where:

- TQA_{t-2}* has the value of the TQA_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2F (Time to connect incentive) of this licence as in force on 31 March 2023;
- TQB_{t-2}* has the value of the TQB_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2F of this licence as in force on 31 March 2023;
- TCA_{t-2}* has the value of the TCA_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2F of this licence as in force on 31 March 2023;
- TCB_{t-2}* has the value of the TCA_{t-2} as derived in accordance with Part A of Charge Restriction Condition 2F of this licence as in force on 31 March 2023; and
- RPIA_{t-2}* has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023.

7.4.15 For Regulatory Years commencing on or after 1 April 2025, the value of $LTTC_t$ is zero.

Special Condition 7.5 Legacy pass-through items term (LPT_t)

Introduction

- 7.5.1 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.5.2 The effect of this condition is to close out certain RIIO-ED1 allowed pass-through items, such that Allowed Revenue in the Regulatory Years commencing on 1 April 2023 to 1 April 2025 reflects the specified pass-through costs relating to the Regulatory Years commencing on 1 April 2021 to 1 April 2023.

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

- 7.5.3 For the Regulatory Years commencing on 1 April 2023 to 1 April 2025, 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 means the legacy licence fee adjustment term and is derived in accordance with Part B;
- LRB_t means the legacy business rates adjustment term and is derived in accordance with Part C;
- LTB_t means the legacy Transmission Connections Point Charges term and is derived in accordance with Part D;
- $LSMC_t$ means the legacy Smart Meter Communication Licensee adjustment term and is derived in accordance with Part E;
- $LSMIT_t$ means the legacy Smart Meter Information Technology Costs adjustment term and is derived in accordance with Part F;
- LRF_t means the legacy ring fence costs adjustment term and is derived in accordance with Part G;
- $LSLR_t$ means the legacy Supplier of Last Resort adjustment term and is derived in accordance with Part H;
- $LEBD_t$ means the legacy eligible bad debt adjustment term and is derived in accordance with Part I;

$LCBD_t$ means the legacy COVID-19 bad debt adjustment term and is derived in accordance with Part J;

$LSEC_t$ means the legacy Shetland variable energy costs pass-through items adjustment term and is derived in accordance with Part K - SSEH only;

$LSEVEC_t$ means the legacy Shetland Extension Variable Energy Costs adjustment term and is derived in accordance with Part L - SSEH only; and

$LSNESRC_t$ means the legacy Shetland new energy solution residual costs adjustment term and is derived in accordance with Part M - SSEH only.

7.5.4 For Regulatory Years commencing on or after 1 April 2026 the value of LPT_t is zero.

Part B: Formula for calculating the legacy licence fee adjustment term (LLF_t)

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

$$LLF_t = \left[\frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

LFA_{t-2} has the value of LFA_{t-2} 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;

LFE_{t-2} has the value of the LFE_{t-2} as derived in accordance with Part B of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

$RPIA_{t-2}$ has the meaning given in Part C of Charge Restriction Condition 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023;

$LPVF_t$ is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);

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

$PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.6 For Regulatory Years commencing on or after 1 April 2025, the value of LLF_t is zero.

Part C: Formula for calculating the legacy business rate adjustment term (LRB_t)

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

$$LRB_t = \left[\frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

- RBA_{t-2} has the value of RBA_{t-2} as derived in accordance with Part C of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- RBE_{t-2} has the value of the RBE_{t-2} as derived in accordance with Part C of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- $RPIA_{t-2}$ has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
- $LPVF_t$ is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
- PI_t is the price index derived in accordance with Part E of Special Condition 2.1 (Revenue restriction); and
- $PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 (Revenue restriction) for the Regulatory Year commencing on 1 April 2012.

7.5.8 For Regulatory Years commencing on or after 1 April 2025, the value of LRB_t is zero.

Part D: Formula for calculating the legacy Transmission Connection Point Charges adjustment term (LTB_t)

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

$$LTB_t = \left[\frac{PTPA_{t-2}}{RPIA_{t-2}} - PTPE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.10 where:

- $PTPA_{t-2}$ has the value of $PTPA_{t-2}$ as derived in accordance with Part D of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- $PTPE_{t-2}$ has the value of the $PTPE_{t-2}$ as derived in accordance with Part D of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- $RPIA_{t-2}$ has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;

$LPVF_t$	has the value derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value PI_t derived in accordance with Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.11 For Regulatory Years commencing on or after 1 April 2025, the value of LTB_t is zero.

Part E: Formula for calculating the legacy Smart Meter Communication Licensee adjustment term ($LSMC_t$)

7.5.12 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of $LSMC_t$ is derived in accordance with the following formula:

$$LSMC_t = \left[\frac{SMCA_{t-2}}{RPIA_{t-2}} - SMCE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.13 where:

$SMCA_{t-2}$	has the value of $SMCA_{t-2}$ as derived in accordance with Part E of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$SMCE_{t-2}$	has the value of the $SMCE_{t-2}$ as derived in accordance with Part E of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.14 For Regulatory Years commencing on or after 1 April 2025, the value of $LSMC_t$ is zero.

Part F: Formula for calculating the legacy Smart Meter Information Technology Costs adjustment term (LSMIT_t)

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

$$LSMIT_t = \left[\frac{SMIA_{t-2}}{RPIA_{t-2}} - SMIE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.16 where:

- SMIA_{t-2}* has the value of SMIA_{t-2} as derived in accordance with Part F of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- SMIE_{t-2}* has the value of the SMIE_{t-2} as derived in accordance with Part F of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- RPIA_{t-2}* has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
- LPVF_t* is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
- PI_t* is the price index derived in accordance with Part E of Special Condition 2.1; and
- PI_{2012/13}* has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.17 For Regulatory Years commencing on or after 1 April 2025, the value of LSMIT_t is zero.

Part G: Formula for calculating the legacy ring fence costs adjustment term (LRF_t)

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

$$LRF_t = \left[\frac{RFA_{t-2}}{RPIA_{t-2}} - RFE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

- RFA_{t-2}* has the value of RFA_{t-2} as derived in accordance with Part G of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

RFE_{t-2}	has the value of the RFE_{t-2} as derived in accordance with Part G of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.19 For Regulatory Years commencing on or after 1 April 2025, the value of LRF_t is zero.

