

Scottish Hydro Electric Power Distribution plc

Electricity Distribution Licence

Special Conditions

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Chapter 1: Interpretation, definitions and common procedure

Special Condition 1.2 Definitions and references to the Electricity Distributors

Introduction

1.2.1 The purpose of this condition is to provide for the special conditions:

- (a) the meaning of defined terms; and
- (b) acronyms used to refer to the Electricity Distributors.

Part A: The use of definitions in these special conditions

1.2.2 In the special conditions the following defined terms, which are capitalised throughout these special conditions, have the meanings given in the table below.

1.2.3 Where it is stated in the special conditions that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.

1.2.4 Where the table below states that a defined term has the meaning given to it by:

- (a) another condition of this licence;
- (b) the ED2 Price Control Financial Instruments;
- (c) an Associated Document;
- (d) the RIGs;
- (e) the Smart Meter Communication Licence;
- (f) a Transmission Licence;
- (g) a Gas Transporter Licence;
- (h) the Grid Code; or
- (i) an Act of Parliament,

1.2.5 the defined term is to have the meaning given in that provision or document as amended from time to time.

D

Distribution Network Voltage Control Services	means the services provided to the ISOP GB System Operator by a licensee using Relevant Assets at primary substations on the licensee's Distribution System, such as Customer Load Active System Services (CLASS).
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E

<u>Electricity System Operator Licence</u>	<u>means a licence granted or treated as granted under section 6(1)(da) of the Act.</u>
Electricity System Restoration Scope of Work	means the scope of work the licensee has agreed to undertake in order to assist the GB System Operator ISOP to meet its obligations to comply with the target Restoration Times that the Secretary of State has directed the GB System Operator ISOP to have the capability to meet.

G

GB System Operator	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
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H

High-cost Distribution Payments	means annual payments made by the GB System Operator ISOP pursuant to the Assistance Order and in accordance with standard condition E15C22 (Assistance for A Areas with h High d Distribution C costs scheme: payments to a Relevant Distributor (AAHDCS)) of the GB System Operator's ISOP's Transmission Electricity System Operator Licence.
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I

<u>ISOP</u>	<u>has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).</u>
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N

National Electricity Transmission System	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees, <u>or operated by the ISOP</u> , within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee <u>or the ISOP</u> within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity.
NIC Funding Mechanism	means the arrangements, pursuant to Special Condition 7.9 (RIIO-ED1 network innovation competition), for the recovery by the GB System Operator <u>ISOP</u> through its Transmission Network Use of System Charges of the amount of total authorised NIC Funding in a Regulatory Year and the apportionment of that amount amongst the ISOP <u>GB System Operator</u> , the licensee, and other Electricity Distributors and Transmission Licensees.

R

Returned Project Revenues	means: (a) revenues received by the licensee from the GB System Operator <u>ISOP</u> under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and (b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to Customers.
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S

SIF Disallowed Expenditure	means any revenue received by the licensee from the GB System Operator ISOP under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Funding	means the proportion (if any) of the total amount of funding raised by the GB System Operator ISOP in accordance with the SIF Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible SIF Projects, as adjusted by the amount of any SIF Funding Return.
SIF Funding Mechanism	means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Regulatory Year from the GB System Operator ISOP , less any SIF Funding Return.
SIF Funding Return Mechanism	means the mechanism which provides for payments to be made by the licensee to the GB System Operator ISOP , as may be relevant in each of the following cases to the extent (if any) as may be relevant, of: (a) SIF Halted Project Revenues; (b) SIF Disallowed Expenditure; (c) SIF Returned Royalty Income; and (d) SIF Returned Project Revenues.
SIF Halted Project Revenues	means any revenues received by the licensee from the GB System Operator ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Returned Project Revenues	means: (a) revenues received by the licensee from the GB System Operator ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or (b) revenues earned from Eligible SIF Projects by the licensee other than SIF Returned Royalty Income, that the Authority determines are payable to Customers.

T

Transmission Connection Point Charges	means the sum of: (a) charges payable by the licensee that are levied by a Transmission Licensee or the ISOP as Connection Charges by direct reference to the number or nature of connections between the licensee’s Distribution System and the GB Transmission System, and includes any associated Transmission Network Use of System Charges and any Remote Transmission Asset rentals payable by the licensee; and (b) charges payable by the licensee to another Electricity Distributor in respect of units transported from that Electricity Distributor’s Distribution System, less any charges under (a) or (b) that meet the definition of New Transmission Capacity Charges.
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Part B: References to the Electricity Distributors

1.2.6 The following acronyms are used within the special conditions to refer to the following Electricity Distributors:

ENWL	refers to Electricity North West Ltd (registered number 2366949).
NPgN	refers to Northern Powergrid (Northeast) plc (registered number 2906593).
NPgY	refers to Northern Powergrid (Yorkshire) plc (registered number 4112320).
WMID	refers to National Grid Electricity Distribution (West Midlands) plc (registered number 3600574).
EMID	refers to National Grid Electricity Distribution (East Midlands) plc (registered number 2366923).
SWALES	refers to National Grid Electricity Distribution (South Wales) plc (registered number 2366985).
SWEST	refers to National Grid Electricity Distribution (South West) plc (registered number 2366894).
LPN	refers to London Power Networks plc (registered number 3929195).
SPN	refers to South Eastern Power Networks plc (registered number 3043097).
EPN	refers to Eastern Power Networks plc (registered number 2366906).
SPD	refers to SP Distribution plc (registered number SC189125).
SPMW	refers to SP Manweb plc (registered number 2366937).
SSEH	refers to Scottish Hydro Electric Power Distribution plc (registered number SC213460).

SSES	refers to Southern Electric Power Distribution plc (registered number 4094290).
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Chapter 3: Allowance adjustments

Special Condition 3.2 Uncertain Costs Re-openers

Introduction

- 3.2.1 The purpose of this condition is to:
- (a) set out the value of those Uncertain Costs terms that do not have a related Evaluative Price Control Deliverable, which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model); and
 - (b) establish Re-openers triggered by the licensee or the Authority in relation to Uncertain Costs.
- 3.2.2 This condition also explains the process the Authority must follow when making changes as a result of these Re-openers.
- 3.2.3 The requirement to comply with the Re-opener Guidance and Application Requirements Document when submitting a Re-opener application is established by Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).

Part A: The value of the Uncertain Costs terms

- 3.2.4 The value of the following Uncertain Costs terms are set out in Appendix 1:
- (a) the Physical Security Re-opener term (PSUP_t);
 - (b) the Rail Electrification Costs Re-opener term (REC_t);
 - (c) the Electricity System Restoration Re-opener term (ESR_t);
 - (d) the Environmental Re-opener term (EVR_t);
 - (e) the Specified Street Works Costs Re-opener term (SWR_t);
 - (f) the Digitalisation Re-opener term (DIGI_t);
 - (g) the Storm Arwen Re-opener term (SAR_t);
 - (h) the Load Related Expenditure Re-opener term (LRE_t);
 - (i) the High Value Projects Re-opener term (HVP_t);
 - (j) the Wayleaves and Diversions Re-opener term (WDV_t);
 - (k) [not used];
 - (l) the Hebrides and Orkney Re-opener term (HO_t);
 - (m) the Shetland Enduring Solution Re-opener term (SES_t); and
 - (n) Shetland Extension Fixed Energy Costs Re-opener term (SEFEC_t).

