

**National Grid Electricity Distribution (West Midlands)**

**plc**

**Electricity Distribution Licence**

**Special Conditions**

# 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, or

~~(a)~~ (j) the Electricity System Operator Licence.

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

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1-in-20 Severe Weather Event	<p>means a weather event that originates in the Earth's atmosphere, that causes a number of Incidents at Distribution Higher Voltage in a 24-hour period, which exceeds the number specified in Appendix 1 to Special Condition 3.10 (Allowed Expenditure for 1-in-20 Severe Weather Events)</p> <p>The duration of the event is determined in accordance with the following:</p> <p>(a) the event starts at the beginning of a 24-hour period where the number of Incidents at Distribution Higher Voltage in that period is equal to or greater than the commencement threshold specified in Appendix 1 to Special Condition 3.10; and</p> <p>(b) the event ends at a time determined by the Authority having regard to:</p> <p>i) such time as the licensee may have declared was the end of the Severe Weather Event in its statement of facts submitted under paragraph 4.4.14(b) of Special Condition 4.4;</p> <p>ii) the time of Restoration of the last Customer off supply due to a Low Voltage Incident linked to the underlying cause of the severe weather (provided that all Customers off supply due to Incidents at Distribution Higher Voltage linked to the underlying cause of the event have been restored); and</p> <p>iii) the end of a 48-hour period, when the number of Customers off supply due to Incidents at Distribution Higher Voltage linked to the underlying cause of the 1-in-20 Severe Weather Event has fallen to zero.</p>
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A

Act	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Actual Corporation Tax Liability	means the value as shown in the licensee's Company Tax Return (CT600) as submitted to His Majesty's Revenue and Customs relating to the licensee.
Actual Percentage of Gross Load Related Expenditure	means actual expenditure on Specific Customer Funded Reinforcement for the Price Control Period expressed as a percentage of actual Gross Load Related Expenditure (including any expenditure on Strategic Investment projects) for the Price Control Period.
Actual Totex	is derived in accordance with Chapter 3 of the ED2 Price Control Financial Handbook.
Adjusted Outturn Network Risk Output	is derived in accordance with paragraph 3.1.29 of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure).
Affiliate	in relation to a person means a Holding Company of that person, a Subsidiary of that person, or a Subsidiary of a Holding Company of that person.

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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Agreed Schemes	means schemes approved by the Authority for inclusion in the Green Recovery Scheme in its decision titled “RIIO-ED1 Green Recovery Scheme” published on 24 May 2021.
Allowed Distribution Network Revenue	means the revenue calculated in accordance with the formula for the AR term set out in Part B of CRC 2A (Restriction of Allowed Distribution Network Revenue) of this licence as in force on 31 March 2023.
Allowed Revenue	is derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Annual Iteration Process	has the meaning given to that term in the ED2 Price Control Financial Handbook.
Annual Vulnerability Report	means the document of that name prepared and published by the licensee in accordance with Part G of Special Condition 4.6 (Consumer vulnerability output delivery incentive) and the RIIO-ED2 Consumer Vulnerability Guidance Document.
Appropriate Auditor	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
Areas of Outstanding Natural Beauty	means protected landscapes in England, Wales and Northern Ireland as defined in the National Parks and Access to the Countryside Act 1949 and includes National Scenic Areas in Scotland, as comparable to AONBs.
Assistance Order	means the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
Associated Document	means the WSC Governance Document, the RIIO-ED2 Major Connections Incentive Guidance Document, the RIIO-ED2 Consumer Vulnerability Guidance Document, the Distribution System Operation Incentive Governance Document, the RIIO-2 NIA Governance Document, the RIIO-1 Electricity Network Innovation Allowance Governance Document, the Connections Engagement Guidance, the LCN Fund Governance Document, the Environmental Reporting Guidance, the Price Control Deliverable Reporting Requirements and Methodology Document, the Re-opener Guidance and Application Requirements Document, the DSAP Guidance, the Data Best Practice Guidance, the SIF Governance Document, the Smart Optimisation Output Guidance.

Associated Work	means any works required in order to provide a connection to the licensee's Distribution System, including any necessary reinforcement works or diversionary works.
Authority	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Authority's Website	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

## B

Bad Debt	means the costs incurred by the licensee when Use of System charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all NARM Assets in the licensee's Network Asset Risk Workbook
Baseline Unit Cost of Risk	as derived in accordance with paragraph 3.1.38 in Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure).
Basic PCD Report	has the meaning given to that term in the Price Control Deliverable Reporting Requirements and Methodology Document.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 3.5 of the document titled "RIIO-ED2 Sector Specific Methodology: Overview", published by the Authority on 17 December 2020.

## C

CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled "CAF Guidance", version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time.
Calculated Revenue	has the value derived in accordance with Part D of Special Condition 2.1 (Revenue Restriction).
Calculated Tax Allowance	means the value of the TAX <sub>t</sub> term as set out in the "Revenue" sheet of the ED2 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.7 (Coordinated adjustment mechanism Re-opener).

Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year.
Clawback Direction	means a direction under Part C of Special Condition 9.10 (Margins on licensee's Connection Activities) that requires the licensee to make repayment of some or all of the monetary value of the Margin that it had charged in its Connection Charges in relation to its Connection Activities in a Relevant Market Segment of the Local Connections Market during a specified period of time, being the difference (which may not be less than zero) between the Unregulated Margin and the level of Margin specified by the Authority in the Clawback Direction.
Collaboration Plan	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.13 (System Optimisation Output).
Collaborative Streetworks Project	means streetworks undertaken which: (a) are minimum of 0.2km in length, or any length where the project is deemed of strategic importance by the Greater London Authority; (b) involve collaboration at level two or above, as defined in the document titled "Collaboration Manual: A guide to the coordinated delivery of utility infrastructure" published by the London Borough of Croydon; (c) involve a minimum of two Statutory Undertakers, or a minimum of one Statutory Undertaker and one local authority, undertaking physical works in the same road or pathway; (d) are a permanent solution, not a temporary repair; and (e) will be completed by end of the Price Control Period.
Common Connection Charging Methodology	means the document of that name approved by the Authority on 11 July 2011 as amended from time to time.
Common Network Asset Indices Methodology	means the component of the NARM Methodology established pursuant to paragraph 9.2.3(a), which describes the methodology for determining Network Asset Indices and the Network Asset Risk Metric and is common to all Distribution Services Providers.
Company Tax Return	means the financial information that the licensee is required to file with His Majesty's Revenue and Custom each year for the purposes of calculating its Actual Corporation Tax liability.
Complaint	means an expression of dissatisfaction made to the licensee that is related to any one or more of its products, its services or the manner in which it has dealt with an expression of dissatisfaction, and where either a response is provided by or on behalf of the licensee at the point at which contact is made

	or a response is explicitly or implicitly required or expected to be provided thereafter.
Complaints Metric	means the metric used to measure the extent to which the licensee has handled its Complaints for the purposes of the broad measure of Customer service output delivery incentive.
Connection Activities	means activities that comprise or are associated with the provision, modification, or retention of a connection to the licensee's Distribution System as are able, in accordance with the licensee's Connection Charging Statement, to be undertaken by persons other than the licensee, where those activities are fully funded by the Customer (as described in Chapters 10 and 12 of the Authority's decision document published on 7 December 2009 under reference 145/09).
Connection Charge	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Connection Charging Statement	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Connection Regulations	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Connections Element	means the element of the Customer Satisfaction Survey that measures Customer satisfaction in relation to connections work carried out by the licensee for which the questions are prescribed in the RIGs.
Consumer Outcome	<p>means the benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the licensee's Distribution System's capability or resilience including cyber resilience, or benefits to consumers in terms of service quality, or reduction in risk delivered, that would have been delivered by the output associated with the relevant Price Control Deliverable over the whole life of that output as specified in the relevant licence condition.</p> <p>In the context of works delivered by the licensee, this means the benefits to Customers or consumers in terms of maintenance of existing levels of, or improvements in the licensee's Distribution System's capability or resilience including cyber resilience, or benefits to consumers in terms of service quality, or reduction in risk delivered, that can be attributed to the works delivered by the licensee over the whole life of the works delivered.</p>
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).

Coordinated Adjustment Mechanism Re-opener	means the Re-opener established by Special Condition 3.7 (Coordinated Adjustment Mechanism Re-opener).
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: (a) major detrimental impact on the availability, integrity or delivery of essential services – including those services whose integrity, if compromised, could result in significant loss of life or casualties – taking into account significant economic or social impacts; or (b) significant impact on national security, national defence, or the functioning of the state.
Curtailment Efficiency Outturn Performance Metric	has the meaning given to that term in the Distribution System Operation Incentive Governance Document.
Customer	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Customer Satisfaction Survey	means the survey used to measure the extent to which Customers are satisfied with the service provided by the licensee for the purposes of the broad measure of Customer service output delivery incentive for which the questions are prescribed in the RIGs.
Customer Support Costs	means the cost to the licensee, incurred either directly or by virtue of reimbursing Customers or suppliers, of: (a) providing the Customer with food, drink and temporary accommodation, in a hotel or otherwise, during a 1-in-20 Severe Weather Event; (b) providing a Customer with welfare items during a 1-in-20 Severe Weather Event. This includes the procurement of items such as portable toilets, blankets, gas heaters, torches, fuel for customer generators; and (c) contact centre and support staff, over and above the costs the licensee incurs in the normal course of running the Distribution Business.
CVP	means the consumer value propositions which were submitted by the licensee in its Business Plan and accepted by the Authority in its RIIO-ED2 Final Determinations.
CVP Full Delivery	means the delivery as a minimum of the CVP Outputs for each CVP set out in Appendix 1 to Special Condition 4.7 (Consumer value proposition) by 31 March 2028.
CVP Output	means the outputs set out in Appendix 1 to Special Condition 4.7 (Consumer value propositions).



CVP Reward	means the values set out in Appendix 1 to Special Condition 4.7 (Consumer value propositions).
Cyber Resilience IT Baseline Allowances Table	means the table in Part B of Appendix 1 to the document titled “Cyber Resilience Information Technology Final Determination” sent by the Authority to the licensee on 14 December 2022.
Cyber Resilience IT PCD Table	means the table in Appendix 2 to the document titled “Cyber Resilience Information Technology Final Determination” sent by the Authority to the licensee on 29 and 30 November 2022.
Cyber Resilience IT Re-opener	means the Re-opener established by Part H of Special Condition 3.2 (Uncertain Costs Re-openers).
Cyber Resilience IT Re-opener Allowances Table	means the table of that name sent by the Authority to the licensee on [date].
Cyber Resilience OT Baseline Allowances Table	means the table in Part B Appendix 1 to the document titled “Cyber Resilience Operational Technology Final Determination” sent by the Authority to the licensee on 29 and 30 November 2022.
Cyber Resilience OT PCD Table	means the table in Appendix 2 to the document titled “Cyber Resilience Operational Technology Final Determination” sent by the Authority to the licensee on 29 November 2022.
Cyber Resilience OT Re-opener	means the Re-opener established by Part G of Special Condition 3.2 (Uncertain Costs Re-openers).
Cyber Resilience OT Re-opener Allowances Table	means the table of that name sent by the Authority to the licensee on [date].