Part H: Formula for calculating the legacy Supplier of Last Resort adjustment term ($LSLR_t$)

7.5.20 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of $LSLR_t$ is derived in accordance with the following formula:

$$LSLR_t = \frac{SLRA_{t-2}}{RPIA_{t-2}} \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

$SLRA_{t-2}$	has the value of $SLRA_{t-2}$ as derived in accordance with Part H of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.21 For Regulatory Years commencing on or after 1 April 2025, the value of $LSLR_t$ is zero.

Part I: Formula for calculating the legacy eligible bad debt adjustment term (LEBD_t)

7.5.22 For Regulatory Years commencing on 1 April 2023, 1 April 2024 and 1 April 2025, the value of LEBD_t is derived in accordance with the following formula:

$$LEBD_t = \frac{[EBDA_{t-3} - RBD_{t-3}]}{RPIA_{t-3}} \cdot LPVF_{t-3} \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

- EBDA_{t-3}* has the value of EBDA_{t-3} as derived in accordance with Part I of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- RBD_{t-3}* has the value of RBD_{t-3} as derived in accordance with Part I of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
- RPIA_{t-3}* has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
- LPVF_t* is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
- PI_t* is the price index derived in accordance with Part E of Special Condition 2.1; and
- PI_{2012/13}* has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.23 For Regulatory Years commencing on or after 1 April 2026, the value of LEBD_t is zero.

Part J: Formula for calculating the legacy COVID-19 bad debt adjustment term (LCBD_t)

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

$$LEBD_t = \frac{[CBDA_{t-2} - PCBD_{t-2} - RCBD_{t-2}]}{RPIA_{t-2}} \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.25 where:

- CBDA_{t-2}* has the value of CBDA_{t-2} as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

$PCBD_{t-2}$	has the value of $PCBD_{t-2}$ as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RCBD_{t-2}$	has the value of $RCBD_{t-2}$ as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 (Revenue Restriction) for the Regulatory Year commencing on 1 April 2012.

7.5.26 For Regulatory Years commencing on or after 1 April 2025, the value of $LEBD_t$ is zero.

Part K: Formula for calculating the legacy Shetland variable energy costs pass-through items adjustment term ($LSEC_t$) - SSEH only

7.5.27 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of $LSEC_t$ is derived in accordance with the following formula:

$$LSEC_t = \left[\frac{SECA_{t-2}}{RPIA_{t-2}} - SECE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.28 where:

$SECA_{t-2}$	has the value of $SECA_{t-2}$ as derived in accordance with Part H of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$SECE_{t-2}$	has the value of $SECE_{t-2}$ as derived in accordance with Part H of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and

$PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.29 For Regulatory Years commencing on or after 1 April 2025, the value of $LSEC_t$ is zero.

Part L: Formula for calculating the legacy Shetland Extension Variable Energy Costs adjustment term ($LSEVEC_t$) - SSEH only

7.5.30 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of $LSEVEC_t$ is derived in accordance with the following formula:

$$LSEVEC_t = \left[\frac{SEVECA_{t-2}}{RPIA_{t-2}} - SEVECE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

7.5.31 where:

$SEVECA_{t-2}$ has the value of $SEVECA_{t-2}$ as derived in accordance with Part I of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

$SEVECE_{t-2}$ has the value of $SEVECE_{t-2}$ as derived in accordance with Part I of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;

$RPIA_{t-2}$ has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;

$LPVF_t$ is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);

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

$PI_{2012/13}$ has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.32 For Regulatory Years commencing on or after 1 April 2025, the value of $LSEVEC_t$ is zero.

Part M: Formula for calculating the legacy Shetland new energy solution residual costs adjustment term ($LSNESRC_t$) - SSEH only

7.5.33 For Regulatory Years commencing on 1 April 2023 and 1 April 2024, the value of $LSNESRC_t$ is derived in accordance with the following formula:

$$LSNESRC_t = \left[\frac{SNESRCA_{t-2}}{RPIA_{t-2}} - SNESRCE_{t-2} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

$SNESRCA_{t-2}$	has the value of $SNESRCA_{t-2}$ as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$SNESRCE_{t-2}$	has the value of $SNESRCE_{t-2}$ as derived in accordance with Part J of Charge Restriction Condition 2B of this licence as in force on 31 March 2023;
$RPIA_{t-2}$	has the meaning given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

7.5.34 For Regulatory Years commencing on or after 1 April 2025, the value of $LSNESRC_t$ is zero.

Special Condition 7.6 Legacy K correction (LK_t)

Introduction

- 7.6.1 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.6.2 The effect of this condition is to close out the RIIO-ED1 correction term such that Allowed Revenue in the Regulatory Year commencing on 1 April 2023 reflects the correction value relating to the Regulatory Year commencing on 1 April 2021.
- 7.6.3 The correction value relating to the Regulatory Year commencing on 1 April 2022 is set out in Part F of Special Condition 2.1.

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

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

$$LK_t = -Kt$$

where:

Kt has the value of Kt 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.

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

Special Condition 7.7 Legacy TRU term ($LTRU_t$)

Introduction

- 7.7.1 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.7.2 The effect of this condition is to close out the RIIO-ED1 TRU term such that revenue in Regulatory Years commencing on 1 April 2023 and 1 April 2024 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

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

- 7.7.3 For Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of $LTRU_t$ is derived in accordance with the following formula:

$$LTRU_t = \left[\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot REV_{t-2} \cdot \frac{PI_t}{PI_{2012/13}}$$

where:

REV_{t-2}	has the value of REV_{t-2} as derived 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;
$RPIA_{t-2}$	has the value given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$RPIF_{t-2}$	has the value given in Part C of Charge Restriction Condition 2A of this licence as in force on 31 March 2023;
$LPVF_t$	is derived in accordance with paragraph 7.4.7 of Special Condition 7.4 (Legacy incentive performance);
PI_t	is the price index derived in accordance with Part E of Special Condition 2.1; and
$PI_{2012/13}$	has the value of PI_t derived in accordance with Part E of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2012.

- 7.7.4 For Regulatory Years commencing on or after 1 April 2025, the value of $LTRU_t$ is zero.

