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Dear Catherine,

Consultation on Bespoke Tower Steelwork and Foundations Re-opener Submission from National Grid Electricity Transmission

Thank you for the opportunity to respond to the above consultation which we do so on behalf of National Grid Electricity Transmission (NGET). This letter provides the summary of our response, and the full detail is included in Appendix 1, by way of answer to each question posed in the consultation.

We do not agree with the proposed cost allowance that Ofgem has set out in the consultation for two main reasons. The first being that NGET fundamentally disagree with the new proposed application of the opex escalator (OE) mechanism (further details within appendix 1). Secondly, Ofgem have assessed the tower-works funding submission against the cost of the entire works, calculated at circa ~£24m, whereas £20m of the funding has been previously agreed and allowed for within the T2 baseline.

As previously discussed, and agreed with Graeme Barton, we have prepared an updated submission based purely on the additional works and costs that we request additional funding for, rather than data relating to the entire tower-works scheme. This has been uploaded to Huddle following the email of this response letter. Please do get in touch with me or my colleague Sarah Kenny-Levick if you have any questions.

Yours sincerely,

[By email] Patrick Hynes - New Infrastructure Regulation Manager, National Grid

Appendix 1

Consultation Question 1: So you agree with the suitability of the needs case proposed by NGET?

Yes, we agree with NGET's investment needs case.

Consultation Question 2: Do you agree with our assessment of the range of options to meet the needs case?

Yes, we agree that the NGET optioneering process has assessed and proposed the best interventions for these tower assets at this time.

Consultation Question 3: Do you agree with our minded-to view of the solution proposed by NGET?

Yes, we agree that the optioneering process has assessed and progressed the best interventions for these assets and therefore NGET has proposed the best solutions for this time.

Consultation Question 4: Do you agree with our minded-to view on NGET's proposed Bespoke Re-opener costs? Please provide reasons to support your views

No, we do not agree with the Ofgem minded-to view of the reopener costs for two main reasons.

- 1) We fundamentally disagree with the new proposed application of the OE mechanism to reopener investments, as stated in our most recent joint TO letter, with SSENT and SPT, of 2nd March 2023 to Jourdan Edwards. This OE application is not compatible with the financial regressions analysis that was done, forming the closely associated Indirects and network operational cost calculations for the T2 baseline funding. If the OE were to be applied in this way, our reopener investments would be under funded and a complete recalculation of the assumptions, and therefore funding for the baseline works, would need to be completed.
- 2) Secondly, Ofgem has assessed the full value of the tower works interventions that need to be undertaken. This new assessment includes the ~£20m that has already been awarded in the NGET baseline allowance. We recognise that this error may in part be since we as NGET submitted the detailed cost build up of all the works and cost that needed to be completed across the whole tower-works investment in T2 totalling ~£24m, following completion of the surveys. Therefore, we believe Ofgem have approached the assessment on that whole investment basis. This also has the compounding detriment that the newly proposed OE mechanism becomes retrospectively applied to baseline funds, which is as odds with the fixed nature of the baseline allowance. Therefore, in conjunction with the preparation of this response, we have re-worked our submission (appended to this response) to include only the works and additional funding that we are requesting under the reopener at ~£4m, without the need to apply again for the works already covered within the baseline allowance. As a result, we request that Ofgem re-run their assessment based on the updated submission.