Part B: Physical Security Re-opener (PSUP_t)

- 3.2.5 This Part establishes the Physical Security Re-opener.
- 3.2.6 The Physical Security Re-opener may be used where there has been a change

- to the Physical Security Scope of Work and the licensee has incurred or expects to incur additional costs associated with such changes.
- 3.2.7 The licensee may only apply to the Authority for modifications to this licence under the Physical Security Re-opener:
- (a) Between 24 January 2024 and 31 January 2024;
 - (b) Between 24 January 2026 and 31 January 2026; and
 - (c) during such other periods as the Authority may direct.
- 3.2.8 The licensee must, when making an application under the Physical Security Re-opener, send to the Authority a written application that:
- (a) sets out the changes to the Physical Security Scope of Work, the associated costs and an explanation of how the circumstances in paragraph 3.2.6 are met;
 - (b) sets out any modifications to the value of PSUP_t in Appendix 1 being sought;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances, including where available, any reports prepared by external auditors.
- 3.2.9 An application under this Part must:
- (a) relate to the circumstances set out in paragraph 3.2.6 that occurred on or after 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the change to the Physical Security Scope of Work to which the application relates.
- 3.2.10 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.11 The following modifications to this licence may be made under the Physical Security Re-opener:
- (a) modifications to the value of PSUP_t set out in Appendix 1;
 - (b) modifications confined to allowances related to the circumstances set out in paragraph 3.2.6; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.12 The Authority may only make modifications to this licence under the Physical Security Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.6 exist;
 - (b) the requirements in paragraphs 3.2.8 and 3.2.9 have been met; and

(c) the modification to allowances is efficient.

Part C: Rail Electrification Costs Re-opener (REC_t)

3.2.13 This Part establishes the Rail Electrification Costs Re-opener.

3.2.14 The Rail Electrification Costs Re-opener may be used where there has been a change in the Rail Electrification Costs the licensee has incurred or expects to incur, relative to any previous allowances for such costs, that exceed the Materiality Threshold.

3.2.15 The licensee may only apply to the Authority for modifications to this licence under the Rail Electrification Costs Re-opener:

(a) Between 24 January 2024 and 31 January 2024;

(b) Between 24 January 2026 and 31 January 2026; and

(c) during such other periods as the Authority may direct.

3.2.16 The licensee must when making an application under the Rail Electrification Costs Re-opener, send to the Authority a written application that:

(a) sets out the scope of work the licensee is or was required to carry out in relation to the Rail Electrification Costs to which the application relates;

(b) sets out any modifications to the value of REC_t in Appendix 1 being sought;

(c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and

(d) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.17 An application under this Part must:

(a) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and

(b) take account of allowed expenditure which can be avoided as a result of the Rail Electrification Project that is the subject of the application.

3.2.18 The following modifications to this licence may be made under the Rail Electrification Costs Re-opener:

(a) modifications to the value of REC_t set out in Appendix 1;

(b) modifications confined to allowances related to Rail Electrification Costs; and

(c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.19 The Authority may only make modifications to this licence under the Rail Electrification Costs Re-opener by direction where:

(a) the circumstances in paragraph 3.2.14 exist;

(b) the requirements in paragraphs 3.2.16 and 3.2.17 have been met; and

(c) the modification to allowances is efficient.

Part D: Electricity System Restoration Re-opener (ESR_t)

3.2.20 This Part establishes the Electricity System Restoration Re-opener.

3.2.21 The Electricity System Restoration Re-opener may be used where there has been a change to the Electricity System Restoration Scope of Work and the licensee has incurred or expects to incur additional costs associated with such change.

3.2.22 The licensee may only apply to the Authority for modifications to this licence under the Electricity System Restoration Re-opener:

- (a) Between 24 June 2024 and 28 June 2024; and
- (b) during such other periods as the Authority may direct.

3.2.23 The licensee must when making an application under the Electricity System Restoration Re-opener, send to the Authority a written application that:

- (a) sets out the changes to the Electricity System Restoration Scope of Work, to which the application relates;
- (b) sets out any modifications to the value of ESR_t in Appendix 1 being sought;
- (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances;
- (d) sets out the engagement undertaken with the ~~GB System Operator~~ ISOP and other Relevant Network Licensees on the proposed scope of works; and
- (e) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.24 An application under this Part must:

- (a) relate to changes to the Electricity System Restoration Scope of Work agreed on or after 1 December 2021;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
- (c) take account of allowed expenditure which can be avoided as a result of the change to the Electricity System Restoration Scope of Work, to which the application relates.

3.2.25 The Authority may also instigate this Re-opener in accordance with Part S.

3.2.26 The following modifications to this licence may be made under the Electricity System Restoration Re-opener:

- (a) modifications to the value of ESR_t set out in Appendix 1;
- (b) modifications confined to allowances related to the change to the Electricity System Restoration Scope of Work, that are the subject of the Re-opener; and

- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.27 The Authority may only make modifications to this licence under the Electricity System Restoration Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.21 exist;
 - (b) the requirements in paragraphs 3.2.23 and 3.2.24 have been met; and
 - (c) the modification to allowances is efficient.

Part E: Environmental Re-opener (EVR_t)

- 3.2.28 This Part establishes the Environmental Re-opener.
- 3.2.29 The Environmental Re-opener may be used where the licensee has incurred or expects to incur costs caused by new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan.
- 3.2.30 The licensee may only apply to the Authority for modifications to this licence under the Environmental Re-opener:
- (a) Between 24 January 2024 and 31 January 2024;
 - (b) Between 24 January 2025 and 31 January 2025;
 - (c) Between 24 January 2026 and 31 January 2026; and
 - (d) Between 24 January 2027 and 31 January 2027.
- 3.2.31 The licensee must, when making an application under the Environmental Re-opener, send to the Authority a written application that:
- (a) states the new or amended legislative requirements that are the subject of the application and their relationship with the Environmental Action Plan;
 - (b) sets out any modifications to the value of EVR_t in Appendix 1 being sought;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.32 An application under this Part must:
- (a) relate to new or amended legislative requirements described in paragraph 3.2.29 that arise on or after 1 April 2023;
 - (b) relate to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of any changes to the licensee's activities related to the same change that is the subject of the application.
- 3.2.33 The following modifications to this licence may be made under the Environmental Re-opener:

- (a) modifications to the value of EVR_t set out in Appendix 1;
 - (b) modifications confined to allowances related to new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.34 The Authority may only make modifications to this licence under the Environmental Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.29 exist;
 - (b) the modification has been requested by the licensee under paragraph 3.2.30, and the requirements in 3.2.31 and 3.2.32 have been met; and
 - (c) the modification to allowances is efficient.