Special Condition 7.8 Low Carbon Networks Fund (LCN_t)

Part A: Introduction

- 7.8.2 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).
- 7.8.3 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 B: Formula for calculating the Low Carbon Networks Fund term (LCN_t)

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

$$LCN_t = LCN_{2t} - LCN_{1t}$$

where:

- LCN_{2t}* 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
- LCN_{1t}* 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 C: The Second Tier and Discretionary Funding Mechanism

- 7.8.5 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.
- 7.8.6 LCN_{2t} is the amount specified that is to be recovered by each Distribution Services Provider as directed by the Authority under paragraph 7.8.5 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.
- 7.8.7 In each Regulatory Year t, as provided for by the LCN Fund Governance Document, the Authority may 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 LCN_{2t} 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 7.8.6(b) are to be transferred.
- 7.8.8 The licensee must comply with any direction issued by the Authority under paragraph 7.8.6.

Part D: Unrecoverable expenditure

- 7.8.9 In any Regulatory Year t, the Authority may set, by direction given to the licensee, an amount for LCN_{1t} that will reduce the licensee's Allowed Revenue by the amount that the Authority has determined to be unrecoverable.

Part E: The LCN Fund Governance Document

- 7.8.10 The licensee must comply with the LCN Fund Governance Document when acting in relation to the Low Carbon Networks Fund.
- 7.8.11 The LCN Fund Governance Document makes and may 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.
- 7.8.12 The procedure for amending the LCN Fund Governance Document is set out in Special Condition 1.3 (Common procedures).

Special Condition 7.9 RIIO-ED1 network innovation competition

Introduction

- 7.9.1 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.
- 7.9.2 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

- 7.9.3 The Authority may direct either:
 - (a) how any relevant revenues should be paid to the System Operator through the Funding Return Mechanism; or
 - (b) where the Authority considers it to be appropriate, that any relevant revenues should be retained by the licensee.
- 7.9.4 In each Regulatory Year, in accordance with the appropriate provisions of the Electricity Network Innovation Competition Governance Document, the Authority may calculate and then, by direction given to the licensee, specify:
 - (a) the amount of any Funding Return that the licensee must pay to the System Operator; and
 - (b) 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

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

- (b) 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;
 - (c) 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);
 - (d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
 - (e) any other matters relating to the governance of the NIC.
- 7.9.7 The procedure for amending the Electricity Network Innovation Competition Governance Document is set out in Special Condition 1.3 (Common procedures).

Part C: Successful Delivery Reward

- 7.9.8 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.

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.

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 A: 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 no impact 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, re-naming 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 B: Circumstances in which a modification may be made

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

- (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 must not be less than 28 days.

8.1.7 A direction under paragraph 8.1.3 must 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 C: Availability and updating of the ED2 Price Control Financial Instruments

8.1.9 The Authority must maintain on the Authority's Website an up to date copy of the ED2 Price Control Financial Instruments for Regulatory Years commencing on or after 1 April 2023.

8.1.10 The Authority must 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.

8.1.11 The Authority must publish on the Authority's Website a consolidated version of the ED2 Price Control Financial Model containing the updated value of AR_t for all Distribution Network Operators following each Annual Iteration Process.

Chapter 9: General obligations

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 publish its Annual Environmental Report on the licensee's website where it is readily accessible to the public.

Part B: Environmental Reporting Guidance

- 9.1.7 The Environmental Reporting Guidance may 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 set out 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 as necessary 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;
 - iii. assess its performance against the Baseline Network Risk Output; and
 - (b) 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 as 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 through the Network Asset Indices;

- (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 Risk 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 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) 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;
 - (c) reject the proposed modification; or
 - (d) reject the proposed modification and direct the licensee to make a further submission under this Part.
- 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 Output in accordance with Part D of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure), 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 Operators' Baseline Network Risk Output.

- 9.2.22 The Authority may by direction:
- (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments;
 - (c) reject the proposed modification; or
 - (d) reject the proposed modification and direct the licensee to make a further submission under this Part or Part C.
- 9.2.23 A direction under paragraph 9.2.22 will likely be insufficiently significant to warrant publication or formal consultation, but the Authority will consider this on a case by case basis.

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 collects and 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 licensee must:
- (a) keep the Information Gathering Plan under review and in particular must conduct a review when directed to do so by the Authority, and
 - (b) modify the Information Gathering Plan, where necessary to ensure that it complies with the requirements of paragraph 9.2.25.

Special Condition 9.3 Evaluative 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: Evaluative PCD 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 may decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.3.5 The Authority may 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) and Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable). The Authority may 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 and developments, against the outputs in the Cyber Resilience OT PCD Table;
 - (b) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraph (a) 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;
 - (c) a summary of progress against key milestones and developments against the outputs in the Cyber Resilience IT PCD Table;
 - (d) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraph (c) on improving cyber resilience in relation to IT, including risk reduction;
 - (e) a description of how the licensee has considered any relevant guidance provided by the Authority; and
 - (f) 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 Parts A and B.
- 9.3.11 The PCD Reporting Requirements and Methodology Document may set out:
- (a) how the licensee must prepare the reports required by Part A and B;
 - (b) further guidance about Evaluative Price Control Deliverables and Mechanistic Price Control Deliverables; and
 - (c) worked examples of the methodology the Authority will use when deciding:
 - 1. whether to direct a value to reduce allowances for Evaluative Price Control Deliverables that have not been Fully Delivered; and
 - 2. the value to direct.
- 9.3.12 The procedure for issuing and amending the PCD Reporting Requirements and Methodology Document is set out 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 The purpose of this condition is to require the licensee to prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also provides for the issuing and amending of the Re-opener Guidance and Application Requirements Document.

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

- 9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

- 9.4.4 The Re-opener Guidance and Application Requirements Document may 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.
- 9.4.5 The procedure for issuing and amending the Re-opener Guidance and Application Requirements Document is set out in Special Condition 1.3 (Common procedure).

Special Condition 9.5 Digitalisation

Introduction

- 9.5.1 The purpose of this condition is to set out the licensee's obligations to:
- (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with DSAP Guidance; and
 - (e) comply with Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.5.2 The licensee must publish its Digitalisation Strategy on, or before, 1 April 2023.
- 9.5.3 The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at intervals specified in the DSAP Guidance.
- 9.5.4 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy, by sending an electronic copy of the updated Digitalisation Strategy to the email specified in the DSAP Guidance.

