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22 January 2024

Dear Anthony,

National Grid Electricity Transmission plc (NGET): Response to Ofgem's Statutory Consultation on proposals to modify the Electricity Transmission Licence of NGET to incorporate RIIO-ET1 Closeout Provisions

We welcome the opportunity to respond to the statutory consultation on the proposal to modify the Electricity Transmission Licence of NGET to incorporate RIIO-ET1 Closeout Provisions issued on 13th December 2023.

We are in agreement with the areas of the Licence that have been highlighted in the statutory consultation as requiring updates to incorporate the RIIO-ET1 closeout outcome, however, we believe that some of the proposed updates do not accurately reflect the outcome detailed in the '*RIIO-ET1 Closeout: Decision on proposed adjustments*' document published on 14th November 2023. We have detailed these areas below, split between the statutory consultation and the proposed Licence modifications set out in the Annexes to the statutory consultation:

Statutory Consultation

Appendix 1 of SpC 3.9

We agree that the list of PCDs outlined in Appendix 1 of SpC 3.9 require updating to incorporate the outcome of RIIO-ET1 Closeout, however, point 11 (third bullet) of this section incorrectly states that projects will be removed if assessment through ET1 Closeout determines a delivery date "*between 31st March 2023*". NGET believe this should read "*beyond 31st March 2023*" and request that this is updated in the licence modification decision when directed.

We also acknowledge that the updated list of PCDs needs to feed into NGET's revenue via the PCFM and request that Ofgem Finance work with NGET Finance to implement this into the AIP process.

Part C of SpC 3.30 - TPWW

We note that the statutory consultation confirms that TPWW claims in RIIO-T2 do include pre-construction spend to allow for the differing funding treatment between RIIO-T1 and RIIO-T2 price controls. However to appropriately avoid any future ambiguity in TPWW claims, we request that the Licence is appropriately modified (as set out in the comments on Annex 5 below) or, in the absence of such a licence modification, that this confirmation is reiterated in the licence modification decision when directed.

Proposed Licence Modifications

Annex 1

Special Condition 3.9 Appendix 1 – Wider Works Price control Deliverable

We agree with the majority of the updated values with the exception of two projects:

- Rayleigh to Tilbury circuit (RTRE) which currently has a stated delivery date of 31st March 2022 as per the current licence. This should have an updated delivery date of 31st March 2023 in line with the data submitted to Ofgem on 8th December 2023 and we request that the delivery year is updated to 2023 in the licence modification decision when directed.
- Hinkley to Bridgewater route (HBUP) currently has a stated delivery date of 31st March 2027 as per the current licence. Upon further review, we believe this was an anomaly within the licence as Final Determination reported the delivery date as 31st March 2026. We request that this is updated in the final direction.

Annex 2

Special Condition 3.11 Generation Connections Volume Driver (GCE_t)

We note the introduction of the term 'TP Regulatory Year' to clarify that costs incurred in the previous price control period are permitted within claims made under this Licence condition. We do not, however, agree that the current wording reflects the agreed position that costs incurred back to 1st April 2013 are included.

The proposed modification to the TPG_t term refers to '*total expenditure efficiently incurred in the TP Regulatory Year*' and does not make reference to this covering more than one year. We recommend updating this wording to read '*total expenditure efficiently incurred in **each** TP Regulatory Year*' to make it clear that costs over multiple years (starting from 1 April 2013) can be claimed and remove any potential confusion or ambiguity in future claims.

Similarly, the proposed definition for TPRG_t refers to '*revenues or capital contributions... in the TP Regulatory Year*' which can be interpreted as a single year only and therefore to remove any ambiguity we recommend this is also updated to read '*revenues or capital contributions... in **each** TP Regulatory Year*'.

Furthermore, in reviewing the licence term, it is not clear that the current formula accurately reflects the agreed process for TPG claims. The definition of 't' refers to a Regulatory Year and therefore the formula $(TPG_t - TPRG_t)$ could imply it is just one year that is included. Once the change for TP Regulatory Year highlighted above has been implemented to show that multiple TP Regulatory Years are included, the formula could remain as is but with added clarity to the definitions of TPG_t and $TPRG_t$ by including the following sentence at the end of each: '*with 't' representing the year in which the adjustment is recovered*'. This makes it clear that 't' refers to the year the amount is recovered.

Appendix 1 within this Special Condition provides the profiling factors for Licence Term $PGCE_t$ and includes years for both the terms 't' and 'p', however within Annex 2 the titles of the columns and rows are both labelled as 't' whereas the left hand column representing the rows should be labelled as 'p' (as per Appendix 1 in the current NGET licence).