Part F: Specified Street Works Costs Re-opener (SWR_t)

- 3.2.35 This Part establishes the Specified Street Works Costs Re-opener.
- 3.2.36 The Specified Street Works Costs Re-opener may be used where there has been a change in the Specified Street Works Costs the licensee has incurred or expects to incur, relative to any previous allowances for such costs, that exceed the Materiality Threshold.
- 3.2.37 The licensee may only apply to the Authority for modifications to this licence under the Specified Street Works Costs Re-opener:
- (a) Between 24 January 2026 and 31 January 2026; and
 - (b) during such other periods as the Authority may direct.
- 3.2.38 The licensee must when making an application under the Specified Street Works Costs Re-opener, send to the Authority a written application that:
- (a) states the Specified Street Works Costs that are the subject of the application;
 - (b) sets out any modifications to the value of SWR_t in Appendix 1 being sought;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.39 An application under this Part must:
- (a) relate to Specified Street Works Costs that have been incurred or are expected to be incurred on or after 1 April 2023; and
 - (b) take account of allowed expenditure which can be avoided as a result of the cause of the changes to the Specified Street Works Costs which are the subject of the application.

- 3.2.40 The following modifications to this licence may be made under the Specified Street Works Costs Re-opener:
- (a) modifications to the value of SWR_t set out in Appendix 1;
 - (b) modifications confined to allowances related to Specified Street Works Costs; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.41 The Authority may only make modifications to this licence under the Specified Street Works Costs Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.36 exist;
 - (b) the requirements in paragraphs 3.2.38 and 3.2.39 have been met; and
 - (c) the modification to allowances is efficient.

Part G: Cyber Resilience OT Re-opener

- 3.2.42 This Part establishes the Cyber Resilience OT Re-opener. The values of the related PCFM Variable Values are set out in Special Condition 3.3 (Evaluative Price Control Deliverables).
- 3.2.43 The Cyber Resilience OT Re-opener may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's OT network and information systems with respect to CAF Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite;
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT; or
 - (d) modifications required to be made to:
 - i. the outputs, delivery dates or allowances set as part of RIIO-ED2 Final Determinations; or
 - ii. other existing outputs, delivery dates or allowances;
 - iii. to correct errors or to make refinements to improve the licensee's cyber resilience in relation to OT.
- 3.2.44 The licensee may only apply to the Authority for modifications to this licence under the Cyber Resilience OT Re-opener:
- (a) Between 3 April 2023 and 10 April 2023;
 - (b) Between 1 April 2025 and 7 April 2025; and
 - (c) during such other periods as the Authority may direct.
- 3.2.45 The licensee must when making an application under the Cyber Resilience OT Re-opener, send to the Authority a written application that:

- (a) gives details of the circumstances referred to in paragraph 3.2.43 that exist;
 - (b) sets out any modifications to the Cyber Resilience OT Baseline Allowances Table, the Cyber Resilience OT Re-opener Allowances Table, and the Cyber Resilience OT PCD Table being sought;
 - (c) explains how any modifications requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.46 An application under this Part must:
- (a) relate to circumstances of the type referred to in paragraph 3.2.43 that have developed since 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.
- 3.2.47 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.48 The following modifications to this licence may be made under the Cyber Resilience OT Re-opener:
- (a) if the relevant circumstance is that set out in paragraph 3.2.43(d)(i), modifications to the Cyber Resilience OT Baseline Allowances Table and the Cyber Resilience OT PCD Table;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.43(a) to (c) or (d)(ii), modifications to the Cyber Resilience OT Re-opener Allowances Table and the Cyber Resilience OT PCD Table;
 - (c) modifications to the definitions of 'Cyber Resilience OT Baseline Allowances Table', 'Cyber Resilience OT Re-opener Allowances Table' and 'Cyber Resilience OT PCD Table' in Special Condition 1.2 (Definitions) to amend the date those tables were sent to the licensee;
 - (d) modifications confined to outputs, delivery dates and allowances related to the circumstances set out in paragraph 3.2.43 that are the subject of this Re-opener; and
 - (e) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.49 The Authority may only make modifications under the Cyber Resilience OT Re-opener by direction:
- (a) where a circumstance in paragraph 3.2.43 exists;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.43(a) or (b),

- where the addition of new outputs would improve the licensee's cyber resilience in relation to OT;
- (c) if the relevant circumstance is that set out in paragraph 3.2.43(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;
 - (d) if the relevant circumstance is that set out in paragraph 3.2.43(d), where a change to an existing output is justified:
 - i. in order to correct an error; or
 - ii. because the refinement would improve the licensee's cyber resilience in relation to OT;
 - (e) where the requirements in paragraphs 3.2.45 and 3.2.46 have been met; and
 - (f) the modification to allowances is efficient.

Part H: Cyber Resilience IT Re-opener

- 3.2.50 This Part establishes the Cyber Resilience IT Re-opener. The values of the related PCFM Variable Values are set out in Special Condition 3.3 (Evaluative Price Control Deliverables).
- 3.2.51 The Cyber Resilience IT Re-opener may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's IT networks and systems with respect to CAF Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT; or
 - (d) modifications required to be made to:
 - i. the outputs, delivery dates or allowances set as part of RIIO-ED2 Final Determinations; or
 - ii. other existing outputs, delivery dates or allowances;
 - iii. to correct errors or to make refinements to improve the licensee's cyber resilience in relation to IT.
- 3.2.52 The licensee may only apply to the Authority for modifications to this licence under the Cyber Resilience IT Re-opener:
- (a) Between 3 April 2023 and 10 April 2023;
 - (b) Between 1 April 2025 and 7 April 2025; and
 - (c) during such other periods as the Authority may direct.
- 3.2.53 The licensee must when making an application under the Cyber Resilience IT Re-opener, send to the Authority a written application that:

- (a) gives details of the circumstances referred to in paragraph 3.2.51 that exist;
 - (b) sets out any modifications to the Cyber Resilience IT Baseline Allowances Table, the Cyber Resilience IT Re-opener Allowances Table, or the Cyber Resilience IT PCD Table being sought;
 - (c) explains how any modifications requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's IT network and information systems;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.54 An application under this Part must:
- (a) relate to circumstances of the type referred to in paragraph 3.2.51 that have developed since 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.
- 3.2.55 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.56 The following modifications may be made under the Cyber Resilience IT Re-opener:
- (a) if the relevant circumstance is that set out in paragraph 3.2.51(d)(i), modifications to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.51(a) to (c) or (d)(ii), modifications to the Cyber Resilience IT Re-opener Allowances Table and the Cyber Resilience IT PCD Table;
 - (c) modifications to the definitions of 'Cyber Resilience IT Baseline Allowances Table', 'Cyber Resilience IT Re-opener Allowances Table' and 'Cyber Resilience IT PCD Table' in Special Condition 1.2 (Definitions) to amend the date those tables were sent to the licensee;
 - (d) modifications confined to outputs, delivery dates and allowances related to the circumstances set out in paragraph 3.2.51 that are the subject of this Re-opener; and
 - (e) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.57 The Authority may only make modifications under the Cyber Resilience IT Re-opener by direction:
- (a) where a circumstance in paragraph 3.2.51 exists;
 - (b) if the relevant circumstance is that set out in paragraphs 3.2.51(a) or (b),

where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;

- (c) if the relevant circumstance is that set out in paragraph 3.2.51(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;
- (d) if the relevant circumstance is that set out in paragraph 3.2.51(d), where a change to an existing output is justified:
 - i. in order to correct an error; or
 - ii. because the refinement would improve the licensee's cyber resilience in relation to IT;
- (e) where the requirements in paragraphs 3.2.53 and 3.2.54 have been met; and
- (f) the modification to allowances is efficient.