Part B: Requirements of the Digitalisation Action Plan

- 9.5.5 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2023.

- 9.5.6 The licensee must review the progress it has made against and update its Digitalisation Action Plan at intervals specified in the DSAP Guidance.
- 9.5.7 The licensee must:
- (a) publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan, by sending an electronic copy of the updated Digitalisation Action Plan to the email specified in the DSAP Guidance.

Part C: DSAP Guidance

- 9.5.8 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.5.9 The DSAP Guidance may make provision about:
- (a) how the licensee should work towards Digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
 - (c) the form of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - 3. the structure, content, and level of detail of each;
 - 4. the types of activities that should be covered in each; and
 - 5. any required information associated with those activities; and
 - (d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.
- 9.5.10 The procedure for issuing and amending the DSAP Guidance is set out in Special Condition 1.3 (Common procedure).

Part D: Requirement to employ data best practice

- 9.5.11 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.5.12 Data Best Practice Guidance may make provision about how the Authority expects the licensee to comply with Data Best Practice to generate benefits for

consumers and stakeholders, including ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

- 9.5.13 The procedure for issuing and amending Data Best Practice Guidance is set out in Special Condition 1.3 (Common procedure).

Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

- 9.6.1 This purpose of this condition is to enable the licensee to make a formal request for the disapplication (in whole or in part) of the Relevant Special Conditions, in the circumstances specified in this condition.
- 9.6.2 The effect is for those such provisions consequently to be disapplied:
- (a) with the consent of the Authority;
 - (b) after the expiration of a specified period of time; or
 - (c) on the direction of the Competition and Markets Authority.

Part A: Continuation of Relevant Special Conditions subject to disapplication

- 9.6.3 The Relevant Special Conditions apply for as long as this licence continues in force but will cease to have effect (in whole or in part, as the case may be) if the licensee makes a Disapplication Request to the Authority in accordance with Parts B and C of this condition and:
- (a) the Authority consents; or
 - (b) the provisions that are the subject of the Disapplication Request are disapplied by a Disapplication Notice given by the licensee in accordance with Part D of this condition.

Part B: Disapplication Date

- 9.6.4 Except where the Authority otherwise consents, the Disapplication Date is:
- (a) in respect of Special Condition 9.11 (Restriction on charges for the provision of legacy metering equipment), a date no earlier than three months after the making of the Disapplication Request;
 - (b) in respect of Special Condition 9.12 (Charging outside the distribution services areas), a date no earlier than 18 months after the making of the Disapplication Request; and
 - (c) in respect of all other Relevant Special Conditions, the later of:
 - i. 1 April 2028; and
 - ii. six months after the making of the Disapplication Request.

Part C: Procedure for making a Disapplication Request

- 9.6.5 The licensee may ask the Authority to consent to the disapplication of all or part of the Relevant Special Conditions by making a Disapplication Request to the Authority.
- 9.6.6 A Disapplication Request must:
- (a) be in Writing and addressed to the Authority;
 - (b) specify the provisions to which it relates;
 - (c) provide a full statement of the licensee's reasons for making the request;
 - (d) contain such other information or analysis as the licensee considers sufficient to enable the Authority fully to assess the Disapplication Request; and
 - (e) state the Disapplication Date that is proposed by the licensee.
- 9.6.7 A Disapplication Request may apply to a specified geographic area.
- 9.6.8 If, within 28 days of receipt of a Disapplication Request, the Authority gives notice to the licensee:
- (a) specifying further information or analysis that is required to assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis,
- (c) then the Disapplication Request will be treated for the purposes of this condition as not made until that further information or analysis is provided.
- 9.6.9 The giving of notice under paragraph 9.6.8 does not prevent the Authority from making such further requests for information or analysis, or for the reformatting of information or analysis already provided, as required to assess the proposal.
- 9.6.10 The licensee may withdraw a Disapplication Request at any time.

Part D: Licensee's right to disapply under a Disapplication Request

- 9.6.11 If the licensee has made a Disapplication Request that complies with the requirements of Parts B and C, and the circumstances described in Part E or Part F apply, it may subsequently serve a Disapplication Notice on the Authority disapplying some or all of the provisions that are the subject of the Disapplication Request.

Part E: Disapplication without involvement of the Competition and Markets Authority

- 9.6.12 The licensee may serve a Disapplication Notice on the Authority if, by the Disapplication Date specified in the relevant Disapplication Request, the Authority has not responded to the request by publishing a decision under

section 11A(7) of the Act to modify the special conditions of this licence in either of the ways described in paragraph 9.6.13.

- 9.6.13 The ways referred to in paragraph 9.6.12 are ways that would:
- (a) modify any of the provisions referred to in the Disapplication Request; or
 - (b) modify this condition so as to remove the licensee's right to serve a Disapplication Notice on the Authority in respect of the relevant Disapplication Request.

Part F: Disapplication after involvement of the Competition and Markets Authority

- 9.6.14 The licensee may also serve a Disapplication Notice on the Authority if the Authority has published a decision described in Part E of this Condition but:
- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
 - (b) the Competition and Markets Authority has quashed the Authority's decision and directed the licensee to serve such a Disapplication Notice on the Authority; and
 - (c) no more than 20 Working Days have elapsed since the date from which the licensee may serve a Disapplication Notice on the Authority under the Competition and Markets Authority's direction.
- 9.6.15 A Disapplication Notice under this Part must also comply with any terms or conditions specified in the Competition and Markets Authority's direction.

