

National Grid Electricity Transmission plc and other
stakeholders

Email: joe.draissey@ofgem.gov.uk

Date: 20 June 2023

Directions under Special Condition 3.7.6 of the electricity transmission licence held by National Grid Electricity Transmission plc (the Licensee) to add allowances for three Non-operational IT Capex projects and Special Condition 3.7.7c to direct an additional Re-opener application window in which the Licensee can apply for changes to its allowances for a single high-value project related to these three projects

1. NGET is the holder of a licence granted or treated as granted under s.6(1)(b) of the Electricity Act 1989 (the 'Act').
2. Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-T2 price control period for activities capable of improving the efficiency or performance of its Non-operational IT Capex.
3. The Gas and Electricity Markets Authority ('the Authority')¹ gave notice² on 22 May 2023 in accordance with Special Condition 3.7.12 of our issuance of directions under Special Condition 3.7.6 to amend Appendix 1 (Total Non-operational IT Capex Re-opener allowance) and Appendix 2 (Non-Operational IT Capex Price Control Deliverable) of the Licensee's Special Condition 3.7. The notice, published on the Authorities website, included the text of the proposed direction to issue, the reasons for the proposed direction, and provided for representations to be made on or before 19 June 2023.
4. We did not receive any representations, so we have decided to proceed with making these directions.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document

² <https://www.ofgem.gov.uk/publications/proposal-issue-directions-under-ngets-licence-award-additional-funding-and-add-new-re-opener-application-window>

5. Both the direction under Special Condition 3.7.6 and 3.7.7(c) will take effect immediately. This document constitutes notice of the Authority's reasons for the directions for the purposes of s.49A of the Act.

Direction under Special Condition 3.7.6

6. Pursuant to Special Condition 3.7.6, the Authority hereby directs the changes to Appendices 1 and 2 of Special Condition 3.7 as set out in Annex 1 and Annex 2 of this direction.
7. The reason for this direction is to implement the Authority's decision on the Licensee's application to the Authority to add additional allowances for three Non-operational IT projects into its RIIO-T2 price control framework.
8. Two of these projects relate to Critical National Infrastructure (CNI)³, so we treated them as sensitive and confidential and shared the consultation and decision documents only with the Licensee, rather than publishing them on ofgem.gov.uk. To increase transparency, this direction will be published on ofgem.gov.uk with as much information as possible retained, whilst redacting any direct references to the two CNI projects.
9. We consulted on each project and made the decision to add the following allowances into the licence:
- a. £1.06m for its Integrated Energy Management System development project. We published a public consultation on this project on 1 September 2021 and published our decision on 8 February 2022.⁴
 - b. £4.173m for its [REDACTED] project. We issued a confidential consultation on this project on 15 July 2022 and issued our decision on 20 December 2022.
 - c. £119.925m for its [REDACTED] project. We issued a confidential consultation on this project on 30 September 2022 and issued our decision on 19 January 2023.

³ [Critical National Infrastructure | NPSA](#)

⁴ [National Grid Electricity Transmission \(NGET\) Non-operational IT Capex Re-opener Decision \(IEMS/TNCC/SCADA\) | Ofgem](#)

10. **Table 1** - the allowances for each project, split by financial year. A further £52.594m is split across the Price Control Deliverables shown in Annex 2.

	2021/22	2022/23	2023/24	2024/25	2025/26	All-years contingency	Total ⁵
Original Re-opener allowance	2.009	1.634	0.534	0.534	0.534	0.000	5.245
IEMS Development	1.060	0.000	0.000	0.000	0.000	0.000	1.060
█████ Project	0.392	2.021	0.548	0.586	0.627	0.000	4.173
█████ Project (non-variant allowances)	0.000	9.195	25.132	13.815	11.314	7.875	67.331
Total	3.461	12.850	26.215	14.935	12.475	7.875	77.809

Direction under Special Condition 3.7.7(c)

11. Additionally, under Special Condition 3.7.7(c), the Authority directs an additional period in which the Licensee can apply to amend its allowances for specific projects.

12. Special Condition 3.7 of the NGET licence establishes a Re-opener triggered by either the Licensee or the Authority for Non-operational IT Capex. The Licensee may only apply to the Authority for a direction adjusting the value of the Non-operational IT Capex Re-opener (NOITt) term during the periods set out in paragraphs 3.7.7(a) and 3.7.7(b) and “*during such other periods as the Authority may direct*” under paragraph 3.7.7(c).

13. The reason for this direction is because the Licensee has a project it considers to be of critical importance and high value, a potential new Electricity Transmission Control Centre. The Licensee has informed us that to meet its wider project timelines, including for the █████ and █████ projects we have provided allowances for in this direction, it will need to begin major procurement activity in October 2023. To minimise risk exposure and maximise consumer value the Licensee has requested that we provide an initial assessment ahead of this date. The Authority has not yet formed a view on the project itself, but having considered this request, the Authority considers that it is in the best interest of consumers to hold a new additional Re-opener application window for this project so it can be assessed.

14. Based on the above and pursuant to Special Condition 3.7.7(c), the Authority directs an additional Re-opener application window between 26 June 2023 and 30 June 2023 to enable the Licensee to apply to the Authority for a direction adjusting the value of the NOITt term in respect of the costs for the Electricity Transmission Control Centre.