#### D

Data Best Practice	means a set of principles referenced to in the Data Best Practice Guidance document.
Data Best Practice Guidance	means the document of that name issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).
Data Services	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Decision on SHEPD’s Contribution to the Shetland Transmission Link	means the following documents published on the Authority’s website: Ofgem’s Decision on Scottish Hydro Electric Power Distribution’s proposals to contribute towards proposed electricity transmission links to Shetland, Western Isles and Orkney published on 17 December 2019; and Ofgem’s Confirmation of approval of SHEPD proposal to contribute to the Shetland electricity transmission project published on 30 July 2020.

Defaulting Electricity Supplier	means an Electricity Supplier whose insolvency or liquidation has resulted in the licensee incurring Bad Debt. The timing and meaning of insolvency and liquidation should be interpreted in accordance with the first Group of Parts of the Insolvency Act 1986.
Delayed	means where the licensee has Not Delivered the output set out in the relevant special condition in full by the relevant delivery date, but has delivered or intends to deliver the output in full or in part at a later date.
Demand Customer	means, in relation to any energised or de-energised Exit Point on the licensee's Distribution System, the person who is taking, or is deemed to be taking, a supply of electricity through that Exit Point.
Determined Outturn Network Risk Output	is derived in accordance with paragraphs 3.1.35 or 3.1.37 in Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure).
DG Standards Direction	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Digitalisation	means the use of digital technologies to change an organisation's operating model and provide new revenue or equivalent value-creating opportunities; it is the process of moving to a digital business or organisation.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Re-opener	means the Re-opener established by Part I of Special Condition 3.2 (Uncertain Costs Re-openers).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any Transmission Licensee or any other holder of an Electricity Distribution Licence <u>or the ISOP</u> ), that have not been otherwise funded through Use of System Charges or the NIC Funding Mechanism.
Directly Remunerated Service	has the meaning given to that term in paragraph 9.7.5 of Special Condition 9.7 (Directly Remunerated Services).
Disallowed Expenditure	means revenue received (whether by the licensee or any Transmission Licensee or any other holder of an Electricity Distribution Licence <u>or the ISOP</u> ) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.

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Disapplication Date	has the meaning given to that term in paragraph 9.6.4 of Special Condition 9.6 (Disapplication of Relevant Special Conditions).
Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) for the Authority's consent to disapply the Relevant Special Conditions (in whole or in part) that complies with Parts C and D of that condition.
Distributed Generation	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Distributed Generation Connection Standards	means any standards specified by the Authority in a DG Standards Direction issued under Standard Condition 15A (Connection Policy and Connection Performance).
Distributed Generator	means an installation comprising any plant or apparatus for the production of electricity that is directly connected to the licensee's Distribution System or is connected to that system through one or more electricity networks (other than an onshore Transmission System) that is or are directly connected to it (or, where the context so requires, means a person that owns or operates such an installation).
Distribution Business	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Distribution Connection and Use of System Agreement	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Distribution Higher Voltage	means any nominal voltage of more than 1,000 volts up to and including 132 kilovolts (except in Scotland, where it means any nominal voltage of more than 1,000 volts, but less than 132 kilovolts).
Distribution Network Voltage Control Services	means the services provided to the <del>ISOP</del> <del>GB System Operator</del> by a licensee using Relevant Assets at primary substations on the licensee's Distribution System, such as Customer Load Active System Services (CLASS).
Distribution Services	means all services provided by the licensee as part of its Distribution Business other than Directly Remunerated Services.
Distribution Services Area	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Distribution Services Provider	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

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Distribution System	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Distribution System Operation	means the engagements undertaken by the licensee pursuant to the operation of the Distribution System, being the planning and network development, network operation and market development of the Distribution System as set out in the Distribution System Operation Incentive Governance Document.
Distribution System Operation Incentive Governance Document	means the document of that name issued by the Authority in accordance with Part F of Special Condition 4.8 (Distribution System Operation output delivery incentive).
Distribution System Operation Performance Panel	means a panel established by the Authority to make recommendations to the Authority on the performance of the licensee for the purposes of the Distribution System Operation output delivery incentive established by Special Condition 4.8 (Distribution System Operation output delivery incentive).
Distribution System Operation Performance Panel Submission	means a document prepared and published by the licensee in accordance with Part E of Special Condition 4.8 (Distribution System Operation output delivery incentive).
Distribution System Operation Stakeholder	has the meaning given to that term in the Distribution System Operation Incentive Governance Document.
Distribution System Operation Stakeholder Satisfaction Survey	means the survey (as established by the Distribution System Operation Incentive Governance Document) used to measure the extent to which Distribution System Operation Stakeholders are satisfied with the service provided by the licensee for the purposes of the Distribution System Operation output delivery incentive for which the questions are prescribed in the Distribution System Operation Incentive Governance Document.
Domestic Customer	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Domestic Premises	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
DRS Net Revenue	means the revenue received by the licensee from charges for a Directly Remunerated Service listed in Special Condition 9.7 (Directly Remunerated Services) less any attributable costs associated with the provision of those services not already included in the licensee's Actual Totex. Revenues and costs are ascertained on a normal accruals basis and in accordance with any RIGs that apply for the purposes of this condition, and DRS Net Revenue is expressed as a negative figure when the revenue received exceeds the associated costs.

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DSAP Guidance	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
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## E

ED1 Legacy Price Control Financial Model	means the final version of the ED1 Price Control Financial Model.
ED1 Price Control Financial Handbook	means the ED1 Price Control Financial Handbook (fast-track licensees) that was first published by the Authority to come into effect on 1 April 2015, as in force on 31 March 2023, and includes specific information and advice about the operation of the ED1 Price Control Financial Model.
ED1 Price Control Financial Model	has the meaning given to that term in Charge Restriction Condition 1B (Interpretation of Part 4) of this licence as in force on 31 March 2023.
ED2 Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2023 and includes specific information and advice about the operation of the ED2 Price Control Financial Model.
ED2 Price Control Financial Instruments	means the ED2 Price Control Financial Handbook and the ED2 Price Control Financial Model.
ED2 Price Control Financial Model	means the model of that name that was first published by the Authority to come into effect on 1 April 2023.
ED2 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ED2 Price Control Financial Handbook.
Efficiency	in relation to Price Control Deliverables, means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan. This does not include where: (a) lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or (b) expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to growth in demand for the licensee's services or government policy.
Elective Communication Services	has the meaning given to that term in Condition 1 of the Smart Meter Communication Licence.
Electricity Distribution Licence	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

Electricity Distributor	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Electricity Meter	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Electricity Network Innovation Competition Governance Document	means the document of that name maintained by the Authority in accordance with Part B of Special Condition 7.9 (RIIO-ED1 network innovation competition).
Electricity Supplier	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
<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 Re-opener	means the Re-opener established by Part D of Special Condition 3.2 (Uncertain Costs Re-openers).
Electricity System Restoration Scope of Work	means the scope of work the licensee has agreed to undertake in order to assist the <del>ISOP GB System Operator</del> to meet its obligations to comply with the target Restoration Times that the Secretary of State has directed the <del>ISOP GB System Operator</del> to have the capability to meet.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2023, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible LCN Fund Project	means a project undertaken by a Distribution Services Provider that in the Authority's view satisfies those requirements of the LCN Fund Governance Document as are necessary to enable the project to be funded under the LCNF First Tier Funding Mechanism, or the LCNF Second Tier and Discretionary Funding Mechanism (as the case may be).
Eligible NIC Project	means a project undertaken by the licensee or any other Electricity Distributor or Transmission Licensee <u>or the ISOP</u> that in the Authority's view satisfies those requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Eligible SIF Project	means a project undertaken by the licensee or any other holder of an Electricity Distribution Licence that the Authority assesses as satisfying those requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.

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ENA Smarter Networks Portal	means the information portal at <a href="https://www.smarternetworks.org/">https://www.smarternetworks.org/</a> .
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End-to-End Restoration Time	means the duration of time of the site opening until the works reinstatement are completed, including the full period of disruption for the works covering both the work to find and fix the fault, as well as the time taken to reinstate and clear the works, in relation to an unplanned emergency fault street works.
Energy Ombudsman	means the person appointed to investigate and resolve consumer Complaints against (amongst others) the licensee pursuant to a redress scheme approved by the Authority under section 49 of the Consumers, Estate Agents and Redress Act 2007.
Energy Ombudsman Findings Against the Licensee	means any Energy Ombudsman decisions requiring the licensee to make a payment exceeding that previously offered to the complainant, or finding the licensee should change its processes beyond what it had previously indicated to the complainant, or both.
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in its Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Re-opener	means the Re-opener established by Part E of Special Condition 3.2 (Uncertain Costs Re-openers).
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Equally Challenging	means presenting an equal or higher challenge to the licensee in the over-delivery opportunity that exists with the rebased Baseline Network Risk Output when compared with the over-delivery opportunity that existed with the original Baseline Network Risk Output, where over-delivery opportunity is the capability to deliver greater Network Risk Output by undertaking the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Output.
Equivalent Charges	means the Use of System Charges made by the Electricity Distributor that has a Distribution Services Direction that specifies the Distribution Services Area in which the Domestic Premises connected to the licensee's Distribution System are located and the Authority may give the licensee a direction that specifies which of the Use of System Charges made by the Distribution Services Provider for the Distribution Services Area are relevant for the purposes of determining Equivalent Charges.

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EV Optioneering Project	means work by the licensee in collaboration with any Local Authority to assess or determine optimal locations for public electric vehicle chargepoints done in accordance with the optioneering methodology contained in Annex 4A.27 'Strategic DNO' of the licensee's Business Plan.
Evaluative Price Control Deliverable	means a Price Control Deliverable specified in Special Condition 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table or Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable).
Ex-ante Regulatory Equity	means the value specified for the licensee, in £million: ENWL 872 NPgN 648 NPgY 894 WMID 1126 EMID 1153 SWALES 576 SWEST 874 LPN 757 SPN 783 EPN 1222 SPD 831 SPMW 924 SSEH 620 SSES 1169
Excluded Market Segment	has the meaning given to that term in Part E of Special Condition 9.10 (Margins on Connections licensee's Connections Activities).
Exit Point	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

## **F**

Final Investment Decision	means the point in the capital project planning process when the decision to make major financial commitments is taken by the relevant company, eg when major equipment orders and construction contracts are placed.
Final Needs Case	has the meaning given to that term in Special Condition 1.1 (Interpretation and definitions) of the Transmission Licence.
Flexibility Reinforcement Deferral Outturn Performance Metric	has the meaning given to that term in the Distribution System Operation Incentive Governance Document.
Former Electricity Supplier	means any person who has been Authorised to supply electricity in the past.

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Fuel Poverty Customer Satisfaction Survey	means the survey used to measure the satisfaction of Domestic Customers in Vulnerable Situations with the Fuel Poverty Services Delivered by the licensee.
Fuel Poverty Services Delivered	means the contact an individual Domestic Customer in a Vulnerable Situation has had with their licensee or the licensee's partner or contractor where a service has been provided or a job has been completed which is of benefit to the Domestic Customer in a Vulnerable Situation in alleviating the impacts of fuel poverty.
Full PCD Report	has the meaning given to that term in the Price Control Deliverable Reporting Requirements and Methodology Document.
Fully Deliver	means to deliver an output specified in the relevant licence condition in full on or before the delivery date specified in that licence condition.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from Transmission Licensees and any other Electricity Distributor <u>or the ISOP</u> , in each case to the extent (if any) as may be relevant, of: (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.