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is not included in the calculation of Recovered Revenue.
- 9.7.3 This condition also explains the process that the Authority must follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to not include Directly Remunerated Services

- 9.7.4 The licensee must not include revenue from Directly Remunerated Services in Recovered Revenue.
- 9.7.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or

- (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction complies with the general principle in Part B.
- 9.7.6 The licensee must not treat services as Directly Remunerated Services if the Authority so directs, to the extent that such direction complies with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of the normal activities of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service so provided is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) Network Charges; and
 - (b) charges arising from any activity carried out under the provisions of Special Condition 7.9 (RIIO-ED1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Service

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out in paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services include the following services:
- DRS1. Connection services:** This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) for the purposes of providing, installing, operating, repairing, or maintaining electric lines or electrical plant (but only to the extent that the service is not already remunerated under one of the charges mentioned in paragraph 9.7.8).
- DRS2. Diversionary works under an obligation:** This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(1) (general duties of licence holders) or section 16 (duty to connect on request) of the Act.
- DRS3. Works required by any alteration of premises:** This category consists of the moving of any electric line, electrical plant, or Electricity Meter that forms part of the licensee's Distribution System to accommodate the extension, redesign, or

redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: (Not used)

DRS5. Outage Changes: (Not used)

DRS6. Emergency Services: (Not used)

DRS7. PARCA Activities: (Not used)

DRS8. Independent System operation: (Not used)

DRS9. Network Innovation Funding: (Not used)

DRS10. Value Added Services: This category consists of services that utilise Relevant Assets under commercial arrangements between the licensee and another person (who must not be an Affiliate or Related Undertaking of the licensee), involving:

- (a) the installation of equipment for the purpose of electronic communications or data transfer;
- (b) the display of any advertising or promotional material; or
- (c) any service specified in a direction given by the Authority for the purposes of this condition that, in the absence of such a direction, would be included in category DRS15 (Miscellaneous).

DRS11. Top-up, standby, and enhanced system security: This category consists of the provision of electric lines and electrical plant to the extent required by any user of the licensee's Distribution System:

- (d) for the specific purpose of enabling the delivery of top-up or standby supplies of electricity; or
- (e) to provide a higher degree of security than is required for the purposes of complying with paragraph 24.1 of Standard Condition 24 (Distribution System planning standard and quality of performance reporting),
- (f) to the extent that they are provided under an agreement that provides for the licensee to recover its costs from the user concerned.

DRS12. Revenue protection services: This category consists of the provision, at the request of any third party (which could include an Affiliate or a Related Undertaking of the licensee), of services relating to the prevention of Electricity Meter interference and other forms of illegal abstraction of electricity.

DRS13. Metering Services: This category consists of the provision of any Metering Service (other than the provision of Legacy Metering Equipment) that is not already remunerated under any other charge in respect of a Directly Remunerated Service.

DRS14. Smart Meter Roll-out rechargeable services: This category consists of services provided directly or indirectly to Electricity Suppliers, and associated with the roll-out of Smart Meters, that:

- (g) are provided under the provisions of the service level agreement that is appended to the Distribution Connection and Use of System Agreement; and
- (h) are not remunerated under one of the charges mentioned in paragraph 9.7.8 or under any other charge for a Directly Remunerated Service.

DRS15. Miscellaneous: This category consists of the provision of any other service (including electric lines or electrical plant) that:

- (a) is for the specific benefit of any third party who requests it; and
- (b) is not remunerated under one of the charges mentioned in paragraph 9.7.8 or under any other charge for a Directly Remunerated Service.

DRS16. Distribution Network Voltage Control Services: This category consists of Distribution Network Voltage Control Services that utilise Relevant Assets and are procured by the GB System Operator for the purposes of its system operator residual balancing activity.

DRS17. EV Provider of Last Resort Services: This category consists of the provision of services for Electric Vehicle Recharging Points in compliance with a Provider of Last Resort Direction issued by the Authority under Standard Condition 31F (Requirements relating to Electric Vehicle Recharging Points)

9.7.11 The licensee must ensure that charges levied in respect of Directly Remunerated Services in categories DRS1, DRS2, DRS3, DRS11 and DRS14 are at a level that will allow the licensee to recover:

- (a) its reasonable costs;
- (b) a reasonable rate of return on the capital outlay represented by any expenditure incurred by the licensee during the period before payment is received of any amounts due by the person requiring the service in question; and
- (c) in respect of DRS1, a Margin, where that is consistent with the provisions of Special Condition 9.10 (Margins on licensee's Connection Activities).

9.7.12 The Net Revenue from charges levied in respect of Directly Remunerated Services in category DRS10 and DRS 16 during any Regulatory Year must be included by the licensee as a negative component of its ACO PCFM Variable Value for the same Regulatory Year.

9.7.13 The licensee must ensure that charges levied in respect of Directly Remunerated Services in categories DRS12 and DRS15 are set at a level that will allow the licensee to recover its reasonable costs and a reasonable margin in providing the service in question.

9.7.14 In relation to DRS12, the licensee must include Income from Theft Recovery as a negative component of its ACO PCFM Variable Value for the Regulatory Year in which the income is received.

Part D: Procedure for issuing directions

- 9.7.15 Before issuing a direction under paragraph 9.7.6 the Authority must consider the general principle in Part B.
- 9.7.16 Any direction that the Authority issues under Part A must set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

- 9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

Part A: Assurance statement

- 9.8.2 The licensee must by 31 July of each Regulatory Year starting on or after 1 April 2025, send to the Authority an assurance statement, relating to Regulatory Year t-2 that:
- (a) has been approved by a resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in sub-paragraph (a); and
 - (c) is set out in the form prescribed in paragraph 9.8.3 or where paragraph 9.8.4 applies in the form prescribed in paragraph 9.8.5.
- 9.8.3 Where this paragraph applies, the prescribed form for the assurance statement is as follows:

"In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:

- (a) the adjusted Calculated Tax Allowance as shown in the Tax Reconciliation template is a fair representation of the licensee's adjusted Actual Corporation Tax Liability as shown in the licensee's Company Tax Return (CT600);
- (b) the Tax Reconciliation will be submitted to the Authority along with a copy of:
 - 6. the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
 - 7. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per paragraph i.; and
 - 8. the licensee's published Tax Strategy;

- (c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the RIIIO-2 Regulatory Financial Performance Reporting Regulatory Instructions and Guidance;
 - (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
 - (e) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate."
- 9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ED2 Price Control Financial Handbook it must submit the assurance statement in accordance with paragraph 9.8.5.
- 9.8.5 Where this paragraph applies, the prescribed form for the assurance statement is as follows:.