Part I: Digitalisation Re-opener (DIGI_r)

3.2.58 This Part establishes the Digitalisation Re-opener.

3.2.59 The Digitalisation Re-opener may be used where the licensee incurs or expects to incur costs that exceed the Materiality Threshold as a result of:

- (a) a change in legislation, licences, regulatory requirements, or industry codes, where as a result there is a requirement for the licensee to provide new, or significantly altered, digital or Data Services, including but not limited to:
 - (i) government or the Authority implementing energy sector reforms that require new data or digital services to be delivered by the licensee;
 - (ii) a re-tendering of the smart metering system resulting in additional roles or responsibilities for the licensee with regards to the smart metering system;
- (b) the licensee retrofitting monitoring devices to unmonitored Distributed Generators as a result of the Authority deciding that there is net Customer benefit in doing so; or
- (c) the licensee implementing Mature Innovation related to data and Digitalisation to fulfil obligations in the conditions of this licence.

3.2.60 The licensee may only apply to the Authority for modifications to this licence under the Digitalisation Re-opener:

- (a) Between 24 January 2026 and 31 January 2026; and
- (b) during such other periods as the Authority may direct.

3.2.61 The licensee must when making an application under the Digitalisation Re-opener, send to the Authority a written application that:

- (a) gives details of how any of the conditions set out in paragraph 3.2.59 have been met
- (b) sets out any modifications to the value of DIGI_r in Appendix 1 being sought;

- (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.62 An application under this Part must:
- (a) where the circumstance in paragraph 3.2.59(a) applies, relate to changes to the roles and responsibilities of the licensee introduced on or after 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.
- 3.2.63 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.64 The following modifications to this licence may be made under the Digitalisation Re-opener:
- (a) modifications to the value of DIGI_t set out in Appendix 1;
 - (b) modifications confined to circumstances set out in paragraph 3.2.59 that are the subject of the Digitalisation Re-opener; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.65 The Authority may only make modifications to this licence under the Digitalisation Re-opener by direction where:
- (a) a circumstance in paragraph 3.2.59 exists;
 - (b) the requirements in paragraphs 3.2.61 and 3.2.62 have been met; and
 - (c) the modification to allowances is efficient.

Part J: Storm Arwen Re-opener (SAR_t)

- 3.2.66 This Part establishes the Storm Arwen Re-opener.
- 3.2.67 The Storm Arwen Re-opener may be used where the costs incurred or expected to be incurred by the licensee in operating its Distribution Business have changed as a direct result of the Storm Arwen Recommendations, including actions taken as a result of those recommendations.
- 3.2.68 The licensee may only apply to the Authority for modifications to this licence under the Storm Arwen Re-opener:
- (a) Between 24 January 2024 and 31 January 2024; and
 - (b) during such other periods as the Authority may direct.
- 3.2.69 The licensee must, when making an application under the Storm Arwen Re-opener, send to the Authority a written application that:

- (a) sets out the changes to the way in which the licensee operates its Distribution Business and the associated costs, including an explanation of how the circumstances in paragraph 3.2.67 are met;
 - (b) sets out the modifications to the value of SAR_t in Appendix 1 being sought;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.70 An application under this Part must:
- (a) relate to changes set out in paragraph 3.2.67 agreed on or after 1 December 2021;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of other allowed expenditure that could be avoided or reduced as a result of the circumstances set out in paragraph 3.2.67.
- 3.2.71 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.72 The following modifications to this licence may be made under the Storm Arwen Re-opener:
- (a) modifications to the value of SAR_t set out in Appendix 1;
 - (b) modifications confined to allowances related to the circumstances in paragraph 3.2.67; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.73 Any modifications made as a result of an application under paragraph 3.2.68 must be made under section 11A (modifications of conditions of licences) of the Act.

Part K: Load Related Expenditure Re-opener (LRE_t)

- 3.2.74 This Part establishes the Load Related Expenditure Re-opener.
- 3.2.75 The Load Related Expenditure Re-opener may be used where:
- (a) the licensee's Load Related Expenditure has increased or is expected to increase, as a result of an increase in:
 - i. current or forecast load-related constraints on the Distribution System that are in place at the time the licensee makes a Load Related Expenditure Re-opener application relative to the constraints associated with the forecast demand used by the Authority to set ex ante allowances for the Price Control Period; or
 - ii. the proportion of expenditure associated with load-related constraints on the Distribution System to be funded through Use of System Charges relative to the assumptions used by the Authority to

- set allowances that are in place at the time the licensee makes a Load Related Expenditure Re-opener application; or
- (b) there is a change in conditions on the Distribution System relative to the assumptions used to set allowances; and
 - (c) the increase or expected increase in Load Related Expenditure:
 - i. is not provided for by the sum of Load Related Expenditure ex ante non variant allowances specified in Appendix 2, and any previously directed values for LRE_t and $SINV_t$;
 - ii. is not provided by the operation of Special Condition 3.9 (Load Related Expenditure Volume Drivers); and
 - iii. exceeds the Materiality Threshold.
- 3.2.76 The licensee may only apply to the Authority for modifications to this licence under the Load Related Expenditure Re-opener:
- (a) Between 24 and 31 January 2025;
 - (b) Between 24 and 31 January 2027; and
 - (c) during such other periods as the Authority may direct.
- 3.2.77 The licensee must when making an application under the Load Related Expenditure Re-opener, send to the Authority a written application that:
- (a) gives details of the circumstances under paragraph 3.2.75 that exist;
 - (b) sets out whether the licensee considers the application relates to Strategic Investment;
 - (c) sets out any modifications to the value of LRE_t in Appendix 1 being sought;
 - (d) sets out any modifications to the value of $SINV_t$ in Appendix 1 to Special Condition 3.3 (Evaluative Price Control Deliverables) being sought;
 - (e) sets out any modifications to the outputs, delivery dates and allowances in Appendix 2 to Special Condition 3.3 being sought;
 - (f) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (g) provides such detailed supporting evidence as is reasonable in the circumstances including, where available, evidence of the efficiency of the Load Related Expenditure.
- 3.2.78 An application under this Part must:
- (a) be confined to Load Related Expenditure costs incurred or expected to be incurred on or after 1 April 2023; and
 - (b) take account of allowed expenditure which can be avoided as a result of the modifications to the Load Related Expenditure requested.
- 3.2.79 The Authority may also instigate this Re-opener in accordance with Part S.
- 3.2.80 The following modifications to this licence may be made under the Load Related Expenditure Re-opener:

- (a) modifications to the value of LRE_t in Appendix 1, where those modifications do not relate to Strategic Investments;
 - (b) modifications to the value of $SINV_t$ in Appendix 1 to Special Condition 3.3 and the outputs, delivery dates and allowances in Appendix 2 to Special Condition 3.3, where those modifications relate to Strategic Investments; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.81 Any modifications made as a result of an application under paragraph 3.2.76 must be made under section 11A (modifications of conditions of licences) of the Act.

