

Appendix 2 - Ex ante Values and Reopeners

The relevant ex ante values that must be taken into account in re-opener applications must be set out on the face of the licence

Most of the re-openers in SpC 3.2 (Uncertain Costs Re-openers) require that the DNO provides evidence that the allowances that are being applied for are not included within ex ante (non-variant) allowances that are provided in the Final Determination. The various Parts of SpC 3.2 require this in different ways, depending on the nature of the re-opener, for example:

- “additional costs associated with such changes” (SpC 3.2.6)
- “relative to the assumptions used by Ofgem to set allowances” (SpC 3.2.14)
- “is not provided for by ex ante allowances” (SpC 3.2.75(c))

With the exception of those re-openers that have opening Price Control Deliverables (PCDs) ascribed in SpC 3.3, the value of the relevant ex ante allowances is neither set out on the face of the licence nor elsewhere. It is also not possible to infer the value of those ex ante allowances from any of the other licence documents.

The relevant values can also not be identified or inferred from the cost assessment output files that Ofgem has shared with DNOs, because the ultimate allowances are not presented at a sufficient level of disaggregation.

The DNOs, therefore in almost all circumstances, have no visibility of the relevant values that must be considered when demonstrating that the “tests” in SpC 3.2 have been met, or in proposing the values of allowance modifications that are required by the associated application requirements. This creates the risk of protracted discussions at the time of re-opener applications and the potential for applications to be inappropriately disallowed or reduced.

Given how the licence conditions have been expressed with regards to ex ante allowances, the relevant ex ante allowance values for each re-opener need to be formally recorded.

DNOs must be provided with the annual allowances that align to the scope of each re-opener that are included in ex ante allowances in order that they can meet the requirement to provide an annual profile for the proposed allowance adjustments, for example by providing DNOs with an updated version of the RIIO-ED2 Licence values and calculations document with these values included. The associated allowance calculations must also be provided for full transparency on the basis by which they have been derived.

It is imperative that DNOs are given the opportunity to check these values prior to modification notices being issued.

Each Part of SpC 3.2 also makes reference to modifications to allowances being made relative to the re-opener terms in Appendix 1. Appendix 1 is currently completed as showing ‘N/A’ across all terms and years. Modifications cannot be requested against ‘N/A’. Therefore, these need to be amended to show zero.