## G

Gas Distribution System	has the meaning given to that term in Standard Special Condition A3 (Definitions and interpretation) of the Gas Transporter Licence.
Gas Transporter Licence	means a licence granted under section 7 of the Gas Act 1986.
<del>GB System Operator</del>	<del>has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).</del>
GB Transmission System	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

General Enquiries Element	means the element of the Customer Satisfaction Survey that measures Customer satisfaction in relation to general enquiries work carried out by the licensee for which the questions are prescribed in the RIGs.
General Financial Adjustment Methodology	means the methodology of that name specified in Chapter 8 (Legacy) of the ED2 Price Control Financial Handbook.
Green Recovery Scheme	means the Authority's coordinated whole systems approach to accelerating low regrets network investment to reduce barriers, support an equitable transition and stimulate economic recovery and low-carbon development announced on 8 February 2021.
Green Recovery Scheme Project Costs	means any costs directly or indirectly incurred by the licensee in respect of Agreed Schemes where: (a) the licensee will meet or has met the Overall Expenditure Condition, absent the expenditure on Agreed Schemes; or (b) where the expenditure on Agreed Schemes will be or has been necessary to meet the Overall Expenditure Condition, that part of any costs directly or indirectly incurred on Agreed Schemes which is in excess of the Overall Expenditure Condition; and (c) work on the Agreed Schemes started during the RII0-1 Price Control Period.
Grid Code	has the meaning given to that term in <del>Standard Condition A1 (Definitions and interpretation) of the</del> <u>Electricity System Operator Licence</u> , <del>the Transmission Licence</del> .
Gross Load Related Expenditure	means the total amount of expenditure incurred by the licensee in respect of cost areas that make up Load Related Expenditure before the deduction of Specific Customer Funded Reinforcement.

## H

Hebrides and Orkney Re-opener	means the Re-opener established by Part O of Special Condition 3.2 (Uncertain Costs Re-openers).
High Value Project	means any individual non-load related investment project that is reasonably forecast to cost the licensee £25 million or more.
High Value Projects Re-opener	means the Re-opener established by Part L of Special Condition 3.2 (Uncertain Costs Re-openers).
High-cost Distribution Payments	means annual payments made by the <del>ISOP GB System-Operator</del> pursuant to the Assistance Order and in accordance with <del>standard condition F8C22</del> (Assistance for <del>Areas with High</del>

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	<del>d</del> Distribution <del>D</del> eosts scheme: ( <del>AAHDCS</del> )) <del>payments to a Relevant Distributor)</del> of the <del>ISOP's GB System Operator's</del> <u>Electricity System Operator Transmission Licence</u> .
Holding Company	in relation to a person, means a holding company within the meaning of section 1159 of the Companies Act 2006.

I

Incentive on Connections Engagement Guidance	means the document of that name maintained by the Authority in accordance with Part D of Special Condition 7.4 (Legacy incentive performance).
Incidents	has the meaning given to that term in the RIGs.
Incurred NARM Expenditure	means the total expenditure incurred by the licensee during the Price Control Period on NARM Asset Interventions, adjusted to reverse the implied contribution of Real Price Effects that would be calculated using the methodology set out in chapter 5 of the Price Control Financial Handbook.
Information Gathering Plan	means a plan required by Part E of Special Condition 9.2 (Network Asset Risk Metric methodology).
Initial Needs Case	has the meaning given to that term in Special Condition 1.1 of the Transmission Licence held by Relevant Network Licensees.
Innovation	in relation to Price Control Deliverables means: (a) solutions that have been trialled by any Network Licensee as part of a RIIO-1 Network Innovation Allowance project pursuant to the requirements of the RIIO-1 NIA Governance Document or a RIIO-2 NIA Project; or (b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.
<u>ISOP</u>	<u>has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).</u>
IT	means a licensee's information technology network and information systems that relate to the use of computers, software, hardware and other devices to perform business operations.

I

Justified Over-Delivery	means a delivery above the Baseline Network Risk Output that in the Authority's opinion was justified based on analysis that indicates: (a) the actual level of risk was higher than that set out in the Network Asset Risk Workbook and delivery of the Outturn Network Risk Output above the level set out was required by the licensee to mitigate that risk; or (b) the level of expenditure otherwise represented an efficient use of the licensee's resources, even if the actual level of risk remained unchanged.
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Justified Under-Delivery	means a delivery below the Baseline Network Risk Output that in the Authority's opinion was justified based on analysis that indicates: (a) the actual level of risk was lower than that set out in the Network Asset Risk Workbook and delivery of the level of Baseline Network Risk Output set out was not required; or (b) the level of expenditure otherwise represented an efficient use of the licensee's resources, even if the actual level of risk remained unchanged.
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## K

Key Prepayment Electricity Meter	means an Electricity Meter that requires the use of a key to enable information to be transferred to that meter from a point of sale for electricity, and vice versa.
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## L

LCN Fund Governance Document	means the document of that name previously issued by the Authority and now maintained under Special Condition 7.8 (Low Carbon Networks Fund).
LCN Fund Returned Project Revenues	means: (a) revenues received (whether by the licensee or another Distribution Services Provider) under the LCNF Second Tier and Discretionary Funding Mechanism in respect of an Eligible LCN Fund Project that the Authority determines have not been spent, and where the project has been carried out in accordance with the applicable provisions of the LCN Fund Governance Document and/or the terms of the relevant LCNF Project Direction; or (b) revenues earned from Eligible LCN Fund Project (whether by the licensee or another Distribution Services Provider) other than Returned LCN Fund Royalties, that the Authority determines are payable to Customers.
LCNF Approved Amount	means an amount approved by the Authority in relation to a claim submitted by a Distribution Services Provider to receive funding for an Eligible LCN Fund Project under the LCNF Second Tier and Discretionary Funding Mechanism, where such claim complies in all respects with any requirements as are imposed by the LCN Fund Governance Document.
LCNF Directly Attributable Costs	means the costs relating to the maintenance and management of intellectual property generated through Second Tier LCN Fund projects (whether by the licensee or another Distribution Services Provider) that have not have been remunerated by Use of System Charges, charges for Metering Point Administration Service, Legacy Metering Equipment Charges, revenue from Data Services, Directly Remunerated Services or by the LCNF Second Tier and Discretionary Funding Mechanism.

LCNF Disallowed Expenditure	means revenue received (whether by the licensee or another Distribution Services Provider) under the LCNF Second Tier and Discretionary Funding Mechanism that the Authority determines not to have been spent in accordance with the provisions of the LCN Fund Governance Document or those of the relevant LCNF Project Direction.
LCNF Discretionary Funding	means the aggregate (for the licensee and all other Distribution Services Providers) of the discretionary funding awarded by the Authority, in accordance with the LCN Fund Governance Document, in respect of Eligible LCN Fund Projects.
LCNF First Tier Funding Mechanism	means the mechanism used for the recovery of funding for Eligible LCN Fund Projects raised through revenues contributed through the licensee's Use of System Charges Between 1 April 2010 and 31 March 2015.
LCNF Halted Project Revenues	means revenues received (whether by the licensee or another Distribution Services Provider) under the LCNF Second Tier and Discretionary Funding Mechanism in respect of an Eligible LCN Fund Project that have not yet been spent, or otherwise committed, at the time that the Authority requires that Eligible LCN Fund Project to be halted in accordance with the provisions of the LCN Fund Governance Document or those of the relevant LCNF Project Direction.
LCNF Project Direction	means a direction issued by the Authority pursuant to the LCN Fund Governance Document setting out the terms to be followed in relation to the Eligible LCN Fund Project as a condition of its funding pursuant to the LCNF Second Tier and Discretionary Funding Mechanism.
LCNF Second Tier and Discretionary Funding Mechanism	means the mechanism governed by Special Condition 7.8 (Low Carbon Networks Fund) and the LCN Fund Governance Document used for the recovery by, and apportionment among, the licensee and other Distribution Services Providers of: (a) LCNF Second Tier Funding; (b) LCNF Discretionary Funding; (c) LCNF Halted Project Revenues; (d) LCNF Disallowed Expenditure; (e) Returned LCN Fund Royalties; and (f) LCN Fund Returned Project Revenues.
LCNF Second Tier Funding	means the aggregate (for the licensee and all other Distribution Services Providers) of all the LCNF Approved Amounts in the 2015/16 Regulatory Year.
Legacy Metering Equipment	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

Legacy Metering Equipment Charges	means the charges levied by the licensee for the provision of Legacy Metering Equipment in accordance with the relevant charging statement prepared by the licensee under standard condition 36 (Charges for the provision of Legacy Metering Equipment and Data Services).
Legal Requirements Test	means an assessment of the licensee's compliance, in respect of the making of connections to its Distribution System with: <ul style="list-style-type: none"> <li>(a) paragraph 12.6(c) of standard condition 12 (Requirement to offer terms for Use of System and connections);</li> <li>(b) standard condition 15 (Standards for the provision of Non-Contestable Connection Services);</li> <li>(c) standard condition 15A (Connections policy and connection performance);</li> <li>(d) standard condition 19 (Prohibition of discrimination under Chapters 4 and 5); and</li> <li>(e) the Competition Act 1998.</li> </ul>
LineSIGHT	means the overhead line safety management system project developed by Electricity North West Limited to install 400 sensors to 800km of high risk high voltage circuits and 1,800 sensors to 7,200km of normal risk high voltage circuits and integrate them with its network management system as set out in its Engineering Justification Paper (Reference No. BA EJP 1 - Safety) dated 1 December 2021.
Load Related Expenditure	means expenditure in the following cost categories: <ul style="list-style-type: none"> <li>(a) connections that are subject to the apportionment rules under the Common Connection Charging Methodology after deduction of Specific Customer Funded Reinforcement;</li> <li>(b) primary reinforcement;</li> <li>(c) secondary reinforcement;</li> <li>(d) fault level reinforcement; and</li> <li>(e) New Transmission Capacity Charges.</li> </ul>
Load Related Expenditure Re-opener	means the Re-opener established by Part K of Special Condition 3.2 (Uncertain Costs Re-openers).
Load Related Expenditure Volume Drivers Governance Document	means the document of that name issued by the Authority in accordance with Part C of Special Condition 3.9 (Load related expenditure volume drivers).



Local Area Energy Plan	means a plan that is the product of a process: (a) through which a range of stakeholders including other Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and (b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Local Connections Market	has the meaning given to that term in Standard Condition 52 (Competition in Connections Code of Practice).
Long-term Monetised Risk	means an estimate of the present value of monetised condition based asset risk measured over a defined period of time greater than one year from a given start date, and equal to the cumulative total of the present value of in-year risk for each year of the defined period.
Long-term Monetised Risk Benefit	means the risk benefit delivered or expected to be delivered by an asset intervention and is the difference between without intervention and with intervention Long-term Monetised Risk.
LOTI	has the meaning given to that term in Special Condition 1.1 of the Transmission Licence held by Relevant Network Licensees.
Low Carbon Networks Fund	means the funding mechanism of that name that was in operation during distribution price control review 5 Between 1 April 2010 and 31 March 2015 to incentivise the development of low carbon networks.
Low Carbon Transition Customer Satisfaction Survey	means the survey used to measure the satisfaction of Domestic Customers in Vulnerable Situations with the Low Carbon Transition Services Delivered by the licensee.
Low Carbon Transition Services Delivered	means the contact an individual Domestic Customer in a Vulnerable Situation has had with their licensee or the licensee's partner or contractor where a service has been provided or a job has been completed which is of benefit to the Domestic Customer in a Vulnerable Situation in enabling participation in a net zero energy system.
Low Voltage	means a nominal voltage not exceeding 1,000 volts.
LV Monitoring	means the use of direct measurement, or advanced analytics, to allow for real time measurement and assessment of network conditions on the licensee's Low Voltage network.
LVSSA	means a low-voltage demand connection (other than of a load that could reasonably be expected to cause disruption to other Customers) to single premises, involving a single-phase connection and no significant work other than the provision of a service line and the Electricity Distributor's fuses.