Part L: High Value Projects Re-opener (HVP_t)

- 3.2.82 This Part establishes the High Value Projects Re-opener.
- 3.2.83 The High Value Projects Re-opener may be used where the licensee has incurred or expects to incur costs on a High Value Project.
- 3.2.84 The licensee may only apply to the Authority for modifications to this licence under the High Value Projects Re-opener:
- (a) Between 24 January 2026 and 31 January 2026; and
 - (b) during such other periods as the Authority may direct.
- 3.2.85 The licensee must when making an application under the High Value Projects Re-opener, send to the Authority a written application that:
- (a) explains why the licensee considers it has incurred or expects to incur costs on a High Value Project;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out in relation to the High Value Project that is the subject of the application;
 - (c) sets out any modifications to the value of HVP_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.86 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.

- 3.2.87 The following modifications to this licence may be made under the High Value Projects Re-opener:
- (a) modifications to the value of HVP_t set out in Appendix 1;
 - (b) modifications confined to allowances related to High Value Projects; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.88 The Authority may only make modifications to this licence under the High Value Projects Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.843 exist;
 - (b) the requirements in paragraphs 3.2.85 and 3.2.86 have been met; and
 - (c) the modification to allowances is efficient.

Part M: Wayleaves and Diversions Re-opener (WDV_t)

- 3.2.89 This Part establishes the Wayleaves and Diversions Re-opener.
- 3.2.90 The Wayleaves and Diversions Re-opener may be used where there has been a change in the Wayleaves and Diversions Costs the licensee has incurred or expects to incur, relative to any previous allowances for such costs, that exceed the Materiality Threshold.
- 3.2.91 The licensee may only apply to the Authority for modifications to this licence under the Wayleaves and Diversions Re-opener:
- (a) Between 24 January 2026 and 31 January 2026; and
 - (b) during such other periods as the Authority may direct.
- 3.2.92 The licensee must when making an application under the Wayleaves and Diversions Re-opener send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.90 have been met;
 - (b) sets out any options considered and discounted by the licensee, including the costs and benefits;
 - (c) sets out any modifications to the value of WDV_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.93 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (b) take account of allowed expenditure which can be avoided as a result of the work that is the subject of the application.

3.2.94 The following modifications to this licence may be made under the Wayleaves and Diversions Re-opener:

- (a) modifications to the value of WDV_t set out in Appendix 1;
- (b) modifications confined to allowances related to work that is the subject of the application; and
- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.95 The Authority may only make modifications to this licence under the Wayleaves and Diversions Re-opener by direction where:

- (a) the circumstances in paragraph 3.2.90 exist;
- (b) the requirements in paragraphs 3.2.92 and 3.2.93 have been met; and
- (c) the modification to allowances is efficient.

Part N: [Not used]

3.2.96 [Not used]

3.2.97 [Not used]

3.2.98 [Not used]

3.2.99 [Not used]

3.2.100 [Not used]

3.2.101 [Not used]

3.2.102 [Not used]

3.2.103 [Not used]

Part O: Hebrides and Orkney Re-opener (HO_t)

3.2.104 This Part establishes the Hebrides and Orkney Re-opener.

3.2.105 The Hebrides and Orkney Re-opener may be used where:

- (a) the licensee has incurred or expects to incur costs as a result of changes to the scope or timing of work relating to twelve sub-sea cables:
 - i. Skye to Uist (North route);
 - ii. Skye to Uist (South route);
 - iii. Pentland Firth West;
 - iv. Pentland Firth East;
 - v. Mainland Orkney – Hoy South;
 - vi. Orkney (additional 66kV circuit)
 - vii. Eriskay – Barra 2;
 - viii. South Uist – Eriskay;

- ix. Mull to Coll (double circuit);
 - x. Coll - Tiree (double circuit);
 - xi. Mainland - Jura (double circuit); and
 - xii. Jura - Islay (double circuit); or
- (b) the licensee has incurred costs associated with ensuring security of supply in the Scottish islands, and can demonstrate efficient whole systems considerations have been taken into account, including considering alternative activities to installing the cables listed in paragraph 3.2.105(a); or
- (c) the licensee has incurred or expects to incur costs associated with the outcomes of additional whole system analysis in the Scottish Islands to contribute to Net Zero Carbon Targets and ensure long-term security of supply, including any alternative activities to installing the cables outlined in 3.2.105(a); and
- (d) the change in those costs in paragraphs 3.2.105(a) or 3.2.105(b) exceeds the Materiality Threshold and are not otherwise funded by the special conditions.
- 3.2.106 The licensee may only apply to the Authority for modifications to this licence under the Hebrides and Orkney Re-opener:
- (a) Between 24 January 2024 and 31 January 2024;
 - (b) Between 24 January 2025 and 31 January 2025; and
 - (c) during such other periods as the Authority may direct.
- 3.2.107 The licensee must when making an application under the Hebrides and Orkney Re-opener, send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.105 have been fulfilled;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out that is the subject of the application;
 - (c) sets out any modifications to the value of HO_t in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (e) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.108 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (b) take account of allowed expenditure which can be avoided as a result of work the licensee has carried out that is the subject of the application.
- 3.2.109 The following modifications to this licence may be made under the Hebrides and Orkney Re-opener:

- (a) modifications to the value of HO_t set out in Appendix 1;
 - (b) modifications confined to allowances related to work that is the subject of the application; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.110 The Authority may only make modifications to this licence under the Hebrides and Orkney Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.105 exist;
 - (b) the requirements in paragraphs 3.2.107 and 3.2.108 have been met; and
 - (c) the modification to allowances is efficient.

Part P: Shetland Enduring Solution Re-opener (SES_t)

3.2.111 This Part establishes the Shetland Enduring Solution Re-opener.

3.2.112 The Shetland Enduring Solution Re-opener may be used where:

- (a) there has been a change in the costs the licensee has incurred or expects to incur related to the Shetland Enduring Solution, relative to any previous allowances for such costs, that exceed the Materiality Threshold; or
- (b) the licensee has incurred or expects to incur costs related to the Shetland Enduring Solution that are greater than 10% over or under the allowances set in response to an application under paragraph 3.2.112(a).

3.2.113 The licensee may only apply to the Authority for modifications to this licence under:

- (a) paragraph 3.2.112(a) Between 24 January 2024 and 31 January 2024 or during such other periods as the Authority may direct; and
- (b) paragraph 3.2.112(b) Between 24 January 2028 and 31 January 2028 or during such other periods as the Authority may direct.

