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16 October 2023

Dear Anthony,

**National Grid Electricity Transmission plc (NGET): Response to Ofgem's Consultation on RIIO-ET1 Closeout Proposed Adjustments**

We welcome the opportunity to respond to the consultation on RIIO-ET1 Closeout Proposed Adjustments issued on 18<sup>th</sup> September 2023.

We are broadly in agreement with the proposed adjustment values included within the consultation document subject to three amendments being implemented within the categories '*Adjustments for terminated wider works*', '*Adjustments for crossover volume driver projects*' and '*Adjustments for crossover projects without volume driver*.' The amendments are detailed in the relevant section below and we request that these are addressed in the final direction.

**Proposed Adjustments:**

***Adjustments to true-up with connection payments***

We note the proposed adjustment of -£213.57m (09/10 price base) and agree with this adjustment value. We also note, however, that the DARTs (Direct Allowed Revenue Terms) adjustment is excluded from the consultation document as it is a revenue adjustment. We are comfortable with this approach subject to the DARTs adjustment being included in the PCFM consultation detailed in paragraph 1.12 of the consultation.

***Adjustments for terminated wider works (TPWW)***

We do not agree with the proposed adjustment value of £70.72m. This proposed adjustment value includes the return of the financial gains derived from the land ownership following the settlement of the North London Replacement Project (NLRP) claim. However, the required adjustment associated with the land ownership following the settlement of the NLRP claim is captured through the disposals PCFM adjustment and therefore should not be duplicated by also including it as part of the TPWW adjustment.

The TPWW claim value excluding the land ownership adjustment is £70.84m (09/10 price base) and we request that this value is reflected in the final direction.

We also note the section titled 'potential revision to the ET2 Licence' and agree with the example included but we believe that further changes to the ET2 Licence are required, primarily in relation to spend incurred on pre-construction activities, which require inclusion in the full statutory consultation on ET2 Licence changes to implement the TPWW closeout methodology in the licence.

***Enhanced Physical Security***

We agree that no adjustment is required for Enhanced Physical Security.

***Adjustments for terminated connection projects***

We agree with the proposed allowance adjustment values of £35.73m for Generation and -£1.07m for Demand.

We also agree that there are requirements for revisions to the ET2 Licence to implement this element of the closeout methodology within the ET2 Licence.

In relation to the PCFM inputs, NGET requests that Ofgem note the need to amend the Load related expenditure within the RIIO-1 PCFM to reflect receipts associated to TPG and TPD claims.

***Settlement of allowances for pre-construction works***

We agree that no adjustment is required for pre-construction works.

***Adjustments for asset and land related disposals***

We agree with the proposed adjustment value of £21.24m (09/10 price base).

***Adjustments for crossover volume driver projects***

We agree with the proposed adjustment values for tables 8.1 – 8.4 totalling -£86.34m (09/10 price base). However, we do not agree with the proposed adjustment values for tables 8.5 and 8.6. Further to a meeting held on 22<sup>nd</sup> September where these values were discussed, Ofgem confirmed in a subsequent email communication that these values were a typographical error and the correct values are £158.75m and £26.09m (18/19 price base) respectively. We agree that these corrected adjustment values for tables 8.5 and 8.6 are correct and request that these values are reflected in the final direction.

We also note and support the requirement for revisions to the ET2 Licence to implement this element of the closeout methodology within the ET2 Licence.

***Adjustments for crossover projects without volume driver***

We disagree with the proposed adjustment of -£48.3m.

Our view is that this is the final value of T10At for the purposes of SpC 3.38 after the required T1 closeout adjustment and the T1 closeout adjustment value should be £30.54m (18/19 price base). In a meeting held with Ofgem on 22<sup>nd</sup> September, this issue was discussed and Ofgem confirmed via an email communication that our understanding is correct and the value included in the consultation document as the adjustment value should be amended to £30.54m. This value should be reflected in the final direction.

We also note the requirement for revisions to the ET2 Licence to implement this element of the closeout methodology within the ET2 Licence.

We further note that this adjustment is not included in the accompanying datafile and request that this is addressed in the PCFM process detailed in paragraph 1.12 of the consultation.

### **ET2 Licence Changes:**

We agree that a Statutory Consultation process for changes to the ET2 Licence is required following this process as detailed in paragraphs 1.13 and 1.14.

We have identified that the ET2 Licence changes detailed in the consultation document do not capture the full set of requirements and additional licence changes are required to implement the ET1 closeout process. This issue was discussed in the bi-lateral meeting held on 22<sup>nd</sup> September where it was agreed that a working group would be established to capture and agree the full set of ET2 Licence changes required prior to the Statutory Consultation process.

We look forward to finalising the ET1 closeout process and working with Ofgem to agree the required ET2 Licence changes to conclude the closeout process.

If you would like to clarify anything in this response please do not hesitate to contact either myself or Julie Hooper ([julie.hooper@nationalgrid.com](mailto:julie.hooper@nationalgrid.com)).

Yours sincerely



Chris Bennett  
Director, UK Regulation  
(by email)