LVSSB	means a connection (other than of a load that could reasonably be expected to cause disruption to other Customers) via low-voltage circuits fused at 100 amperes or less per phase with whole-current metering, and where the highest voltage of the assets involved in providing the connection, and any Associated Works, is low-voltage, to: (a) a development scheme requiring more than one but fewer than five single-phase connections at Domestic Premises and involving only the provision of a service line and the Electricity Distributor's fuses; or (b) a development scheme requiring fewer than five single-phase connections at Domestic Premises and involving an extension of the existing low-voltage network; or (c) single premises requiring a two-phase or three-phase connection and involving only the provision of a service line and the Electricity Distributor's fuses.
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## M

Major Connections Annual Report	means the report of that name prepared by the licensee in accordance with Part B of Special Condition 4.5 (Major connections output delivery incentive).
Major Connections Customer Satisfaction Survey	means the survey used to measure major connections Customers' satisfaction with the service provided by the licensee.
Major Connections Governance Document	means the document of that name issued by the Authority in accordance with Part C of Special Condition 4.5 (Major connections output delivery incentive).
Margin	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Materiality Threshold	means the value specified for the licensee, in £million: ENWL 3.95 NPgN 2.73 NPgY 3.61 WMID 4.20 EMID 4.23 SWALES 2.12 SWEST 3.06 LPN 3.71 SPN 3.61 EPN 5.56 SPD 3.92 SPMW 4.09 SSEH 2.16 SSES 5.56
Mature Innovation	in relation to the Digitalisation Re-opener means a product or service that has:

	<p>(a) progressed through network innovation spending, such as the SIF, NIC, or NIA, to the point where it is ready to be considered as part of business-as-usual operations;</p> <p>(b) is the result of industry-wide activities relating to the modernisation of regulatory reporting; or</p> <p>(c) is the result of industry-wide activities relating to the implementation of the Technology Business Management taxonomy.</p>
Mechanistic Price Control Deliverable	means a Price Control Deliverable where the relevant licence condition establishes the adjustment that will be made to allowances in a mechanistic manner, where the output has not been delivered as specified in the licence.
Medically Dependent Customers	means Domestic Customers who are dependent on electricity supply for critical medical support, and for whom a loss of electricity supply may result in loss of life or serious harm to that Domestic Customer.
Metered	means, in relation to any quantity of electricity distributed, measured by an Electricity Meter installed for the purpose.
Metering Point Administration Service	means the service of that name that the licensee must operate and maintain in accordance with the requirements of standard condition 18 (Provision of and charges for Metering Point Administration Services).
Metering Service	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Modern Equivalent Asset Purchase Price	in relation to any type of Electricity Meter, means the purchase price of a new Electricity Meter of the same functionality as that type.
Moorside Nuclear Site	means the site directly adjacent to the north side of the decommissioned Sellafield nuclear power station, in the West Coast of Cumbria, which has been identified by United Kingdom government as a potential site for new nuclear generation.
Moorside Pre-Construction Funding	means the funding required to enable the development of the project to connect new nuclear generation, including associated infrastructure, at the Moorside Nuclear Site, to the point that consents are obtained, and the project is ready to begin construction.
MPAS Charging Statement	means a statement prepared by the licensee in accordance with paragraph 18.4 of standard condition 18 (Provision of and charges for Metering Point Administration Services).

## N

NARM Asset	means an asset specified within the NARM Methodology where its associated Long-term Monetised Risk can be estimated by applying the NARM Methodology.
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NARM Asset Intervention	means an intervention, of a type that is classified as an Asset Replacement or Refurbishment (NARM) activity in the RIGs, undertaken on a NARM Asset.
NARM Asset Register Category	means a category of assets with similar functions and design as specified in the NARM Methodology.
NARM Justification Report	means a report required by paragraph 3.1.20 of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure (NARM <sub>t</sub> )).
NARM Methodology	means a methodology comprised of the Common Network Asset Indices Methodology and the Network Asset Indices Methodology.
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Performance Report	means a report required by Part E of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure (NARM <sub>t</sub> )).
National Electricity Transmission System	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by <del>Transmission Licensees,</del> <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 <u>Transmission Licensee or the ISOP</u> <del>transmission licensee</del> within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity.
National Parks	means the areas that are designated as protected areas as defined in the National Parks and Access to the Countryside Act 1949.
National Scenic Areas	means the areas that are defined in the Town and Country Planning (Scotland) Act 1997 as being of outstanding scenic value in a national context.

Net Zero Carbon Targets	means the targets set out in: (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.
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Net Zero Development	means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is: (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances; (d) a change in the pace or nature of the uptake of low carbon technologies; or (e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
Net Zero Re-opener	means the Re-opener established by Part C of Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable).
Network Asset	means the assets that collectively form the Distribution System to which this licence relates, and includes the principal components of those assets.
Network Asset Indices	means the indices representing an asset's health, criticality and Long-term Monetised Risk, which are: (a) the "Health Index", which relates to the current condition of the licensee's NARM Assets, and the predicted rate of deterioration in the condition of those assets, so as to enable their present and future condition and the probability of their failure to be assessed; (b) the "Criticality Index", which reflects the safety impact, environmental impact, network (or system) reliability impact, financial implications, and other consequences that the licensee may reasonably deem to be relevant to its NARM Assets; and (c) the "Risk Index", which provides the Network Asset Risk Metric and is a measure of Long-term Monetised Risk, derived from a combination of the Health Index and Criticality Index.
Network Asset Indices Methodology	means the component of the NARM Methodology established pursuant to paragraph 9.2.3(b), that is the licensee's own methodology for implementation of the Common Network Asset Indices Methodology using the licensee's own asset information.
Network Asset Risk Metric	means the Long-term Monetised Risk associated with a NARM Asset or the Long-term Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Asset Risk Workbook	means the workbook containing the licensee's Baseline Network Risk Output issued by the Authority in accordance with Part C of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure ( $NARM_t$ )).
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.

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Network Risk Output	means the Long-term Monetised Risk Benefit delivered, or expected to be delivered, by NARM Asset Interventions measured from the end of the Price Control Period for a period defined in the Common Network Asset Indices Methodology.
New Control Room	means the preferred option contained in the RIIO ED2 SSSEN Engineering Justification Papers (a) 416_SHEPD_DSO_CTRL_ROOM_CLEANOFGEM.pdf; and (b) 415_SEPD_DSO_CTRL_ROOM_CLEANOFGEM.pdf .
New Depot	means the preferred option contained in the following RIIO ED2 NGED (WPD at time of submission) Engineering Justification Papers: (a) EJP004 Exeter Depot Refurbishment.pdf; (b) EJP005 Torquay Depot Refurbishment.pdf; and (c) EJP006 Plymouth Depot Refurbishment.pdf.
New Transmission Capacity Charges	means those elements of Transmission Connection Point Charges that are attributable (in whole or in part) to connection assets first becoming energised on or after 1 April 2023 pursuant to a requirement of the licensee for the provision of new or reinforced connection points between the GB Transmission System and the licensee's Distribution System.
NIA	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).
NIC	means the arrangements known as the network innovation competition established by Charge Restricted Condition 5A (The Network Innovation Competition) of this licence as in force on 31 March 2023.
NIC Funding	means the amount transferred to the licensee to fund the implementation of a NIC Project.
NIC Funding Mechanism	means the arrangements, pursuant to Special Condition 7.9 (RIIO-ED1 network innovation competition), for the recovery by <del>the ISOP</del> <del>the GB System Operator</del> 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 <del>the ISOP</del> <del>GB System Operator</del> , the licensee, and other Electricity Distributors and Transmission Licensees.
NIC Project	means a project undertaken by a licensee that appears to the Authority to satisfy those requirements of the NIC Governance Document as are necessary for the project to be funded under the NIC Funding Mechanism.
Non-intervention Risk Changes	means factors that result in changes to Long-term Monetised Risk that are unrelated to the licensee's asset interventions, but may impact the licensee's Outturn Network Risk Output.

Non-NARM Asset Interventions	means an intervention undertaken on a NARM Asset that is not classified as a NARM Asset Intervention, or an intervention on an asset that is not a NARM Asset.
Not Delivered	means where the licensee has not delivered the output as set out in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.

## Q

Off-Gas Grid Customers	means Customers with a single-phase connection to the Distribution System who are not connected to the Gas Distribution System.
Operational Performance	means a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the Business Plan incentive. It also excludes the baseline allowed return on equity.
OT	means a licensee's operational technology network and information systems that interface with physical assets and processes of operations.
Other Exceptional Event	means a non-weather event that: (a) was a consequence of a cause external to the licensee including an Incident on a Transmission System or other connected network owned/operated by a third party, or from contact with a foreign object under the control or influence of a third party, terrorism or vandalism; and (b) contributes more than the threshold amount specified for the licensee in Appendix 11 to Special Condition 4.4 (Interruptions incentive scheme output delivery incentive) to CIIS or CMLIS in a three month period.
Out of Area Charges	means the Use of System Charges levied by the licensee in respect of its Distribution Business activities outside its Distribution Services Area.
Outturn Network Risk Output	means the Long-term Monetised Risk Benefit delivered during the Price Control Period through the licensee's NARM Asset Interventions.
Outturn Unit Cost of Risk	as derived in accordance with paragraph 3.1.39 in Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure).
Overall Expenditure Condition	means the requirement that totex expenditure over the RIIO-1 Price Control Period exceeds the value specified in Appendix 2 to Charge Restriction Condition 3N (Arrangements to exclude

	Green Recovery Scheme Project Costs from the Totex Incentive Mechanism).
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P

Partial Shutdown	has the meaning given to that term in the Grid Code.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCB	has meaning given to that term by Regulation 2(1) of either of the PCB Regulations.
PCB Interventions	means work undertaken by the licensee on pole-mounted Transformers, associated poles and pole-mounted switchgear in order to comply with the PCBs Regulations, and work that may involve the installation of a ground-mounted Transformer in circumstances where the forecast load growth exceeds the capacity that can be supplied by a pole-mounted Transformer.
PCB Regulations	In the case of England and Wales, the Environmental Protection (Disposal of Polychlorinated Biphenyls and other Dangerous Substances) (England and Wales) Regulations 2000, and any amendment to it. In the case of Scotland, the Environmental Protection (Disposal of Polychlorinated Biphenyls and other Dangerous Substances) (Scotland) Regulations 2000, and any amendment to it.
PCFM Variable Value	means the values in the table of that name in the ED2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2010 and relating to the Distribution Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.