3.2.114 The licensee must when making an application under the Shetland Enduring Solution Re-opener, send to the Authority a written application that:

- (a) sets out how the requirement in paragraph 3.2.112 has been fulfilled;
- (b) sets out the scope of work the licensee has carried out or proposes to carry out associated with the Shetland Enduring Solution;
- (c) sets out any modifications to the value of SES_t in Appendix 1 being sought;
- (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
- (e) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.115 An application under this Part must:

- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
 - (c) take account of allowed expenditure which can be avoided as a result of the Shetland Enduring Solution.
- 3.2.116 The following modifications to this licence may be made under the Shetland Enduring Solution Re-opener:
- (a) modifications to the value of SES_t set out in Appendix 1;
 - (b) modifications confined to allowances related to the Shetland Enduring Solution; and
 - (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.
- 3.2.117 The Authority may only make modifications to this licence under the Shetland Enduring Solution Re-opener by direction where:
- (a) the circumstances in paragraph 3.2.112 exist;
 - (b) the requirements in paragraphs 3.2.114 and 3.2.115 have been met; and
 - (c) the modification to allowances is efficient.

Part Q: Shetland Extension Fixed Energy Costs Re-opener (SEFEC_t)

- 3.2.118 This Part establishes the Shetland Extension Fixed Energy Costs Re-opener.
- 3.2.119 The Shetland Extension Fixed Energy Costs Re-opener may be used where the licensee has incurred or expects to incur Shetland Extension Fixed Energy Costs that in excess of the Materiality Threshold.
- 3.2.120 The licensee may only apply to the Authority for modifications to this licence under paragraph 3.2.119:
- (a) between 24 January 2028 and 31 January 2028; and
 - (b) during such other periods as the Authority may direct.
- 3.2.121 The licensee must when making an application under the Shetland Extension Fixed Energy Costs Re-opener, send to the Authority a written application that:
- (a) sets out how the criteria in paragraph 3.2.119 have been fulfilled;
 - (b) sets out the scope of work the licensee has carried out or proposes to carry out associated with the Shetland Extension Fixed Energy Costs;
 - (c) sets out any modifications to the value of $SEFEC_t$ in Appendix 1 being sought;
 - (d) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and

(e) provides such detailed supporting evidence as is reasonable in the circumstances.

3.2.122 An application under this Part must:

- (a) be confined to costs incurred or expected to be incurred by the licensee that are not otherwise funded by the special conditions;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2023; and
- (c) take account of allowed expenditure which can be avoided as a result of the work that led to the licensee incurring or expecting to incur Shetland Extension Fixed Energy Costs.

3.2.123 The following modifications to this licence may be made under the Shetland Extension Fixed Energy Costs Re-opener:

- (a) modifications to the value of SEFEC_t set out in Appendix 1;
- (b) modifications confined to allowances related to Shetland Extension Fixed Energy Costs; and
- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.124 The Authority may only make modifications to this licence under the Shetland Extension Fixed Energy Costs Re-opener by direction where:

- (a) the circumstances in paragraph 3.2.119 exist;
- (b) the requirements in paragraphs 3.2.121 and 3.2.122 have been met; and
- (c) the modification to allowances is efficient.

Part R: What process will the Authority follow in making a modification by direction?

3.2.125 Before making a modification by direction under this licence condition the Authority must send to the licensee and publish on the Authority's Website:

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

Part S: Authority instigated Re-openers

3.2.126 The Authority may also instigate the following Re-openers where the same circumstances that enable the licensee to make an application under the relevant Re-opener exist:

- (a) the Physical Security Re-opener;
- (b) the Electricity System Restoration Re-opener;
- (c) the Cyber Resilience OT Re-opener;

- (d) the Cyber Resilience IT Re-opener;
- (e) the Digitalisation Re-opener;
- (f) the Storm Arwen Re-opener; and
- (g) the Load Related Expenditure Re-opener.

3.2.127 Where a Re-opener is instigated by the Authority, any modifications to this licence will be made under section 11A (modifications of conditions of licences) of the Act.

Appendix 1

Uncertain Costs without Evaluative Price Control Deliverables allowances (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
PSUP _t	0	0	0	0	0	0
REC _t	0	0	0	0	0	0
ESR _t	0	0	0	0	0	0
EVR _t	0	0	0	0	0	0
SWR _t	0	0	0	0	0	0
DIG _t	0	0	0	0	0	0
SAR _t	0	0	0	0	0	0
LRE _t	0	0	0	0	0	0
HVP _t	0	0	0	0	0	0
WDV _t	0	0	0	0	0	0
HO _t	0	0	0	0	0	0
SES _t	0	0	0	0	0	0
SEFEC _t	0	0	0	0	0	0

Appendix 2

Load Related Expenditure ex ante non variant allowance (£m)

Licensee	Value of Load Related Expenditure ex ante non variant allowance
ENWL	113.39
NPGN	79.27
NPGY	129.69
WMID	147.16
EMID	218.54

SWALES	122.07
SWEST	129.80
LPN	200.99
SPN	109.39
EPN	239.74
SPD	117.70
SPMW	102.70
SSEH	113.69
SSES	345.77

Chapter 5: Other revenue allowances

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes the RIIO-2 NIA Governance Document.

Part A: Formulae for calculating the network innovation allowance (NIA_t)

- 5.2.4 Subject to the cap in paragraph 5.2.5, the value of NIA_t is derived in accordance with the following formula:

$$NIA_t = 90\% \times NIAE_t - UNIA_t$$

where:

NIAE_t means the Total NIA Expenditure; and

UNIA_t means an amount of unrecoverable NIA in relation to the licensee's failure to comply with the RIIO-2 NIA Governance Document, and has the value zero unless otherwise modified by the Authority under Part C.

- 5.2.5 The total value of the NIA over the Price Control Period is subject to the following cap:

2027/28

$$\sum_{t=2023/24} (NIA_t) \leq (TNIA)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4; and

$TNIA$ means the value of the licensee's NIA as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period, except insofar as the Authority directs.

Part B: The RIIO-2 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-2 NIA Governance Document when acting in relation to the NIA.
- 5.2.8 The RIIO-2 NIA Governance Document may make provision about the governance and administration of the NIA, including:
- (a) the eligibility criteria, which RIIO-2 NIA Projects must meet;
 - (b) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
 - (c) the circumstances in which the licensee must seek approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
 - (d) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Electricity Distributors, [the ISOP](#), and Transmission Licensees;
 - (e) the nature of the reporting obligations on compliance with the provisions of the RIIO-2 NIA Governance Document in respect of RIIO-2 NIA Projects, which may include reporting in respect of the funding and the completion of such projects; and
 - (f) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
- 5.2.9 The procedure for issuing and amending the RIIO-2 NIA Governance Document is set out in Special Condition 1.3 (Common procedures).

