

**To: National Grid Electricity Transmission Plc**

**Electricity Act 1989  
Section 11A (2)**

**Notice of statutory consultation on a proposal to modify the Special Conditions of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc**

1. The Gas and Electricity Markets Authority ('the Authority') proposes to modify the special conditions ('SpCs') of the electricity transmission licence ('the licence') held by National Grid Electricity Transmission Plc ('the licensee'), granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending
  - The definition of "Civil Related Works" and "Use It Or Lose It Adjustment" in SpC 1.1.16; and
  - SpC 3.32 (Civil Related Works Re-opener (CWRt)).
2. In order to approve funding for works within the enlarged scope of the Civil Related Works Reopener, we need to expand the definition of Civil Related Works. The proposed modification of the definition of "Civil Related Works" is for this purpose. The proposed modifications of the definition of "Use It Or Lose It Adjustment" and SpC 3.32 are to enable the allowance for Civil Related Works to be subject to a Use It Or Lose it Adjustment in line with our decision on the Civil Related Works Re-opener.
3. Further detail on the reasons for and effects of the proposed modifications can be found in the following document available on our website: [Decision on NGET's Civil Related Works Re-opener](#). The full text of the proposed modifications to SpCs 1.1.16 and 3.32 are set out in Annexes 1 and 2 respectively, with the text to be deleted marked with strikethrough and new text to be inserted shown double underscored.
4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively, they are available from [foi@ofgem.gov.uk](mailto:foi@ofgem.gov.uk).
5. Any representations with respect to the proposed licence modifications must be made on or before 26 May 2023 to: Sai Wing Lo, Office of Gas and Electricity Markets, 10

South Colonnade, Canary Wharf, London, E14 4PU or by email to  
[Sai.Lo@ofgem.gov.uk](mailto:Sai.Lo@ofgem.gov.uk).

6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication and provide an explanation of why it should be treated as confidential. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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**Jourdan Edwards**

**Interim Deputy Director, Onshore Networks**

**Duly authorised on behalf of the**

**Gas and Electricity Markets Authority**

**28 April 2023**

## Annex 1

### National Grid Electricity Transmission Plc

#### Electricity transmission licence

#### Special Conditions

We have set out the proposed changes to the defined terms “Civil Related Works” and “Use It Or Lose It Adjustment” in SpC 1.1.16. Text proposed to be added is double underscored and text removed is struck through.

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**Civil Related Works** means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including repair, refurbishment or replacement of roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental interventions (related to drainage and oil containment issues on substations).

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**Use It Or Lose It Adjustment** means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:

- (a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee’s network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment),
- (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance);
- (c) the delivery of capex substation auxiliary equipment in relation to Special Condition 3.26 (Substation auxiliary systems use it or lose it allowance); ~~or~~
- (d) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Net zero carbon Capital Construction use it or lose it allowance) as set out in the licensee's Environmental Action Plan; or
- (e) the delivery of interventions in relation to Special Condition 3.32 (Civil Related Works Re-opener (CWRt))

which will not exceed the allowance provided.

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## Annex 2

### National Grid Electricity Transmission Plc

### Electricity transmission licence

### Special Conditions

We have set out the proposed changes to SpC 3.32. Text proposed to be added is double underscored.

### Special Condition 3.32 Civil Related Works Re-opener (CWR<sub>t</sub>)

#### Introduction

- 3.32.1 The purpose of this condition is to calculate the term CWR<sub>t</sub> (the Civil Related Works Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.32.2 The effect of this condition is to establish a Re-opener triggered by the licensee where Civil Related Works are required due to changes in asset health and to provide for a Use It Or Lose It Adjustment in respect of interventions under this condition.
- 3.32.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

#### What is the scope of this Re-opener?

- 3.32.4 The licensee may apply to the Authority for a direction adjusting the value of the CWR<sub>t</sub> term for any Regulatory Year during the Price Control Period as a result of the licensee identifying further evidence to support a needs case for Civil Related Works that were included in its Business Plan, but in relation to which no allowance has been provided to date.

#### When to make an application

- 3.32.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.32.4:
  - (a) Between 19 August 2022 and 26 August 2022; and
  - (b) during such other date as the Authority directs.

#### How to make an application

- 3.32.6 An application under paragraph 3.32.4 of this condition must be made in writing to the Authority and include:
  - (a) a statement of the adjustment to the CWR<sub>t</sub> term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
  - (b) an explanation of the basis of the calculation for the proposed adjustment to the CWR<sub>t</sub> term;
  - (c) the specific Civil Related Works that the licensee proposes to deliver;

- (d) such detailed supporting evidence, as is reasonable in the circumstances, which must include:
- (e) a needs case for the Civil Related Works informed by network surveys;
- (f) a breakdown of the costs associated with the Civil Related Work for the Authority's review; and
- (g) the resultant impact on asset health due to the proposed Civil Related Works; and
- (h) an explanation of whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraph(c) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

3.32.7 An application under paragraph 3.32.4 of this condition must:

- (a) relate to costs incurred or expected to be incurred after 1 April 2021; and
- (b) must not exceed £58.1m.

### **What process will the Authority follow in making a direction?**

3.32.8 Before making a direction under paragraph 3.32.4 or 3.32.11 the Authority will publish on the Authority's Website:

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

3.32.9 The direction will set out any adjustment to the value of the CWRt term and the Regulatory Years to which that adjustment relates.

3.32.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

### **Use It Or Lose It Adjustment**

3.32.11 The Authority may direct a Use it or Lose It Adjustment to the value of CWRt.