Physical Security	means the measures designed to ensure the physical protection of property and assets at Critical National Infrastructure site.
Physical Security Re-opener	means the Re-opener established by Part B of Special Condition 3.2 (Uncertain Costs Re-openers).
Physical Security Scope of Work	means the scope of work the licensee has agreed to undertake in order to comply with government policy, guidance or requirements, relating to Physical Security.
Pre-fault Availability	has the meaning given to that term in the RIGs.
Prescribed Rates	means: (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing or supplementing those rates that is levied on the licensee in respect of its Distribution Business.
Price Control Deliverable	means the outputs, delivery dates and associated allowances specified in Special Conditions 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable) and other bespoke special conditions setting out Mechanistic Price Control Deliverables.
Price Control Deliverable Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part C of Special Condition 9.3 (Evaluative Price Control Deliverable Reporting Requirements).
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, "Decision on the Authority's policy for funding Pension Scheme Established Deficits" dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2023.
Priority Services Register	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Priority Services Register Customers	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
PSR Reach	means the total number of households registered on the licensee's Priority Services Register out of the total number of households in the licensee's Distribution Services Area that are

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	eligible to be so registered in accordance with the criteria set out in the RII0-ED2 Consumer Vulnerability Guidance Document.
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Q

R

Rail Electrification Costs	means costs incurred or expected to be incurred, other than those recoverable from a third party, associated with the diversion of electric lines or electrical plant to facilitate a Rail Electrification Project.
Rail Electrification Costs Re-opener	means the Re-opener established by Part C of Special Condition 3.2 (Uncertain Costs Re-openers).
Rail Electrification Project	means a project for the electrification of a rail route approved by the Secretary of State.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Output	means a Baseline Network Risk Output that has been revised to give effect to a modified Common Network Asset Indices Methodology as approved under Part C of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purposes of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure (NARM <sub>t</sub> )).
Rebasing	means the process of modifying the Baseline Network Risk Output as set out in Part D of Special Condition 3.1 (Allowed Network Asset Risk Metric expenditure (NARM <sub>t</sub> )).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April.
Related Undertaking	in relation to a person means an undertaking in which the person has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.
Relevant Assets	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Relevant Distributor	has the meaning given to that term in section 184 of the Energy Act 2004.
Relevant Market Segments	means the nine segments listed in Part D of Special Condition 9.10 (Margins on licensee's Connection Activities).
Relevant Network Licensees	has the meaning given to that term in Standard Condition 48A (Electricity Network Innovation Strategy).

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Relevant Special Conditions	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Remote Transmission Assets	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Renewable Energy Zone	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.
Re-opener	means a mechanism created by Special Condition 3.2 (Uncertain Costs Re-openers), Part C of Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable) or Special Condition 3.7 (Coordinated Adjustment Mechanism Re-opener).
Re-opener Guidance and Application Requirements Document	means the document of that name issued by the Authority in accordance with Part A of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).
Repeat Complaints	means any Complaint in relation to which the complainant makes contact with the licensee to express dissatisfaction in respect of the same or substantially the same matter that was the subject of a previously Resolved Complaint within the previous 12 month period.
Resolved Complaint	means a Complaint in respect of which there remains no outstanding action to be taken by the licensee because: (a) the Complaint been resolved to the satisfaction of the relevant Customer; (b) although the Customer is not openly satisfied with the outcome of the Complaint, the Customer has agreed that the licensee has taken all action reasonably expected; or (c) the Customer has not made further contact with the licensee within 28 calendar days of despatch by the licensee of its substantive response to the Complaint. For the avoidance of doubt, in the case of (c), the date at which the Complaint should be treated as resolved is the date at which the response was despatched.
Restoration	means that the supply to any premises that has been interrupted, has been restored such that the Customer is able to use the supply to the premises in the same manner as the supply could have been used before the interruption occurred.

Restoration Costs	<p>means any costs incurred by the licensee in respect of a 1-in-20 Severe Weather Event in order to restore supplies to any affected Customers. This includes:</p> <p>(a) staff-related and contractor-related costs in relation to the activities set out below, that are over and above those that the licensee incurs in the normal course of its business;</p> <p>(b) the carrying out of any necessary switching activity;</p> <p>(c) the provision of temporary supplies via, but not limited to, mobile generation and facilities for the storage of electricity that are not owned by the licensee;</p> <p>(d) undertaking work on faulted assets to return them to their Pre-fault Availability. This includes the repair or replacement of additional components or full replacement of the asset concerned even if repair of that asset would be possible; and</p> <p>(e) undertaking work on any associated asset that is required due to the circumstances of the faulted asset, including factors such as the configuration, location or access constraints associated with the faulted asset.</p>
Restoration Times	<p>means the time it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown.</p>
Retail Prices Index	<p>means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).</p>
Returned LCN Fund Royalties	<p>means the revenues earned from intellectual property generated through Second Tier LCN Fund projects (whether by the licensee or another Distribution Services Provider), less LCNF Directly Attributable Costs, and that are payable to Customers under the LCNF Second Tier and Discretionary Funding Mechanism, and is calculated in accordance with the provisions of the LCN Fund Governance Document.</p>

Returned Project Revenues	means: (a) revenues received by the licensee from the <del>ISOP</del> <sup>GB System Operator</sup> 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.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any Transmission Licensees or any other holder of an Electricity Distribution Licence <u>or the ISOP</u> ), less Directly Attributable Costs, that is payable to Customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance with Standard Condition 46 (Regulatory Instructions and Guidance).
RIIO-1 Allowed Pass-through	means any of the costs permitted to be passed through to users of the licensee's Distribution System under CRC 2B (Calculation of Allowed Pass-Through Items) of this licence as in force on 31 March 2023.
RIIO-1 Electricity Network Innovation Allowance Governance Document	means the document of that name issued by the Authority in accordance with Part D of Charge Restriction Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023 and maintained under Part C of Special Condition 5.3 (Carry-over network innovation allowance).
RIIO-1 Network Innovation Allowance	means the network innovation allowance established by Charge Restriction Condition 2H (The Network Innovation Allowance) of this licence as in force on 31 March 2023.
RIIO-1 Price Control Period	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2015.
RIIO-2 NIA Governance Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy those requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-ED2 Consumer Vulnerability Guidance Document	means the document of that name issued by the Authority in accordance with Part H of Special Condition 4.6 (Consumer vulnerability output delivery incentive).

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RIIO-ED2 Final Determinations	means the documents published by the Authority on 30 November 2022 setting out the Authority's decisions in relation to the Price Control Period.
RPEs	means Real Price Effects (RPEs) which are allowances for differences between price control inflation and specific input prices based on a range of indices.

S

Second Tier LCN Fund	means the fund for high-value Innovation projects which was in operation during distribution price control review 5 Between 1 April 2010 and 31 March 2015 to incentivise the development of low carbon networks.
Secondary Network Visibility Outturn Performance Metric	has the meaning given to that term in the Distribution System Operation Incentive Governance Document.
Severe Weather Event	<p>means a weather event that causes a number of Incidents at Distribution Higher Voltage in any 24-hour period, which is equal to or greater than the number specified in Appendix 10 to Special Condition 4.4 (Interruptions incentive scheme). The duration of the event is determined in accordance with the following:</p> <p>(a) the event starts at the beginning of a 24-hour period when the number of Incidents at Distribution Higher Voltage caused by the event in that period is equal to or greater than the number specified in Appendix 10; and</p> <p>(b) the event ends at a time determined by the Authority having regard to:</p> <p>(i) such time as the licensee may have declared was the end of the Severe Weather Event in its statement of facts submitted under paragraph 4.4.14(b) of Special Condition 4.4;</p> <p>(ii) the time of Restoration of the last Customer off supply due to a Low Voltage Incident linked to the underlying cause of the severe weather (provided that all Customers off supply due to Incidents at Distribution Higher Voltage linked to the underlying cause of the event have been restored); and</p> <p>(iii) the end of a 48-hour period when the number of Customers off supply due to Incidents at Distribution Higher Voltage linked to the underlying cause of the Severe Weather Event has fallen to zero.</p>
Shetland Enduring Solution	means the various concurrent and related projects and ongoing arrangements to provide long-term security of supply to Shetland following completion of the project to construct and energise the Shetland HVDC Link.
Shetland Enduring Solution Re-opener	means the Re-opener established by Part P of Special Condition 3.2 (Uncertain Costs Re-openers).

Shetland Extension Fixed Energy Costs	means the costs of: (a) third party contracts for Power Purchase Agreements with Sullom Voe Terminal and contingency arrangements if applicable; (b) capital and operating fixed costs for Lerwick power station; and (c) operating costs for the Shetland ANM System.
Shetland Extension Fixed Energy Costs Re-opener	means the Re-opener established by Part Q of Special Condition 3.2 (Uncertain Costs Re-openers).
Shetland Extension Variable Energy Costs	means costs the costs of: (a) fuel purchased for use by Lerwick power station, including any fuel costs for any use of temporary generation in the event of inability by Lerwick power station or Sullom Voe Terminal to meet the full demand on Shetland; (b) environmental permits in respect of generation on Shetland; and (c) less the costs of income from unit purchased by suppliers in respect of generation on Shetland.
Shetland HVDC Link	has the meaning given to that term in Special Condition 1.1 of the Transmission Licence held by Scottish Hydro Electric Transmission plc.
Shetland Link Contribution	means a payment to be made by the licensee to Scottish Hydro Electric Transmission Limited for use of the Shetland Transmission Link.
Shetland Transmission Link	means the transmission link which connects the National Electricity Transmission System and the Shetland distribution system, owned and operated by Scottish Hydro Electric Transmission Limited.
SIF	means the strategic innovation fund established by Special Condition 9.9 (The strategic innovation fund).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects undertaken by the licensee that have not been otherwise remunerated through Use of System Charges, Directly Remunerated Services or the SIF Funding Mechanism.



SIF Disallowed Expenditure	means any revenue received by the licensee from the <del>ISOP GB System Operator</del> 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 <del>ISOP GB System Operator</del> 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 <del>ISOP GB System Operator</del> , less any SIF Funding Return.
SIF Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for payments to be made by the licensee to the <del>ISOP GB System Operator</del> , 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 Governance Document	means the document of that name issued by the Authority in accordance with Part C of Special Condition 9.9 (The strategic innovation fund).
SIF Halted Project Revenues	means any revenues received by the licensee from the <del>ISOP GB System Operator</del> 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 Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be



	followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: (a) revenues received by the licensee from the <del>ISOP GB-System Operator</del> 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.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects undertaken by the licensee, less SIF Directly Attributable Costs, and that is payable to Customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Single-Rate	means a payment for the electricity consumed remains the same, regardless of time or day of the week.
Single-Phase Single-Rate Credit Electricity Meter	means an induction type (or electronic) alternating current single-phase two-wire single-rate credit Electricity Meter.
Smart Energy Code	has the meaning given to that term in Condition 1 of the Smart Meter Communication Licence.
Smart Meter Communication Licence	means a licence granted under section 6(1A) of the Act and or section 7AB(2) of the Gas Act 1986.
Smart Meter Communication Licensee	means the holder of a Smart Meter Communication Licence.
Smart Meter Communication Licensee Costs	means charges payable by the licensee (by virtue of the requirement for it to be a party to the Smart Energy Code) to the holder of the Smart Meter Communication Licence in accordance with section J of the Smart Energy Code, excluding any charges in respect of Elective Communication Services.
Smart Meter Information Technology Costs	has the meaning given to that term in the RIGs.
Smart Meters	has the meaning given to that term in Condition 1 of the Smart Meter Communication Licence.
Smart Optimisation Output	means the Collaboration Plan and System Visualisation Interface.