Part C: Unrecoverable NIA expenditure

- 5.2.10 The Authority may only modify the value of $UNIA_t$:
- (a) where the licensee has not complied with the RIIO-2 NIA Governance Document; and
 - (b) in order to disallow NIA expenditure in relation to that failure to comply with the RIIO-2 NIA Governance Document.
- 5.2.11 In reaching a decision on a value for $UNIA_t$, the Authority must consider the impact that the licensee's non-compliance with provisions of the RIIO-2 NIA

Governance Document is likely to have on consumers.

- 5.2.12 Any modifications to the value of UNIA_i must be made under section 11A (modifications of conditions of licences) of the Act.

Appendix 1

Value of the licensee's NIA (TNIA) (£m)

Licensee	Value of TNIA (£m)
ENWL	8.4
NPgN	3.2
NPgY	4.3
WMID	5.6
EMID	5.6
SWALES	2.8
SWEST	4
LPN	4.7
SPN	4
EPN	6.3
SPD	5.9
SPMW	5.2
SSEH	3
SSEN	5.4

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding into the Regulatory Year commencing on 1 April 2023.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 For the Regulatory Year commencing on 1 April 2023, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (\min [0.9 \times ECNIA_t, CNIAV] - CNIAR_t) \times \frac{PI_{2020/21}}{PI_t}$$

where:

ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 Electricity Network Innovation Allowance Governance Document and reported to the Authority in accordance with Standard Condition 46 (Regulatory Instructions and Guidance) expressed in 2023/24 prices;

CNIAV is derived in accordance with Part B;

CNIAR_t means an amount expressed in 2023/24 prices, recovered by the licensee in relation to Regulatory Year t or a previous Regulatory Year which is unrecoverable in accordance with the RIIO-1 Electricity Network Innovation Allowance Governance Document and has the value zero unless otherwise modified by the Authority under Part D; and

PI_t is the price index derived in accordance with Part E of Special Condition 2.1.

- 5.3.5 For Regulatory Years commencing on or after 1 April 2024, the value of CNIA_t is zero.
- 5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance value term (CNIAV)

5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = \max ((NIAV \times BR_{2022/23}) - (ENIA_{2022/23} \times 0.9), 0) \times \frac{PI_t}{PI_{2022/23}}$$

where:

NIAV	has the value set out in the Appendix to Charge Restriction Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023;
BR _{2022/23}	has the value of BR _t derived in accordance with Part B of Charge Restriction Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023, expressed in 2022/23 prices; and
ENIA _{2022/23}	has the value of ENIA _t derived in accordance with Part B of Charge Restriction Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023, expressed in 2022/23 prices.

Part C: The RIIO-1 Electricity Network Innovation Allowance Governance Document

- 5.3.8 The licensee must comply with the RIIO-1 Electricity Network Innovation Allowance Governance Document when acting in relation to the Carry-over Network Innovation Allowance.
- 5.3.9 The RIIO-1 Electricity Network Innovation Allowance Governance Document makes and may continue to make additional provision in respect of:
- arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to Transmission Licensees, [the ISOP](#), and other holders of an Electricity Distribution Licence;
 - the nature of the reporting obligations in respect of Eligible CNIA Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 Electricity Network Innovation Allowance Governance Document;
 - arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
 - any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.
- 5.3.10 The procedure for amending the RIIO-1 Electricity Network Innovation Allowance Governance Document is set out in Special Condition 1.3 (Common procedure).

Part D: Unrecoverable CNIA

- 5.3.11 The Authority may only modify the value of CNIA:
- (a) where the licensee has not complied with the RIIO-1 Electricity Network Innovation Allowance Governance Document; and
 - (b) in order to disallow NIA expenditure in relation to that failure to comply with the RIIO-1 Electricity Network Innovation Allowance Governance Document.
- 5.3.12 In reaching a decision on a value for CNIA, the Authority must consider the impact that the licensee's non-compliance with provisions of the RIIO-1 Electricity Network Innovation Allowance Governance Document is likely to have on consumers.
- 5.3.13 Any modifications to the value of CNIA must be made under section 11A (modifications of conditions of licences) of the Act.

Chapter 7: Legacy

Special Condition 7.10 RIIO-ED1 network innovation competition

Introduction

- 7.10.1 The NIC was in operation during the RIIO-1 Price Control Period to fund innovative low carbon or environmental projects. Although there is no provision for new NIC projects from 1 April 2023, this condition makes provision for arrangements relating to the regulation, administration, and governance of the NIC.
- 7.10.2 Parts A and C are supplemented by the relevant provisions of the Electricity Network Innovation Competition Governance Document. The Electricity Network Innovation Competition Governance Document provides fuller details on the process for the Funding Return Mechanism and Successful Delivery Reward.

Part A: The Funding Return Mechanism

- 7.10.3 The Authority may direct, in accordance with the Electricity Network Innovation Competition Governance Document, either:
- (a) how any relevant revenues should be paid to the ~~GB System Operator~~ **ISOP** through the Funding Return Mechanism; or
 - (b) where the Authority considers it to be appropriate, that any relevant revenues should be retained by the licensee.
- 7.10.4 In each Regulatory Year, in accordance with the appropriate provisions of the Electricity Network Innovation Competition Governance Document, the Authority may calculate and then, by direction given to the licensee, specify:
- (a) the amount of any Funding Return that the licensee must pay to the ~~GB System Operator~~ **ISOP**; and

(b) the manner in which and the timescale over which that amount is to be so paid.

Part B: The Electricity Network Innovation Competition Governance Document

7.10.5 The licensee must comply with the Electricity Network Innovation Competition Governance Document when acting in relation to the NIC.

7.10.6 The Electricity Network Innovation Competition Governance Document makes and may continue to make provision about:

- (a) the process and procedures that will be in place for the assessment, approval, and financing of project funding (where necessary);
- (b) arrangements to ensure that relevant learning from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Electricity Distributors, the ISOP, and Transmission Licensees;
- (c) the nature of the reporting obligations in respect of Eligible NIC Projects (which may include reporting in respect of their funding and completion, as well as reporting on compliance with this condition and the provisions of the Electricity Network Innovation Competition Governance Document);
- (d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (e) any other matters relating to the governance of the NIC.

7.10.7 The procedure for amending the Electricity Network Innovation Competition Governance Document is set out in Special Condition 1.3 (Common procedure).

Part C: Successful Delivery Reward

7.10.8 The Authority may direct that the ~~ISOP~~ ~~GB System Operator~~ pay the licensee a Successful Delivery Reward, in accordance with the provisions of the Electricity Network Innovation Competition Governance Document.