"In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:

- (a) the adjusted Calculated Tax Allowance as shown in the Tax Reconciliation template is not a fair representation of the licensee's adjusted Actual Corporation Tax Liability as shown in the licensee's Company Tax Return (CT600);
- (b) the Tax Reconciliation will be submitted to the Authority along with a copy of:
 - 9. the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
 - 10. the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per paragraph i; and,
 - 11. the licensee's published Tax Strategy;
- (c) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the RIIIO-2 Regulatory Financial Performance Reporting Regulatory Instructions and Guidance;
- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- (e) a notification has been made in Writing to the Authority under Chapter 6 of the ED2 Price Control Financial Handbook."

Special Condition 9.9 The strategic innovation fund (SIF_t)

Introduction

- 9.9.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.
- 9.9.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the System Operator (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 9.9.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of SIF_t

- 9.9.4 The value of SIF_t is SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the System Operator, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of Part A of Special Condition 3.4 (The strategic innovation fund) in the Transmission Licence held by the System Operator.
- 9.9.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the System Operator's Transmission Licence, the Authority must calculate and then, by direction given to the licensee, specify:
 - (a) the value of the SIF_t;
 - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
 - (c) the manner in which and the timescale over which the System Operator is required to pay that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

- 9.9.6 The Authority may direct how SIF Returned Project Revenues should:
 - (a) be paid to the System Operator through the SIF Funding Return Mechanism; or
 - (b) where the Authority considers it to be appropriate, retained by the licensee.
- 9.9.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority must calculate and then, by direction given to the licensee, specify:
 - (a) the amount of any SIF Funding Return that the licensee must pay to the System Operator; and
 - (b) the manner in which and the timescale over which that amount is to be paid.

- 9.9.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.9.7.

Part C: The SIF Governance Document

- 9.9.9 The licensee must comply with the SIF Governance Document when acting in relation to the SIF.
- 9.9.10 The SIF Governance Document may make provision about the regulation, governance and administration of the SIF, including:
- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
 - (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other licensees including Electricity Distributors and Transmission Licensees;
 - (e) the nature of the reporting obligations in respect of such Eligible SIF 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 SIF Governance Document; and
 - (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.
- 9.9.11 The procedure for issuing and amending the SIF Governance Document is set out in Special Condition 1.3 (Common procedures).

Special Condition 9.10 Margins on licensee's Connection Activities

Introduction

- 9.10.1 The purpose of this condition is to set out the charging arrangements for licensees relating to any Connection Activities.
- 9.10.2 The effect of this condition is to:
- (a) prohibit the licensee from charging a Margin in a Connection Charge that relates to any of its Connection Activities in an Excluded Market Segment of the Local Connections Market;
 - (b) provide for the level of Margin that a licensee may charge in a Connection Charge that relates to any of its Connection Activities in Relevant Market

Segments of the Local Connections Market where the Authority has determined that there is not effective competition;

- (c) except where the Authority directs otherwise, permit the licensee to charge an Unregulated Margin in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market where the Authority has determined that there is effective competition; and
- (d) provide a mechanism for the Authority to direct the licensee to repay such part of the Margin charged in a Connection Charge that relates to any of its Connection Activities.

9.10.3 Part D sets out the Relevant Market Segments for the purposes of this condition.

Part A: Margins on Excluded Market Segments

9.10.4 The licensee must not charge a Margin in a Connection Charge that relates to any of its Connection Activities in an Excluded Market Segment of the Local Connections Market.

Part B: Margins on Relevant Market Segments

9.10.5 This Part is subject to the provisions of Part C.

9.10.6 Unless directed to do otherwise by the Authority, the licensee must charge a Margin of four per cent in a Connection Charge that relates to any of its Connection Activities in a Relevant Market Segment of the Local Connections Market where the Authority has determined that there is not effective competition.

9.10.7 The licensee may charge an Unregulated Margin in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segment of the Local Connections Market where the Authority has determined that there is effective competition.

Part C: Provisions where the Legal Requirements Test is not satisfied

9.10.8 Where the Authority at any time determines that the Legal Requirements Test is not satisfied, it may:

- (a) issue a direction specifying the level of Margin that the licensee must charge in a Connection Charge that relates to any of its Connection Activities in Relevant Market Segments of the Local Connections Market in such cases and until such time as are specified in or determined under the direction; and
- (b) issue to the licensee a Clawback Direction in accordance with paragraphs 9.10.9 to 9.10.16.

9.10.9 A Clawback Direction must specify:

- (a) the period of time to which it relates; and

- (b) the proportion of the Margin that the Authority requires the licensee to repay.
- 9.10.10 The period of time referred to in paragraph 9.10.9(a) may not commence earlier than the date that the Authority determines to be the earliest date on which the Legal Requirements Test was not satisfied.
- 9.10.11 For the purposes of a Clawback Direction, a Margin is treated as having been charged during a period of time if it:
 - (a) became due to the licensee under a connection agreement entered into during that period; and
 - (b) was paid to and received by the licensee under that agreement.
- 9.10.12 Where a Clawback Direction is issued the licensee must take all reasonable steps to:
 - (a) identify all those persons who were charged the Margin to which the Clawback Direction relates; and
 - (b) repay to each such person, as soon as is practicable, a sum equivalent to the proportion of the Margin that that person paid to the licensee.
- 9.10.13 Where, within one year of the date of the Clawback Direction and despite having taken all reasonable steps to do so, the licensee has been unable to repay any sums under paragraph 9.10.12, it must notify the Authority of the aggregate amount of the sums remaining unpaid.
- 9.10.14 The aggregate amount notified to the Authority will constitute the value of the AUM_t term for the purposes of Special Condition 5.1 (Total other revenue allowances).
- 9.10.15 Where a Margin became due to the licensee under a connection agreement entered into during a period of time specified in a Clawback Direction, but has not been paid to and received by the licensee at the date of the direction, the licensee must waive its right to recover such proportion of that Margin as is specified in the Clawback Direction.
- 9.10.16 Before issuing a direction under this Part, the Authority must 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 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 D: Local Connections Market Segments

9.10.17 In respect of Metered premises owned or occupied by Demand Customers, the following are Relevant Market Segments:

- (a) low voltage work: low voltage Connection Activities involving only low voltage work, other than in respect of Excluded Market Segments;
- (b) high voltage work: low voltage or high voltage Connection Activities involving high voltage work, including where that work is required in respect of Connection Activities within an Excluded Market Segment;
- (c) high voltage and extra high voltage work: low voltage or high voltage Connection Activities involving extra high voltage work; and
- (d) extra high voltage work and above: extra high voltage work and 132kV Connection Activities.