Smart Optimisation Output Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.13 (Smart Optimisation Output).
Smart Street	means the voltage optimisation innovation project developed by Electricity North West Limited that aims to optimise and lower voltage within statutory limits with the goal of achieving energy and demand reductions for customers.
Smartcard Prepayment Electricity Meter	means an Electricity Meter that requires the use of a smartcard to enable information to be transferred to that meter from a point of sale for electricity credit, and vice versa.
Specific Customer Funded Reinforcement	means the element of a connection project that is subject to the apportionment rules under the Common Connection Charging Methodology and charged to the person requesting the connection within the Price Control Period.
Specific Customer Funded Reinforcement Percentage Band	means the interval between the upper and lower threshold percentages set out against the licensee's name in Appendix 1 to Special Condition 3.11 (Net to gross adjustment for Load Related Expenditure) where the relevant percentages represent the licensee's Specific Customer Funded Reinforcement expressed as a percentage of ex ante RIIO-ED2 Gross Load Related Expenditure.
Specified Amount	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Specified Area	means the area described as such in the Assistance Order.
Specified Lines	means telephone lines having any of the following numbers: (a) the safety and security of supplies enquiry service telephone number operated by the licensee or by its appointed agents (or contractors); (b) the power outage telephone number (and its equivalents) (if different to the above) operated by the licensee or by its appointed agents (or contractors); and (c) telephone numbers operated by contractors or agents of the licensee who provide an overflow or crisis management facility during peak periods.

Specified Street Works Costs	means costs directly incurred, or expected to be incurred, by the licensee as a result of complying with obligations or requirements arising under any orders or regulations made pursuant to Part 3 of the Traffic Management Act 2004 (or, in Scotland, the Transport (Scotland) Act 2019) or under any other streetworks legislation applicable to the licensee including: (a) one-off set-up costs; (b) permit fee costs; (c) administrative costs arising from the introduction of permit or lane rental schemes; (d) costs arising from the introduction of permit conditions; (e) costs arising from changes to working practices required by the introduction or alteration of any code of practice applicable to the licensee; (f) costs arising from lane rental charges levied on the licensee by highway or road authorities; (g) costs arising from changes to inspection fees payable by the licensee; (h) costs arising from changes to the requirements imposed on the licensee in respect of highway reinstatement; (i) costs arising from the introduction of new congestion charging schemes or changes to existing ones; and (j) costs arising from changes to the requirements imposed on the licensee in respect of the disposal of streetworks excavation waste material.
Specified Street Works Costs Re-opener	means the Re-opener established by Part F of Special Condition 3.2 (Uncertain Costs Re-openers).
Specified Supplier	means an Electricity Supplier who takes electricity from the GB Transmission System and supplies it to Customers in the Specified Area.
Storm Arwen Recommendations	means the recommendations made: (a) by the Authority, published in the document titled “Final report on the review into the networks’ response to Storm Arwen” published on 9 June 2022; and (b) by the Energy Emergencies Executive in the document titled “Energy Emergencies Executive Committee Storm Arwen Review” published on 9 June 2022.
Storm Arwen Re-opener	means the Re-opener established by Part J of special condition 3.2 (Uncertain Cost Re-openers).
Strategic Investment	means investment which enables enhanced capacity on the Distribution System to be deployed in the short term in anticipation of expected longer term need. This may be needed to ensure no future net zero pathway is foreclosed or to ensure deliverability in the future, helping to keep longer term costs as low as possible for Customers.

Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006.
Successful Delivery Reward	has the meaning given to that term in the NIC Governance Document.
Supplier of Last Resort	means an Electricity Supplier that has been given a direction under standard condition 8 (Obligations under Last Resort Supply Direction) of the standard conditions of the Electricity Suppliers' licences to supply electricity to the Customers of another Electricity Supplier.
Supply Interruptions Element	means the element of the Customer Satisfaction Survey that measures Customer satisfaction in relation to unplanned supply interruptions work carried out by the licensee for which the questions are prescribed in the RIGs.
System Visualisation Interface	means a section of the licensee's website or open data portal that provides access to a package of forward-looking, open and accessible, digital network tools, in accordance with Part A of Special Condition 9.13 (Smart Optimisation Strategy).

## T

Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the ED2 Price Control Financial Model.
Token Prepayment Electricity Meter	means an Electricity Meter that requires the use of a token to enable information to be transferred to that meter from a point of sale for electricity credit, and vice versa.
Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-2 NIA Governance Document and is partly recovered by the licensee under Special Condition 5.2 (RIIO-2 network innovation allowance).
Total Shutdown	has the meaning given to that term in the Grid Code.
Totex Allowance	means the sum of values under the heading "Totex allowance" in the DNO input sheets of the ED2 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the ED2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: (a) the licensee's Totex Allowance; and (b) the licensee's Actual Totex.

Totex Incentive Strength Rate	has the value specified for the licensee below: ENWL: 49.4% NPgN: 49.9% NPgY: 49.9% WMID: 50.0% EMID: 50.0% SWALES: 50.0% SWEST: 50.0% LPN: 50.0% SPN: 50.0% EPN: 50.0% SPD: 50.0% SPMW: 50.0% SSEH: 49.3% SSES: 49.3%
Transformer	means a device that is used to transform voltage from one level to another, usually from a higher voltage to a lower voltage.
Transmission Connection Point Charges	means the sum of: (a) charges payable by the licensee that are levied by <u>the ISOP</u> <del>a Transmission Licensee</del> 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.
Transmission Licence	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Transmission Licensee	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Transmission Network Use of System Charges	has the meaning given to that term in Connection and Use of System Code (CUSC).
Transmission System	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

## U

Uncertain Costs	means the PCFM Variable Values whose values may be adjusted under Special Condition 3.2 (Uncertain Costs Re-openers).
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Unmetered	means, in relation to any quantity of electricity distributed, the estimated quantity of electricity entering or leaving the licensee's Distribution System in any case where that quantity is not measured by Metering Equipment.
Unregulated Margin	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Unresolved Complaints	means any Complaints that are not Resolved Complaints.
Unsuccessful Calls	means the calls that are terminated by the licensee or the Customer, once the Customer has called the Specified Lines, comprising of: (a) calls not reaching the Specified Lines where these are inside the licensees' control; (b) calls terminated by the licensee whilst the Customer is engaging with an interactive voice recognition or similar system operated by the licensee; (c) calls that are not allowed into or are removed from any call queuing system the licensee may operate; and (d) calls abandoned by the Customer in the queue.
Use It Or Lose It Allowance	means the PCFM Variable Values established by Special Condition 3.4 (Use It Or Lose It Allowances).
Use of System	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Use of System Charges	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Use of System Charging Statement	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).

## V

Valid Bad Debt Claim	has the meaning given to that term in Standard Condition 38C (Treatment of Valid Bad Debt Claims).
Valid Claim	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Visual Amenity Project	means any scheme for placing overhead distribution assets underground that is undertaken by the licensee, and that has been informed by stakeholder engagement, with a view to mitigating the impact of assets forming part of the licensee's Distribution System on 1 April 2023 on the visual amenity of areas that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997
Vulnerable Situation	has the meaning given to that term in Standard Condition 10AA (Treating Domestic Customers fairly).

## W

Wayleaves and Diversions Costs	means costs that could be reported in tables CV5 and C10 of the “Costs and Volumes Reporting Pack” in Annex B of the RIGs.
Wayleaves and Diversions Re-opener	means the Re-opener established by Part M of Special Condition 3.2 (Uncertain Costs Re-openers).
Website	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
West Coast of Cumbria Re-opener	means the Re-opener established by Part N of Special Condition 3.2 (Uncertain Costs Re-openers).
Working Day	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
Worst Served Customer	means a Customer of the licensee who experiences 12 or more unplanned Incidents of a duration of three minutes or longer at Distribution Higher Voltage over a three Regulatory Year period with a minimum of two such Incidents per Regulatory Year.
Writing	has the meaning given to that term in Standard Condition 1 (Definitions for the standard conditions).
WSC Governance Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 3.4 (Use It Or Lose It Allowances).
WSC Project	means a project that is expected to reduce the number of Incidents at Distribution Higher Voltage experienced by Worst Served Customers. This covers both capital investments and operational changes

## X

## Y

## Z

### **Part B: References to the Electricity Distributors**

1.2.5 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).

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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).

## 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) [not used];
- (m) [not used]; and
- (n) [not used].

## **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 ~~ISOP GB System Operator~~ 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<sub>t</sub>)**

- 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<sub>t</sub> 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<sub>t</sub> 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<sub>t</sub>)**

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<sub>t</sub> 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<sub>t</sub> 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<sub>t</sub>)**

- 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<sub>t</sub> 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<sub>t</sub> 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<sub>t</sub>)**

- 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<sub>t</sub>)**

- 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: [Not used]**

3.2.104 [Not used]

3.2.105 [Not used]

3.2.106 [Not used]

3.2.107 [Not used]

3.2.108 [Not used]

3.2.109 [Not used]

3.2.110 [Not used]

**Part P: [Not used]**

3.2.111 [Not used]

3.2.112 [Not used]

3.2.113 [Not used].

3.2.114 [Not used]

3.2.115 [Not used]

3.2.116 [Not used]

3.2.117 [Not used]

**Part Q: [Not used]**

3.2.118 [Not used]

3.2.119 [Not used]

3.2.120 [Not used]

3.2.121 [Not used]

3.2.122 [Not used]

3.2.123 [Not used]

3.2.124 [Not used]

**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 <sub>t</sub>	0	0	0	0	0	0
REC <sub>t</sub>	0	0	0	0	0	0
ESR <sub>t</sub>	0	0	0	0	0	0
EVR <sub>t</sub>	0	0	0	0	0	0
SWR <sub>t</sub>	0	0	0	0	0	0
DIGI <sub>t</sub>	0	0	0	0	0	0
SAR <sub>t</sub>	0	0	0	0	0	0
LRE <sub>t</sub>	0	0	0	0	0	0
HVP <sub>t</sub>	0	0	0	0	0	0
WDV <sub>t</sub>	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

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SPMW	102.70
SSEH	113.69
SSES	345.77

## Chapter 4: Output delivery incentives

### Special Condition 4.4 Interruptions incentive scheme output delivery incentive ( $IQ_t$ )

#### Introduction

- 4.4.1 The purpose of this condition is to calculate the term  $IQ_t$  (the interruptions incentive scheme output delivery incentive term). This contributes to the calculation of the term  $ODI_t$  (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 The effect of the condition is to reward or penalise the licensee in relation to its performance under the interruptions incentive scheme output delivery incentive.

#### Part A: Formula for calculating the interruptions incentive scheme output delivery incentive term ( $IQ_t$ )

- 4.4.3 The value of  $IQ_t$  is derived in accordance with the following formula:

$$IQ_t = (QZ_t + QC_t + QD_t)$$

where:

- $QZ_t$  is the interruptions term and is derived in accordance with Part B;
- $QC_t$  is the severe weather supply Restoration term and is derived in accordance with Part E; and
- $QD_t$  is the normal weather supply Restoration term and is derived in accordance with Part F.