Chapter 9: General obligations

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is not included in the calculation of Recovered Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to not include Directly Remunerated Services

- 9.7.4 Subject to:
- (a) paragraph 9.7.11, which sets out the treatment of revenue derived from Directly Remunerated Services in categories DRS10 and DRS16; and
 - (b) paragraph 2.1.9 of Special Condition 2.1 (Revenue Restriction), which sets out the treatment of revenue derived from Directly Remunerated Services in category DRS15,
 - (c) the licensee must exclude revenue derived from Directly Remunerated Services from Calculated Revenue.
- 9.7.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction complies with the general principle in Part B.
- 9.7.6 The licensee must start or cease treating services as Directly Remunerated Services if the Authority so directs, to the extent that such direction complies with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of the normal activities of its Distribution Business is to be treated as a Directly Remunerated Service if and to the extent that the service so provided is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) Use of System Charges;
 - (b) charges arising from any activity carried out under the provisions of Special Condition 7.9 (RIIO-ED1 network innovation competition) or Special Condition 9.9 (The strategic innovation fund), which results in Returned Royalty Income for the licensee;
 - (c) charges levied in respect of Metering Point Administration Services, in accordance with the MPAS Charging Statement; and
 - (d) charges levied in respect of the provision of Legacy Metering Equipment and Data Services, in each case in accordance with the relevant statement prepared and published by the licensee under standard condition 36 (Charges for the provision of Legacy Metering Equipment and Data Services).

Part C: Categories of Directly Remunerated Service

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out in Appendix 1 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 The licensee must ensure that charges levied in respect of Directly Remunerated Services in categories DRS1, DRS2, DRS3, DRS11 and DRS14 are at a level that will allow the licensee to recover:
- (a) its reasonable costs;
 - (b) a reasonable rate of return on the capital outlay represented by any expenditure incurred by the licensee during the period before payment is received of any amounts due by the person requiring the service in question; and
 - (c) in respect of DRS1, a Margin, where that is consistent with the provisions of Special Condition 9.10 (Margins on licensee's Connection Activities).
- 9.7.11 The DRS Net Revenue from charges levied in respect of Directly Remunerated Services in category DRS10 and DRS16 during any Regulatory Year must be included by the licensee as a negative component of its Actual Totex for the same Regulatory Year.
- 9.7.12 The licensee must ensure that charges levied in respect of Directly Remunerated Services in categories DRS12 and DRS15 (as set out in Part C) are set at a level that will allow the licensee to recover its reasonable costs and a reasonable margin in providing the service in question.

Part D: Procedure for issuing directions

- 9.7.13 Before issuing a direction under Part A, the Authority must send to the licensee and publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the licensee must start or cease treating services as Directly Remunerated Services;
 - (c) its consideration of the general principle in Part B; and
 - (d) a period during which representations may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

List of Directly Remunerated Services

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) for the purposes of providing, installing, operating, repairing, or maintaining electric lines or electrical plant (but only to the extent that the service is not already remunerated under one of the charges mentioned in paragraph 9.7.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any Associated Works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(1) (general duties of licence holders) or section 16 (duty to connect on request) of the Act.

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line, electrical plant, or Electricity Meter that forms part of the licensee's Distribution System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services:
(Not used)

DRS5. Outage Changes: (Not used)

DRS6. Emergency Services: (Not used)

DRS7. PARCA Activities: (Not used)

DRS8. Independent System operation: (Not used)

DRS9. Network Innovation Funding: (Not used)

DRS10. Value Added Services: This category consists of services that utilise Relevant Assets under commercial arrangements between the licensee and another person (who must not be an Affiliate or Related Undertaking of the licensee), involving:

the installation of equipment for the purpose of electronic communications or data transfer;

the display of any advertising or promotional material; or

any service specified in a direction given by the Authority for the purposes of this condition that, in the absence of such a direction, would be included in category DRS15 (Miscellaneous).

DRS11. Top-up, standby, and enhanced system security: This category consists of the provision of electric lines and electrical plant to the extent required by any user of the licensee's Distribution System:

for the specific purpose of enabling the delivery of top-up or standby supplies of electricity; or

to provide a higher degree of security than is required for the purposes of complying with paragraph 24.1 of Standard Condition 24 (Distribution System planning standard and quality of performance reporting),

to the extent that they are provided under an agreement that provides for the licensee to recover its costs from the user concerned.

DRS12. Revenue protection services: This category consists of the provision, at the request of any third party (which could include an Affiliate or a Related Undertaking of the licensee), of services relating to the prevention of Electricity Meter interference and other forms of illegal abstraction of electricity.

DRS13. Metering Services: This category consists of the provision of any Metering Service (other than the provision of Legacy Metering Equipment) that is not already remunerated under any other charge in respect of a Directly Remunerated Service.

DRS14. Smart Meter Roll-out rechargeable services: This category consists of services provided directly or indirectly to Electricity Suppliers, and associated with the roll-out of Smart Meters, that:

are provided under the provisions of the service level agreement that is appended to the Distribution Connection and Use of System Agreement; and

are not remunerated under one of the charges mentioned in paragraph 9.7.8 or under any other charge for a Directly Remunerated Service.

DRS15. Miscellaneous: This category consists of the provision of any other service (including electric lines or electrical plant) that:

is for the specific benefit of any third party who requests it; and

is not remunerated under one of the charges mentioned in paragraph 9.7.8 or under any other charge for a Directly Remunerated Service.

DRS16. Distribution Network Voltage Control Services: This category consists of Distribution Network Voltage Control Services that utilise Relevant Assets and are

procured by the ~~ISOP~~ GB System Operator for the purposes of its ~~GB System Operator~~ activity.

Special Condition 9.9 The strategic innovation fund (SIF_t)

Introduction

- 9.9.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.
- 9.9.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the ~~GB System Operator~~ ISOP (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 9.9.3 This condition also establishes the SIF Governance Document.

Part A: Determination of the value of SIF_t

- 9.9.4 The value of SIF_t is SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the ~~GB System Operator~~ ISOP, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of Part A of Special Condition 3.4 (The strategic innovation fund) in the Transmission Licence held by the ~~GB System Operator~~ ISOP.
- 9.9.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the ~~ISOP~~ GB System Operator's Transmission Electricity System Operator Licence, the Authority must calculate and then, by direction given to the licensee, specify:
- (a) the value of the SIF_t;
 - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
 - (c) the manner in which and the timescale over which the ~~GB System Operator~~ ISOP is required to pay that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

- 9.9.6 The Authority may direct how SIF Returned Project Revenues should:
- (a) be paid to the ~~GB System Operator~~ ISOP through the SIF Funding Return Mechanism; or
 - (b) where the Authority considers it to be appropriate, retained by the licensee.
- 9.9.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority must calculate and then, by direction given to the licensee, specify:
- (a) the amount of any SIF Funding Return that the licensee must pay to the ~~GB System Operator~~ ISOP; and

(b) the manner in which and the timescale over which that amount is to be paid.

9.9.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.9.7.

Part C: The SIF Governance Document

9.9.9 The licensee must comply with the SIF Governance Document when acting in relation to the SIF.

9.9.10 The SIF Governance Document may make provision about the regulation, governance and administration of the SIF, including:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;

(b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;

(c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;

(d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other licensees including Electricity Distributors, [the ISOP](#), and Transmission Licensees;

(e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

(f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

9.9.11 The procedure for issuing and amending the SIF Governance Document is set out in Special Condition 1.3 (Common procedure).