9.10.18 In respect of Metered premises in which the connection involves the connection of relevant Distributed Generation, the following are Relevant Market Segments:

- (a) low voltage work: low voltage Connection Activities involving only low voltage work; and
- (b) high voltage and extra high voltage work: any Connection Activities involving work at high voltage or above.

9.10.19 In respect of Unmetered premises, the following are Relevant Market Segments:

- (a) local authority work: new Connection Activities in respect of local authority premises;
- (b) private finance initiative work: new Connection Activities under private finance initiatives; and
- (c) other work: all other non-local authority and non-private finance initiative Unmetered connections work.

Part E: Excluded Relevant Market Segments

9.10.20 For the purposes of this condition, the Excluded Market Segment comprises the following market segments relating to Metered premises that are owned or occupied by Demand Customers:

- (a) Excluded Market Segment 1: LVSSA connections; and
- (b) Excluded Market Segment 2: LVSSB connections.

Special Condition 9.11 Restriction on charges for the provision of legacy metering equipment

Introduction

- 9.11.1 The purpose of this condition is to establish the restrictions on charges for the provision of Legacy Metering Equipment and to set out the obligations of the licensee in respect of those restrictions.

Part A: Licensee's obligation

- 9.11.2 The licensee, in setting charges for the provision of Legacy Metering Equipment in accordance with Standard Condition 34 (Requirement to offer terms for the provision of Legacy Metering Equipment), must ensure that those charges for the relevant Regulatory Year do not exceed the limits imposed by Parts B to F.

Part B: Charges for Single-Phase Single-Rate Credit Electricity Meters

- 9.11.3 The total charge set by the licensee in respect of the provision of a Single-Phase Single-Rate Credit Electricity Meter must at no time exceed the value derived from the following formula:

$$SRCM_t = £1.12 \times PIT_t + AF_t$$

where:

$SRCM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Phase Single-Rate Credit Electricity Meter;

PIT_t is the price index adjustment derived in accordance with Part G;
and

AF_t is the adjustment factor (if any) derived in accordance with Part H.

Part C: Charges for Single-Rate Token Prepayment Electricity Meters

- 9.11.4 The total charge set by the licensee in respect of the provision of a Single-Rate Token Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$TPPM_t = ([(TPPMAV / LT_t) \times [1 + [(1 + LTW_t) \times (6.9/100 - 6.9/200 \times LTW_t / LT_t)]]] + £0.242) \times PIT_t + AF_t$$

where:

$TPPM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Rate Token Prepayment Electricity Meter;

$TPPMAV$ means the modern equivalent asset value of a Single-Rate Token Prepayment Electricity Meter, and has the value of £59;

LT_t is the current expected life (in years) of a Single-Rate Token Prepayment Electricity Meter, and has the value of 9.72;

LTW_t is the value of LT_t rounded down to the nearest integer, and hence has the value of 9;

PIT_t is the price index adjustment derived in accordance with Part G; and

AF_t is the adjustment factor (if any), derived in accordance with Part H.

Part D: Charges for Single-Rate Key Prepayment Electricity Meters

9.11.5 The total charge set by the licensee in respect of the provision of a Single-Rate Key Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$KPPM_t = ([(KPPMAV / LK_t) \times [1 + [(1 + LKW_t) \times (6.9/100 - 6.9/200 \times LKW_t / LK_t)]]] + £0.242) \times PIT_t + AF_t$$

where:

$KPPM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Rate Key Prepayment Electricity Meter;

$KPPMAV$ means the modern equivalent asset value of a Single-Rate Key Prepayment Electricity Meter, and has the value of £60.31 ;

LK_t is the current expected life (in years) of a Single-Rate Key Prepayment Electricity Meter, and has the value of 9.34;

LKW_t is the value of LK_t rounded down to the nearest integer, and hence has the value of 9;

PIT_t is the price index adjustment derived in accordance with Part G; and

AF_t is the adjustment factor (if any) derived in accordance with Part H.

Part E: Charges for Single-Rate Smartcard Prepayment Electricity Meters

9.11.6 The total charge set by the licensee in respect of the provision of a Single-Rate Smartcard Prepayment Electricity Meter must at no time exceed the value derived from the following formula:

$$SPPM_t = ([(SPPMAV / LS_t) \times [1 + [(1 + LSW_t) \times (6.9/100 - 6.9/200 \times LSW_t / LS_t)]]] + £0.242) \times PIT_t + AF_t$$

where:

$SPPM_t$ is the maximum amount that the licensee may charge for the provision of a Single-Rate Smartcard Prepayment Electricity Meter;

$SPPMAV$ means the modern equivalent asset value of a Single-Rate Smartcard Prepayment Electricity Meter, and has the value of £62.77;

LS_t	is the current expected life (in years) of a Single-Rate Smartcard Prepayment Electricity Meter, and has the value of 7;
LSW_t	is the value of LS_t rounded down to the nearest integer, and hence has the value of 7;
PIT_t	is the price index adjustment derived in accordance with Part G; and
AF_t	is the adjustment factor (if any) derived in accordance with Part H.

Part F: Charges for all other types of Electricity Meter provided under Standard Condition 34

9.11.7 The total charge set by the licensee in respect of the provision under Standard Condition 34 of any type of Electricity Meter provided for by Parts B to E must at no time exceed the value derived from the following formula:

$$MAPPC_t = [MEAP_i / ELA_i + MEAP(i) \times 6.9 / 200 + 0.242] \times PIT_t + AF_t$$

where:

$MAPPC_t$	is the maximum amount that the licensee may charge for the provision of a type of Electricity Meter not provided for by Parts B to E;
$MEAP_i$	is the Modern Equivalent Asset Purchase Price of the Electricity Meter type i as at 1 June 2003 or the nearest determinable date after 1 June 2003;
ELA_i	is the current expected economic life (in years) of the Electricity Meter type i ;
PIT_t	is the price index adjustment derived in accordance with Part G;
AF_t	is the adjustment factor (if any), derived in accordance with Part H; and
i	means an Electricity Meter of a type listed in paragraph 9.11.8 and not provided for by Parts B to E.

