

To:

National Grid Electricity Transmission plc (company number 2366977)

Direction under Part E of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMREt and EPIt))

1. The company to whom this direction is addressed is the holder of an electricity transmission licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. In accordance with paragraph 3.10.21 and 3.10.23 of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), on 16 May 2023 the Gas and Electricity Markets Authority ("the Authority")¹ published on its website the text of the proposed direction to issue and stated that representations must be made on or before 14 June 2023.
3. We received one non-confidential representation and have placed this on our website. Having considered the representation we have decided to proceed with making this direction.
4. The reason for this direction is to specify an Enhancing Pre-existing Infrastructure (EPI) project, namely Snowdonia National Park EPI project, and the associated funding adjustment as further set out in our decision document published on 16 May 2023².
5. In our May decision document, we said that we would adjust the funding adjustment for changes in the metal price and exchange rate indices that occur in the period between the contractors submitting their final price for the main contract and National Grid Electricity Transmission awarding the contract. National Grid Electricity Transmission has confirmed the during that period, metal prices fell and the sterling exchange rate improved. As a result, the main contract price at the time of contract award was

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

² [Decision on National Grid Electricity Transmission's Enhancing Pre-existing Infrastructure project in Snowdonia National Park \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/decision-on-national-grid-electricity-transmission-s-enhancing-pre-existing-infrastructure-project-in-snowdonia-national-park)

reduced by £1.052m (2018/19 prices). Accordingly, we have adjusted the funding adjustment in this direction to reflect the price decrease.

6. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989.
7. Now the Authority pursuant to the provisions of Special Condition 3.10³ hereby directs that:
 - a. Appendix 3 to Special Condition 3.10 is amended as set out in Annex 1 to this direction. Amendments are shown in strikethrough or underline, with changes since the proposed direction also shown in highlight; and
 - b. the individual criteria for Cost and Output Adjusting Events specific to the Enhancing Pre-existing Infrastructure Project set out in Annex 2 to this direction apply in accordance with paragraph 3.10.23(b).
8. This direction will take effect on and from 10 November 2023.

Jourdan Edwards
Interim Deputy Director, Major Projects Delivery

Duly authorised on behalf of the Authority

10 November 2023

³ A direction under paragraph 3.10.15 for a new EPI project was expected to be made in the first year of RIIO-2. The licence provision was intended to provide continuity for projects that a licensee submitted prior to the start of RIIO-2. However, due to circumstances beyond our control it was not possible to conclude our decision and issue the direction before April 2022. We note that issuing this direction under paragraph 3.10.15 in year three of RIIO-2 deviates from the expected timing, however, we consider it is consistent with the intention to manage the impacts on an EPI project that might arise during the transition between price control regimes.

Annex 1

Please note that the values below are in 2018/19 prices.

Appendix 3 (to Special Condition 3.10)

Enhancing Pre-existing Infrastructure Project allowance

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
<u>Snowdonia National Park EPI project</u>	<u>13.850</u>	<u>36.170</u>	<u>44.123</u> <u>44.649</u>	<u>59.798</u> <u>60.324</u>	<u>61.283</u>	<u>215.224</u> <u>216.276</u>

Project name	Description of project	Delivery date
<u>Snowdonia National Park EPI project</u>	<u>Remove a 3.3 km section of a 400kV/132kV overhead line, known as the 4ZC.1, and 10 pylons that run between existing Garth sealing end compound near Minfford and pylon 4ZC 028, east of the Dwyrdd Estuary.</u> <u>Replace pylon 4ZC 027 with a new terminal pylon.</u> <u>Construction of:</u> <ul style="list-style-type: none">- <u>4.2 km cable replacement 2 X 2500mm² (2 circuits per phase)</u>- <u>Tunnel with an internal diameter of 3.5 metres and segment thickness of 250mm.</u>- <u>2 vertical shaft and head houses at Garth and Cilfor</u>- <u>1 sealing end compound at Cilfor</u> <u>Install 200 MVAR shunt reactive equipment at the existing Trawsfynydd substation.</u>	<u>2030</u>

Annex 2

The table below lists the high value low likelihood risks for the Snowdonia EPI project that are covered by a targeted COAE re-opener in NGET's licence. The table also sets out our proposed materiality threshold to trigger the COAE re-opener.

Risk	Details	COAE trigger
Tunnel boring machine failure (TBM) with total loss of tunnel	Loose ground conditions, incorrect operation or buried obstructions result in TBM breaking down and unable to either move backwards or forwards.	Risk event occurs and requires additional expenditure of at least 10% of the total ground related risk contingency for the cable tunnel work package
TBM failure i.e. main bearing failure	Catastrophic main bearing failure during tunnel drive i.e. due to more adverse ground conditions.	As above
Change in Law (including impacts of Brexit but excluding Covid19)	Change in law could include change to CDM regulations and devolved changes to laws, changes in localised taxation (excluding Landfill tax - separate risk) by Welsh Assembly. This risk excludes Coronavirus but includes Brexit (examples of Brexit impact may include specific import regulations, limits/conditions on port of entry over and above what is currently in place)	Risk event occurs and requires additional expenditure of at least 10% of the total non-ground related risk contingency for the cable tunnel work package
Coronavirus - Impact on NG and non-Contractor personnel	Control measures locally, nationally and internationally may restrict activities of National Grid or non-Contractor personnel	As above
Extreme weather & flooding (worse than 1 in 10)	Construction works are vulnerable to extreme weather which exceeds the 1-in-10 year value of the specified weather data. On site activities are programmed for 5 years so there is a significant probability of multiple occurrences of this risk	As above
(Construction - Site setup) Archaeological Discovery	Important unknown archaeological finds are discovered on site - Note: Potential for Roman Road on West site	As above