Annex 3

Special Condition 3.12 Demand Connections Volume Driver (DRI_t)

Similar to the situation described above for Annex 2, we note the introduction of the term 'TP Regulatory Year' to clarify that costs incurred in a previous price control period are permitted within claims made under this Licence condition. We do not, however, agree that the current wording reflects the agreed position that costs incurred back to 1st April 2013 are included.

The proposed modification to the TPD_t term refers to '*total expenditure efficiently incurred in the TP Regulatory Year*' and does not make reference to this covering more than one year. We recommend updating this wording to read '*total expenditure efficiently incurred in **each** TP Regulatory Year*' to make it clear that costs over multiple years (starting from 1 April 2013) can be claimed and remove any potential confusion or ambiguity in future claims.

Similarly, the proposed definition for $TPRD_t$ refers to '*revenues or capital contributions... in the TP Regulatory Year*' which can be interpreted as a single year only and therefore to remove any ambiguity we recommend this is also updated to read '*revenues or capital contributions... in **each** TP Regulatory Year*'.

Furthermore, in reviewing the licence term, it is not clear that the current formula accurately reflects the agreed process for TPD claims. The definition of 't' refers to a Regulatory Year and therefore the formula $(TPD_t - TPRD_t)$ could imply it is just one year that is included. Once the change for TP Regulatory Year highlighted above has been implemented to show that multiple TP Regulatory Years are included, the formula could remain as is but with added clarity to the definitions of TPD_t and $TPRD_t$ by including the following sentence at the end of each: '*with 't' representing the year in which the adjustment is recovered*'. This makes it clear that 't' refers to the year the amount is recovered.

Appendix 1 within this Special Condition provides the profiling factors for Licence Term PDCE_t and includes years for both the terms 't' and 'p', however within Annex 3 the titles of the columns and rows are both labelled as 't' whereas the left hand column representing the rows should be labelled as 'p' (as per Appendix 1 in the current NGET licence) .

Annex 4

Special Condition 1.1 Interpretation and definitions

We agree with the introduction of a new defined term for TP Regulatory Year, however as set out above we request that the licence condition wordings for SpC 3.11 and SpC 3.12 where this term is used is updated to reflect that **each** TP Regulatory Year is included.

Annex 5

Special Condition 3.30 Wider Works Volume Driver (WWV_t)

We note that licence condition 3.30.10 has been updated to include the term 'TP Regulatory Years' to reflect that costs in years in the prior price control period can be included within the TPWW claim. We also note that this has been included as a plural term to reflect that multiple years can be included. We agree with this update.

However, we do not agree with the proposed wording in licence condition 3.30.08 as there has been no update to reflect that pre-construction costs can be included within a TPWW claim in RIIO-ET2 which is an agreed outcome of the RIIO-ET1 closeout process. We acknowledge that this approach is confirmed in the statutory consultation, however, to appropriately avoid any future ambiguity in TPWW claims we request that the licence is appropriately modified (as set out below) or, in the absence of such a licence modification, that this confirmation is reiterated in the licence modification decision when directed.

We request that licence condition 3.30.8 is updated to include reference to pre-construction spend as below:

*3.30.8 'After the Price Control Period, the Authority will consider directing a value for TPWW_t to reflect expenditure efficiently incurred **(including pre-construction spend)** by the licensee to progress what would have been either a route or non-route scheme, which is then not required and cannot be used subsequently to contribute to the other outputs established by these special conditions.'*

In addition, Appendix 1 within this Special Condition provides the profiling factors for Licence Term PWW_{t,p} and includes years for both the terms 't' and 'p', however within Annex 5 the titles of the columns and rows are both labelled as 't' whereas the left hand column representing the rows should be labelled as 'p' (as per Appendix 1 in the current NGET licence).

Annex 6

Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10A_t)

We agree with the updated values included within this Licence term.

NGET Redacted Information Document

We agree with the updated allowance values included within the redacted information document, with the exception of Drax to Thornton 2 circuit thermal uprating and equipment upgrade (hotwiring) (TDH2) where the allowance values should be updated to reflect the recent communication on this project. In addition, as outlined in our response to Annex 1 above, there are two delivery dates requiring an update:

- The delivery date for Rayleigh to Tilbury circuit (RTRE) is showing the current licence delivery date of 31st March 2022 rather than the updated delivery date of 31st March 2023 and we request that the delivery year is updated to 2023 in the licence modification decision when directed.
- Hinkley to Bridgewater route (HBUP) is showing a delivery date of 31st March 2027 as per the current licence, we believe this was an anomaly within the licence as Final Determination reports the delivery date as 31st March 2026 and we request that the delivery year is updated to 2026 in the licence modification decision when directed.

We hope you have found this response useful and look forward to finalising the ET2 Licence changes to reflect the outcome of the ET1 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).

Yours sincerely



Chris Bennett
Director, UK Regulation
(by email)