9.11.8 The types of Electricity Meter (without limitation, and subject to the licensee's right to subdivide any such type in order to facilitate cost-reflective charging) provided for by this condition are:

- (a) multi-rate single-phase credit Electricity Meters;
- (b) multi-rate single-phase prepayment Electricity Meters;
- (c) poly-phase single-rate whole-current Electricity Meters;
- (d) poly-phase multi-rate whole-current Electricity Meters; and
- (e) non-half-hourly current-transformer Electricity Meters.

Part G: Calculation of the price index adjustment

- 9.11.9 For the purposes of Parts B to F the price index adjustment is calculated in accordance with the following formula:

$$PIT_t = [1 + RPI_t/100] \times PIT(t-1)$$

where:

PIT_t has the value of 1 in the Regulatory Year beginning on 1 April 2002, and then in each subsequent Regulatory Year has the value derived from the formula itself; and

RPI_t means the percentage change (whether positive or negative) between the arithmetic average of the Retail Prices Index numbers published or determined with respect to each of the six months from July to December (inclusive) in Regulatory Year t-2 and the arithmetic average of the Retail Prices Index numbers published or determined with respect to the same months in Regulatory Year t-1.

Part H: Determination and application of the adjustment factor (AF)

- 9.11.10 This paragraph applies where the licensee considers that the expected asset life of a type of Electricity Meter specified in paragraph 9.11.11 has fallen below the level assumed for the purposes of establishing the relevant charge restriction under this condition because of a decision by an Electricity Supplier to replace the technology associated with that type of Electricity Meter with technology associated with another type of Electricity Meter specified in paragraph 9.11.11.
- 9.11.11 The types of Electricity Meter to which paragraph 9.11.10 refers are:
- (a) a Token Prepayment Electricity Meter (whether single-rate or multi-rate);
 - (b) a Key Prepayment Electricity Meter (whether single-rate or multi-rate);
 - (c) a Smartcard Prepayment Electricity Meter (whether single-rate or multi-rate); and
 - (d) a Single-Phase Single-Rate Credit Electricity Meter.
- 9.11.12 If paragraph 9.11.10 applies, the licensee may, by notice to the Authority, propose a relevant adjustment factor (AF_t) to be applied uniformly to each of the formulas set out in Parts B to F in respect of the charging restrictions established by this condition.
- 9.11.13 A relevant adjustment factor is one which, in the licensee's opinion, would have the effect of enabling the licensee to recover 30 per cent of the efficient costs incurred or likely to be incurred as a consequence of the Electricity Supplier's decision to which paragraph 9.11.10 refers.
- 9.11.14 The notice served by the licensee under paragraph 9.11.12 must:

- (a) set out the basis (including by reference to the effects of the Electricity Supplier's decision) on which the licensee has calculated the relevant adjustment factor; and
 - (b) state both the start date and the end date of the period in respect of which the licensee seeks the Authority's consent for the relevant adjustment to have effect.
- 9.11.15 In giving that notice, the licensee must have regard to any relevant guidelines published by the Authority for the purposes of this condition.
- 9.11.16 The Authority may, within 28 days of receiving the notice from the licensee in accordance with this Part, determine both the relevant adjustment factor and the period during which that adjustment will apply in such manner as it considers appropriate, subject to paragraph 9.11.17.
- 9.11.17 In making its determination, the Authority must:
 - (a) consult with the licensee; and
 - (b) have particular regard both to the purposes of this condition and to any relevant guidelines published by the Authority under it.
- 9.11.18 If the Authority has not determined the relevant adjustment factor within 28 days of receiving the licensee's notice, and that notice has not been withdrawn, the licensee may apply the relevant adjustment factor in the manner specified in its notice.

Special Condition 9.12 Charging outside the distribution services areas

Introduction

- 9.12.1 The purpose of this condition is to impose requirements on the licensee only in relation to Out of Area Charges.

Part A: Setting and restriction of Out of Area Charges

- 9.12.2 The licensee must make Out of Area Charges available, in accordance with the requirements of this condition, for the provision of Use of System to any authorised supplier of electricity that uses or wishes to use the licensee's Distribution System to supply electricity to Domestic Customers at Domestic Premises outside the licensee's Distribution Services Area.
- 9.12.3 The licensee's Out of Area Charges in relation to Domestic Customers may vary according to the Distribution Services Area of the Electricity Distributor within which Domestic Premises are connected to the licensee's Distribution System.
- 9.12.4 The licensee must set those Out of Area Charges so that, except with the Authority's consent, the standing charge, unit rate, and any other component of the charges (taken together) does not exceed the Equivalent Charges.

Special Condition 9.13 Assistance for high-cost distribution areas - SSEH only

Introduction

- 9.13.1 The purpose of this condition is to set out obligations on the licensee in relation to High-cost Distribution Payments.
- 9.13.2 The effect is to ensure the licensee does not unduly discriminate between Specified Suppliers so as to show undue preference to any Affiliate or Related Undertaking.

Part A: Application of payments

- 9.13.3 The licensee must apply the benefit of any High-cost Distribution Payments so as to reduce its Use of System Charges to Specified Suppliers in a manner that does not unduly discriminate between them and does not show undue preference to any Affiliate or Related Undertaking of the licensee.
- 9.13.4 In particular, the licensee must allocate the benefit of High-cost Distribution Payments so as to ensure that the level of the benefit received by a Specified Supplier is directly proportionate to the expected level of demand attributable to the requirements of those (and only those) of that supplier's Customers who will be located in the Specified Area in the forthcoming year of demand.
- 9.13.5 When deciding the level of the benefit to be allocated to a Specified Supplier under paragraph 9.13.3, the licensee must apply the same or equivalent factors that it applies when considering the level of the benefit to be allocated to any Affiliate or Related Undertaking of the licensee.

Part B: Provision of information

- 9.13.6 The licensee must give the Authority any information that the Authority reasonably requires for the purpose of establishing whether the licensee is or has been in compliance with its obligations under this condition.