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Dear Joanna,

**National Grid Electricity Transmission plc (“NGET”): Response to RIIO-ED2 Statutory Licence Consultation**

This response is provided on behalf of National Grid Electricity Transmission (NGET) in our role as Electricity Transmission Owner (TO) in England and Wales. Steve McMahon wrote to Gas Transportation, the Electricity Transmission and Electricity Distribution licensees, and the System Operator on 14 December 2022 to draw our attention to the fact that, as part of the RIIO-ED2 Informal Licence Drafting Consultation, Ofgem is also consulting on proposed changes to Associated Documents (ADs). This includes some ADs that currently apply to the Gas Transportation and/or Electricity Transmission licensees, which Ofgem is proposing to extend to the ED sector.

We welcome the opportunity to respond to this consultation noting that our response is focused on the proposed changes to the cross sector Associated Documents that currently apply to the Electricity Transmission licensees, as set out in the letter from Steve. Our response does not therefore address the specific questions raised in the consultation on the Associated Documents section (Questions 4 and 5), but provides our views on the proposed modifications to the following cross-sector Associated Documents:

1. RIIO-1 Electricity NIA Governance Document V5
2. RIIO-2 NIA Governance Document V3
3. PCD Reporting Requirements and Methodology Document V3
4. Re-opener Guidance and Application Requirements Document
5. SIF Governance Document V3 (later added to the consultation and licensees advised via email)

Our Response

We acknowledge the proposed amendments to the documents above and note that they are mainly changes to reflect the introduction of Electricity Distribution into the documents. Our views on the specific documents are set out below.

***RIIO-1 Electricity NIA Governance Document V5***

We note that the proposed changes made are those required to enable the implementation of the carry-over network innovation allowance in the ED sector. We are satisfied that there are no material changes to the content of the document, therefore we agree with the amendments.

## ***RIO-2 NIA Governance Document V3***

In September 2022, NGET responded to the informal consultation stating that we were broadly in agreement with all the changes made to the NIA guidance. Upon further scrutiny, we have identified some amendments that would cause concern if implemented. These are listed below:

- a. Amendment to remove the exemption under which final Project Progress Information does not need to include comprehensive project findings if there are “regulatory or commercial reasons not to” include these (table 6.1, p. 36).**

Although Ofgem has explained that the removal of the wording is to avoid duplication because a general exemption from publishing sensitive data already exists in paragraphs 2.13 – 2.16, we are of the opinion that the current drafting provides greater clarity to both licensees and innovation partners of the existence of the exemption from publishing sensitive information. This clarity is particularly important to our innovation partners as it provides assurance that concerns in this space will be accommodated, concerns which may otherwise preclude them from applying. We therefore request that the wording “Unless there are regulatory, contractual or commercial reasons not to do so,” in table 6.1 under requirements for the outcomes of the project be reinstated.

- b. Amendment to add a requirement that the final Project Progress Information (PPI) must contain a net benefit statement (table 6.1, p. 37).**

We are of the opinion that the definition of the Net benefit statement should be “A qualitative and / or quantitative statement of whether the Project has delivered and is expected to deliver any benefits” as quantification of project benefits is not always possible. For example, research projects will not have calculated benefits therefore a quantitative statement would not be possible to produce.

Implementation of innovation projects is not funded via NIA therefore, for some projects, the net benefit during implementation is not seen before project closure. The benefit would be seen in the future, outside of innovation project timescales, when the project is implemented. For such projects, it would therefore be impossible to produce a statement detailing “the net benefits the project delivered during implementation”. We currently produce a project closure report and report project benefits via the Innovation Measure Framework which, where required, will include a cost benefit analysis of the project. We therefore do not see the requirement for an additional net benefit statement.

Should Ofgem require the inclusion of a net benefit statement in the final PPI as proposed, we request consideration for projects whose implementation would be post project closure. We believe this could be accommodated by including an option in table 6.1 as follows:

Where a completed Project is expected to deliver benefits, the statement should detail:

- a) The net benefits the project is forecast to deliver if the innovative solution is implemented; or
- b) The net benefits the project delivered during implementation, up to the time of the final PPI report; and
- c) Where applicable, the net benefits the Project is forecast to deliver should the innovative solution be implemented more widely.

- c. Amendment to clarify and strengthen requirements for licensees to collaborate with third parties (new paragraphs 2.7 and 2.8)**

While we have no objection to the wording added in paragraph 2.7 and 2.8, it is not immediately clear what these obligations require of NGET over and above what it already facilitates today. To the extent that there is anything extra required, could Ofgem make it clear in paragraph 4.10 that all costs efficiently incurred in setting up processes that promote partnerships with third parties can be recovered via NIA funding?

***RIO-2 Re-opener Guidance and Application Requirements Document***

We note the removal of Appendix 4 - Cyber Resilience IT and OT re-opener Application Methodology and Requirements from this document. We can confirm that a separate guidance has been received by our cyber team. We have no concerns regarding the amendment made to this document.

***PCD Reporting Requirements and Methodology Document V3***

We note that there are no material changes in the document that cause concern. We welcome the proposed removal of the project delivery status definitions from the guidance leaving only reference to the definitions in the Licence. This is a helpful change that removes the risk of inconsistent interpretation of the delivery status of projects.

***SIF Governance Document V3***

We note that the proposed changes made are those required to enable the implementation of the governance document in the ED sector. We are satisfied that there are no material changes to the content of the document, therefore we agree with the amendments.

In conclusion, we note that the proposed modifications are broadly ones required to extend the Associated documents to the ED sector. We have some concerns regarding the amendments to the *RIO-2 NIA Governance Document V3* as Ofgem is proposing a few substantive changes that impact the current process. We appreciate having the opportunity to provide our views on the proposed changes.

Confidentiality

I confirm that this response can be published on Ofgem's website.

Yours sincerely,

A. M. Clark.

[By email]

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