#### Part B: Formulae for calculating the interruptions term ( $QZ_t$ )

- 4.4.4 The value of  $QZ_t$  is derived in accordance with the following formula:

$$QZ_t = \max (\min(RCAP_t, QA_t + QB_t), -PCAP_t)$$

provided that:

$$QZ_t + SWE_t \geq -TRIIS_t$$

and where that is not the case,  $QZ_t$  is derived in accordance with the following formula:

$$QZ_t = -TRIIS_t - SWE_t$$

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where:

RCAP <sub>t</sub>	is the reward cap for the Customer interruptions and minutes lost term and has the value specified for the licensee in Appendix 1;
PCAP <sub>t</sub>	is the penalty cap for the Customer interruptions and minutes lost term and has the value specified for the licensee in Appendix 2;
QA <sub>t</sub>	is the Customer interruptions term and is derived in accordance with Part C;
QB <sub>t</sub>	is the duration of Customer interruptions term and is derived in accordance with Part D;
SWE <sub>t</sub>	is derived in accordance with the following formula, with all the terms defined in Part E: $SWE_t = QC_t - \min((SWPM_t - SWPD_t) \times (FPPR - 1), 0) - \min(SWPM_t, SWPD_t)$ and
TRIIS <sub>t</sub>	means the maximum amount of revenue that is exposed to penalties under all elements of IQ <sub>t</sub> and has the value specified for the licensee in Appendix 3.

### **Part C: Formulae for calculating the Customer interruptions term (QA<sub>t</sub>)**

4.4.5 The value of QA<sub>t</sub> is derived in accordance with the following formula:

$$QA_t = (TA_t - CIIS_t) \times IRA_t \times TIS_t$$

where:

TA <sub>t</sub>	means the target for the number of Customers interrupted and is derived in accordance with paragraph 4.4.6;
CIIS <sub>t</sub>	means the performance of the licensee in respect of the number of Customers interrupted and is derived in accordance with paragraph 4.4.7;
IRA <sub>t</sub>	means the incentive rate for the number of Customers interrupted as specified for the licensee in Appendix 5; and
TIS <sub>t</sub>	means the Totex Incentive Strength Rate.

4.4.6 The value of TA<sub>t</sub> is derived in accordance with the following formula:

$$TA_t = TAP_t + TAU_t$$

where:

TAP<sub>t</sub> means the target for the number of Customers interrupted per year arising from pre-arranged Incidents and is derived in accordance with the following formula:

$$TAP_t = \frac{CIB_{t-4} + CIB_{t-3} + CIB_{t-2}}{3} \times 0.5$$

where:

CIB<sub>t</sub> has the meaning given in paragraph 4.4.7; and

TAU<sub>t</sub> means the target for the number of Customers interrupted per year arising from unplanned Incidents as specified for the licensee in Appendix 4.

4.4.7 The value of CIIS<sub>t</sub> is derived in accordance with the following formula:

$$CIIS_t = CIA_t + (A \times CIB_t) + (B \times CIC_t) + CID_t + (C \times CIE_t)$$

where:

A has the value of 0.5;

B has the value of zero;

C has the value of zero;

CIA<sub>t</sub> is the number of Customers interrupted per year arising from unplanned Incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

CIB<sub>t</sub> is the number of Customers interrupted per year arising from pre-arranged Incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

CIC<sub>t</sub> is the number of Customers interrupted per year arising from Incidents on the National Electricity Transmission System ~~systems of the Transmission Licensees~~ and is derived from the relevant formula in the RIGs;

CID<sub>t</sub> is the number of Customers interrupted per year arising from Incidents on the systems of Distributed Generators connected to the licensee's Distribution System and is derived from the relevant formula in the RIGs; and

CIE<sub>t</sub> is the number of Customers interrupted per year arising from Incidents on any other connected systems and is derived from the relevant formula in the RIGs.

#### **Part D: Formulae for calculating the duration of Customer interruptions term (QB<sub>t</sub>)**

4.4.8 The value of QB<sub>t</sub> is derived in accordance with the following formula:

$$QB_t = (TB_t - CMLIS_t) \times IRB_t \times TIS_t$$

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where:

$TB_t$  is derived in accordance with paragraph 4.4.9;

$CMLIS_t$  means the performance in respect of the duration of Customer interruptions and is derived in accordance with the formula in paragraph 4.4.10;

$IRB_t$  means the incentive rate for the licensee for the duration of Customer interruptions as specified in Appendix 7; and

$TIS_t$  means the Totex Incentive Strength Rate.

4.4.9 The value of  $TB_t$  is derived in accordance with the following formula:

$$TB_t = TBP_t + TBU_t$$

where:

$TBP_t$  means the target for the duration of Customers interrupted per year arising from pre-arranged Incidents and is derived in accordance with the formula:

$$TBP_t = \frac{CMLB_{t-4} + CMLB_{t-3} + CMLB_{t-2}}{3} \times 0.5$$

where:

$CMLB_t$  has the meaning given in paragraph 4.4.10; and

$TBU_t$  means the target for the duration of Customers interrupted per year arising from unplanned Incidents as specified in Appendix 6.

4.4.10 The value of  $CMLIS_t$  is derived in accordance with the following formula:

$$CMLIS_t = CMLA_t + (D \times CMLB_t) + (E \times CMLC_t) + CMLD_t + (F \times CMLE_t)$$

where:

D has the value of 0.5;

E has the value of 0.10;

F has the value of 0.10;

$CMLA_t$  is the duration of Customer interruptions arising from unplanned Incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

$CMLB_t$  is the duration of Customer interruptions arising from pre-arranged Incidents on the licensee's Distribution System and is derived from the relevant formula in the RIGs;

- CMLC<sub>t</sub> is the duration of Customer interruptions arising from Incidents on the National Electricity Transmission System ~~systems of the Transmission Licensees~~ and is derived from the relevant formula in the RIGs;
- CMLD<sub>t</sub> is the duration of Customer interruptions arising from Incidents on the systems of Distributed Generators connected to the licensee's Distribution System and is derived from the relevant formula in the RIGs; and
- CMLE<sub>t</sub> is the duration of Customer interruptions arising from Incidents on any other connected systems and is derived from the relevant formula in the RIGs.

#### **Part E: Formula for calculating the severe weather supply Restoration term (QC<sub>t</sub>)**

4.4.11 The value of QC<sub>t</sub> is derived in accordance with the following formula:

$$QC_t = \min((SWPM_t - SWPD_t) \times FPPR, 0) + \max(SWPD_t - RLF_t, 0)$$

where:

- SWPM<sub>t</sub> is the total amount of severe weather payments that the licensee:
- (a) has made to Customers for failures to meet the standard of performance for Restoration under severe weather conditions imposed on the licensee under Regulation 7 of the Electricity (Standards of Performance) Regulations 2015; or
  - (b) has made to Customers in the form of ex gratia payments for a Severe Weather Event (provided that, in calculating SWPM<sub>t</sub>, no more than a total of £700 of payments per Customer for any given Severe Weather Event are taken into account);
- SWPD<sub>t</sub> is the total amount of the payments that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failure to meet the standard of performance for supply Restoration under severe weather conditions imposed on the licensee under Regulation 7 of the Electricity (Standards of Performance) Regulations 2015;
- FPPR is the additional penalty applied on top of any unpaid payments for the Regulation 7 of the Electricity (Standards of Performance) Regulations 2015 and has the value of 1.2; and
- RLF<sub>t</sub> means the maximum amount of revenue exposed to the severe weather arrangements and has the value specified for the licensee in Appendix 8.

#### **Part F: Formula for calculating the normal weather supply Restoration term (QD<sub>t</sub>)**

4.4.12 The value of QD<sub>t</sub> is derived in accordance with the following formula:

$$QD_t = \min((NCPM_t - NCPD_t) \times FPPR, 0) + \max(NCPD_t - RLG_t, 0) + OOE_t$$

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where:

- $NCPM_t$  is the total amount of payments that the licensee has made to Customers for failures to meet the standards of performance for supply Restoration imposed on the licensee under Regulations 5, 6, and 8 of the Electricity (Standards of Performance) Regulations 2015 or that has been made to Customers in the form of ex gratia payments in respect of such failure;
- $NCPD_t$  is the total amount of the payments that either have been paid to Customers or, where not paid, that Customers would have been entitled to claim for the licensee's failures to meet the standards of performance for supply Restoration imposed on the licensee under Regulations 5, 6, and 8 of the Electricity (Standards of Performance) Regulations 2015;
- FPPR is the additional penalty applied on top of any unpaid payments for the relevant Regulation and has the value of 1.2;
- $OOEE_t$  means payments made under Regulations 5, 6 or 8 of the Electricity (Standards of Performance) Regulations 2015 by the licensee to Customers in respect of one or more Other Exceptional Event, and in respect of which the requirements set out in paragraph 4.4.17 have been met; and
- $RLG_t$  means the maximum amount of revenue exposed to the normal weather arrangements and has the value as specified for the licensee in Appendix 9.

## **Part G: Adjustments for Severe Weather Events**

- 4.4.13 Where the licensee considers that its performance in respect of any matter used for calculating  $CIIS_t$  or  $CMLIS_t$  (as provided for respectively under Parts C and D of this condition) has been affected by a Severe Weather Event, it may apply to the Authority for a direction adjusting the value of  $CIIS_t$  or  $CMLIS_t$ .
- 4.4.14 When making an application under this Part, the licensee must:
- (a) notify the Authority of the Severe Weather Event in Writing, within whichever is the earlier of the following periods:
    - i. 14 days of the date on which the licensee considers that the effect of the Severe Weather Event has ceased; or
    - ii. 14 days of the end of the relevant Regulatory Year;
  - (b) except where the Authority otherwise consents, submit to the Authority a statement of facts (in a format specified for the purpose by the Authority) with respect to the Severe Weather Event, within the period of 56 days beginning with the date of the notification under sub-paragraph (a); and
  - (c) provide such further information, if any, as the Authority may reasonably require.
- 4.4.15 The Authority may only make a direction under this Part where:

- (a) it relates to a Severe Weather Event;
- (b) the licensee has complied with the requirements in paragraph 4.4.14;
- (c) the Authority, or an Appropriate Auditor, nominated by the Authority under Standard Condition 46 (Regulatory Instructions and Guidance), has verified the impact of the Severe Weather Event on the licensee's performance; and
- (d) the adjustment reflects the impact of the Severe Weather Event, in accordance with the report of the Appropriate Auditor under paragraph 4.4.15(c), or as determined by the Authority, based on the information submitted by the licensee.