⁵ Figures are rounded to three decimal places and may not sum due to rounding

Yours sincerely,

Jourdan Edwards

Interim Deputy Director, Onshore Networks

For and on behalf of the Authority

Annex 1

The direction will amend Appendix 1 of Special Condition 3.7 in the Licence by replacing the existing table (Table A1) with a new table (Table A2). The formatting has been improved to reduce ambiguity and align with tables used elsewhere in the licence.

Table A1 - the existing table within Appendix 1 of Special Condition 3.7, which will be replaced:

~~Total Non-operational IT Capex Re-opener allowance (£m)~~

	2022	2023	2024	2025	2026	Total
Re-opener Allowance	2.009	1.634	0.534	0.534	0.534	5.245

Table A2 - the new table that will replace the table in Appendix 1 of Special Condition 3.7 in the licence:

Total Non-operational IT Capex Re-opener allowance (£m)

	<u>Regulatory Year</u>						
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Contingency</u>	<u>All years</u>
<u>Re-opener Allowance</u>	<u>3.461</u>	<u>12.850</u>	<u>26.215</u>	<u>14.935</u>	<u>12.475</u>	<u>7.875</u>	<u>77.809</u>

Annex 2

The direction will amend Appendix 2 of Special Condition 3.7 in the Licence by adding additional Price Control Deliverables (PCDs) for the [REDACTED] project. The [REDACTED] project relates to CNI, so the outputs will be redacted in the licence. In line with this, the following text will be added to Appendix 2 of Special Condition 3.7 in the Licence:

Title of document containing the additional Non-Operational IT Capex Re-opener PCD Table

Title

NGET Redacted Information Document

The following table will be added in to the 'NGET Redacted Information Document', which contains similar PCD tables for other projects related to CNI.

Non-Operational IT Capex Re-opener Price Control Deliverable

Scheme Name	Output	Delivery Date	Allowance (£m 18/19)					All years
			22/23	23/24	24/25	25/26	26/27	
[REDACTED]	[REDACTED]	before 31-Jan-27					£0.259611	£0.259611

The Office of Gas and Electricity Markets

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[REDACTED]	before 31- Jan-27	£0.259611	£0.259611
[REDACTED]			
[REDACTED]			
[REDACTED]			

[REDACTED]	before 31- Jan-27	£0.051922	£0.051922
[REDACTED]			
[REDACTED]			

[REDACTED]	before 31- Jan-27	£0.259611	£0.259611
[REDACTED]			
[REDACTED]			

[REDACTED]	before 31- Jan-27	£0.051922	£0.051922
[REDACTED]			
[REDACTED]			
[REDACTED]			

[REDACTED]	before 01- Jan-27	£0.259611	£0.259611
[REDACTED]			
[REDACTED]			

	[REDACTED] [REDACTED] [REDACTED]	before 31- Jan-27		£0.051922	£0.051922
	[REDACTED] [REDACTED] [REDACTED]	before 31- Jan-27		£0.051922	£0.051922
[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED]	before 31- Jan-26	£0.849501		£0.849501
	[REDACTED] [REDACTED]	before 31- Jan-26	£6.369415		£6.369415
	[REDACTED] [REDACTED]	before 31- Jan-26	£3.184708		£3.184708
	[REDACTED] [REDACTED]	before 31- Jan-26	£0.796177		£0.796177
	[REDACTED] [REDACTED] [REDACTED]	before 31- Jan-26	£3.328867		£3.328867

<div></div> <div></div> <div></div>	before 31-Jan-26	£1.012001	£1.012001
<div></div> <div></div> <div></div>	before 31-Jan-26	£1.140899	£1.140899
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.427837	£0.427837
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.057045	£0.057045
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.028522	£0.028522
<div></div> <div></div> <div></div>	before 31-Jan-26	£1.096731	£1.096731

<div></div> <div></div> <div></div>	before 31-Jan-26	£0.548365	£0.548365
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.109673	£0.109673
<div></div> <div></div> <div></div>	before 31-Jan-26	£1.479074	£1.479074
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.739537	£0.739537
<div></div> <div></div> <div></div>	before 31-Jan-26	£0.147907	£0.147907
<div></div> <div></div> <div></div>	before 31-Jan-26	£1.479074	£1.479074

		before 31- Jan-26	£0.803201	£0.803201
		before 31- Jan-26	£0.160640	£0.160640
		before 31- Jan-27		£1.776176
		before 31- Jan-26	£0.256342	£0.256342
		before 31- Jan-26	£2.563416	£2.563416
		before 31- Jan-26	£2.563416	£2.563416
		before 31- Jan-27		£1.281708
		before 31- Jan-26	£5.126832	£5.126832

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	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	Between 01-Oct-22 and 30-Nov-25	£4.224433	£4.224433
	<div> <div></div> <div></div> </div>	Between 01-Apr-25 and 31-Dec-25	£1.501092	£1.501092
	<div> <div></div> <div></div> <div></div> </div>	Between 01-Jun-23 and 30-Jun-24	£3.168325	£3.168325