## **Part H: Adjustments for Other Exceptional Events**

- 4.4.16 Where the licensee considers that its performance in respect of any matter used for calculating CIIS<sub>t</sub> or CMLIS<sub>t</sub> (as provided for respectively under Parts C and D of this condition) has been affected by an Other Exceptional Event, it may apply to the Authority for a direction under this Part.
- 4.4.17 A direction under this Part may:
- (a) specify a value for the OOE term; and
  - (b) direct the licensee to exclude from the calculation of CIIS<sub>t</sub> and CMLIS<sub>t</sub>, all or part of the impact of the Other Exceptional Event that is in excess of the threshold specified for the licensee in Appendix 11 in successive three month periods from the start of the Other Exceptional Event until its effect has ceased.
- 4.4.18 When making an application under this Part, the licensee must:
- (a) notify the Authority of the Other Exceptional Event in Writing, within whichever is the earlier of the following periods:
    - i. 14 days of the date on which the licensee considers that the effect of the Other Exceptional Event has ceased; or
    - ii. 14 days of the end of the relevant Regulatory Year;
  - (b) except where the Authority otherwise consents, submit to the Authority a statement of facts (in a format specified for the purpose by the Authority) with respect to the Other Exceptional Event within the period of 56 days beginning with the date of the notification under sub-paragraph (a); and
  - (c) provide such further information, if any, as the Authority may reasonably require.
- 4.4.19 The Authority may only make a direction under this Part where:
- (a) it relates to an Other Exceptional Event;
  - (b) the licensee has complied with the requirements in paragraph 4.4.18;
  - (c) the licensee has demonstrated that it has taken all reasonable steps to ensure that its actions or lack of actions were not contributory factors to the occurrence of the Other Exceptional Event;



- (d) the licensee has demonstrated that it took all appropriate steps within its power to:
  - i. limit the number of Customers interrupted by the event; and
  - ii. restore Customers' supplies quickly and efficiently, having due regard to safety and other legal obligations;
- (e) the Authority, or an Appropriate Auditor nominated by the Authority under Standard Condition 46 (Regulatory Instructions and Guidance), has verified the event and its effect; and
- (f) directing a value for the OOOE term, the Authority considers it appropriate that payments by the licensee to Customers under Regulations 5, 6 and 8 of the Electricity (Standards of Performance) Regulations 2015 should be recovered by the licensee via the OOOE term.

### **Part I: Process the Authority will follow in making a direction under Part G or H**

4.4.20 Before issuing a direction under Part G or H the Authority must send to the licensee and publish on the Authority's Website:

- (a) the text of the proposed direction;
- (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.

4.4.21 A direction under Part G or H must set out the value of CIIS<sub>t</sub> and CMLIS<sub>t</sub> and the Regulatory Years to which that adjustment relates.

## **Appendix 1**

### **Reward cap for customer interruptions and minutes lost term (RCAP<sub>t</sub>) (£m)**

<b>Licensee</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
ENWL	13.087	13.087	13.087	13.087	13.087
NPgN	9.724	9.724	9.724	9.724	9.724
NPgY	13.416	13.416	13.416	13.416	13.416
WMID	16.891	16.891	16.891	16.891	16.891
EMID	17.289	17.289	17.289	17.289	17.289
SWALES	8.637	8.637	8.637	8.637	8.637
SWEST	13.116	13.116	13.116	13.116	13.116
LPN	11.349	11.349	11.349	11.349	11.349
SPN	11.744	11.744	11.744	11.744	11.744
EPN	18.336	18.336	18.336	18.336	18.336
SPD	12.460	12.460	12.460	12.460	12.460
SPMW	13.864	13.864	13.864	13.864	13.864
SSEH	9.303	9.303	9.303	9.303	9.303

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SSES	17.537	17.537	17.537	17.537	17.537
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## Appendix 2

### Penalty cap for customer interruptions and minutes lost term (PCAP<sub>t</sub>) (£m)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	21.811	21.811	21.811	21.811	21.811
NPgN	16.206	16.206	16.206	16.206	16.206
NPgY	22.361	22.361	22.361	22.361	22.361
WMID	28.152	28.152	28.152	28.152	28.152
EMID	28.815	28.815	28.815	28.815	28.815
SWALES	14.394	14.394	14.394	14.394	14.394
SWEST	21.860	21.860	21.860	21.860	21.860
LPN	18.915	18.915	18.915	18.915	18.915
SPN	19.573	19.573	19.573	19.573	19.573
EPN	30.560	30.560	30.560	30.560	30.560
SPD	20.766	20.766	20.766	20.766	20.766
SPMW	23.106	23.106	23.106	23.106	23.106
SSEH	15.505	15.505	15.505	15.505	15.505
SSES	29.228	29.228	29.228	29.228	29.228

## Appendix 3

### Revenue exposure to interruptions incentive scheme term (TRIISt) (£m)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	36.032	36.032	36.032	36.032	36.032
NPgN	26.773	26.773	26.773	26.773	26.773
NPgY	36.940	36.940	36.940	36.940	36.940
WMID	46.507	46.507	46.507	46.507	46.507
EMID	47.603	47.603	47.603	47.603	47.603
SWALES	23.779	23.779	23.779	23.779	23.779
SWEST	36.113	36.113	36.113	36.113	36.113
LPN	31.248	31.248	31.248	31.248	31.248
SPN	32.334	32.334	32.334	32.334	32.334
EPN	50.484	50.484	50.484	50.484	50.484
SPD	34.306	34.306	34.306	34.306	34.306
SPMW	38.172	38.172	38.172	38.172	38.172
SSEH	25.614	25.614	25.614	25.614	25.614

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SSES	48.285	48.285	48.285	48.285	48.285
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#### Appendix 4

##### Number of unplanned customer interruptions term targets (TAU<sub>t</sub>)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	28.71	28.56	28.42	28.28	28.14
NPgN	46.32	45.39	44.49	43.60	42.72
NPgY	46.71	44.84	43.05	42.19	41.35
WMID	46.74	45.80	45.58	45.35	45.12
EMID	38.60	37.83	37.07	36.33	36.15
SWALES	39.22	39.03	38.83	38.64	38.44
SWEST	48.35	48.11	47.87	47.63	47.39
LPN	13.45	13.38	13.31	13.25	13.18
SPN	42.08	41.87	41.66	41.46	41.25
EPN	40.99	40.79	40.58	40.38	40.18
SPD	41.81	40.97	40.15	39.35	38.56
SPMW	31.41	31.25	31.10	30.94	30.79
SSEH	58.03	57.74	57.45	57.16	56.88
SSES	45.55	44.64	43.75	42.87	42.66

#### Appendix 5

##### Customer interruptions term incentive rate (IRA<sub>t</sub>) (£m per CI)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	0.291	0.291	0.291	0.291	0.291
NPgN	0.195	0.195	0.195	0.195	0.195
NPgY	0.280	0.280	0.280	0.280	0.280
WMID	0.303	0.303	0.303	0.303	0.303
EMID	0.324	0.324	0.324	0.324	0.324
SWALES	0.139	0.139	0.139	0.139	0.139
SWEST	0.199	0.199	0.199	0.199	0.199
LPN	0.288	0.288	0.288	0.288	0.288
SPN	0.281	0.281	0.281	0.281	0.281
EPN	0.444	0.444	0.444	0.444	0.444
SPD	0.243	0.243	0.243	0.243	0.243
SPMW	0.184	0.184	0.184	0.184	0.184
SSEH	0.095	0.095	0.095	0.095	0.095

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

National Grid Electricity Distribution (West Midlands) plc (company number: 3600574 ): Special Conditions Consolidated – 01 April 2023

SSES	0.377	0.377	0.377	0.377	0.377
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## Appendix 6

### Duration of unplanned customer interruptions term targets (TBU<sub>t</sub>)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	24.90	24.40	23.91	23.43	22.96
NPgN	39.38	38.59	37.82	37.06	36.32
NPgY	37.95	37.19	36.45	35.72	35.00
WMID	25.37	25.24	25.12	24.99	24.87
EMID	21.50	21.39	21.28	21.17	21.07
SWALES	19.65	19.55	19.45	19.36	19.26
SWEST	31.51	31.36	31.20	31.04	30.89
LPN	13.61	13.54	13.48	13.41	13.34
SPN	30.40	29.79	29.20	28.61	28.04
EPN	28.31	27.75	27.19	26.65	26.12
SPD	28.15	27.59	27.04	26.50	25.97
SPMW	27.47	26.37	25.31	24.30	23.81
SSEH	45.44	43.62	41.88	41.04	40.22
SSES	40.15	38.55	37.78	37.02	36.28

## Appendix 7

### Duration of customer interruptions term incentive rate (IRB<sub>t</sub>) (£m per CML)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	0.915	0.915	0.915	0.915	0.915
NPgN	0.613	0.613	0.613	0.613	0.613
NPgY	0.881	0.881	0.881	0.881	0.881
WMID	0.955	0.955	0.955	0.955	0.955
EMID	1.019	1.019	1.019	1.019	1.019
SWALES	0.437	0.437	0.437	0.437	0.437
SWEST	0.625	0.625	0.625	0.625	0.625
LPN	0.905	0.905	0.905	0.905	0.905
SPN	0.883	0.883	0.883	0.883	0.883
EPN	1.396	1.396	1.396	1.396	1.396
SPD	0.765	0.765	0.765	0.765	0.765
SPMW	0.580	0.580	0.580	0.580	0.580
SSEH	0.299	0.299	0.299	0.299	0.299

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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SSES	1.187	1.187	1.187	1.187	1.187
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## Appendix 8

### Severe weather revenue exposure term (RLF<sub>t</sub>) (£m)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	18.059	18.059	18.059	18.059	18.059
NPgN	13.419	13.419	13.419	13.419	13.419
NPgY	18.515	18.515	18.515	18.515	18.515
WMID	23.310	23.310	23.310	23.310	23.310
EMID	23.859	23.859	23.859	23.859	23.859
SWALES	11.918	11.918	11.918	11.918	11.918
SWEST	18.100	18.100	18.100	18.100	18.100
LPN	15.662	15.662	15.662	15.662	15.662
SPN	16.206	16.206	16.206	16.206	16.206
EPN	25.303	25.303	25.303	25.303	25.303
SPD	17.194	17.194	17.194	17.194	17.194
SPMW	19.132	19.132	19.132	19.132	19.132
SSEH	12.838	12.838	12.838	12.838	12.838
SSES	24.201	24.201	24.201	24.201	24.201

## Appendix 9

### Normal weather revenue exposure term (RLG<sub>t</sub>) (£m)

Licensee	2023/24	2024/25	2025/26	2026/27	2027/28
ENWL	13.523	13.523	13.523	13.523	13.523
NPgN	10.048	10.048	10.048	10.048	10.048
NPgY	13.864	13.864	13.864	13.864	13.864
WMID	17.454	17.454	17.454	17.454	17.454
EMID	17.865	17.865	17.865	17.865	17.865
SWALES	8.924	8.924	8.924	8.924	8.924
SWEST	13.553	13.553	13.553	13.553	13.553
LPN	11.728	11.728	11.728	11.728	11.728
SPN	12.135	12.135	12.135	12.135	12.135
EPN	18.947	18.947	18.947	18.947	18.947
SPD	12.875	12.875	12.875	12.875	12.875
SPMW	14.326	14.326	14.326	14.326	14.326
SSEH	9.613	9.613	9.613	9.613	9.613

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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SSES	18.122	18.122	18.122	18.122	18.122
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## Appendix 10

### Exceptionality requirement for a Severe Weather Events

Licensee	Severe weather exceptionality threshold (number of weather related Incidents at Distribution Higher Voltage in a 24-hour period)
ENWL	55
NPgN	37
NPgY	40
WMID	63
EMID	64
SWALES	41
SWEST	60
LPN	14
SPN	54
EPN	91
SPD	76
SPMW	68
SSEH	60
SSES	67

## Appendix 11

### Exceptionality requirements for an Other Exceptional Event

Licensee	CIIS threshold amount	CMLIS threshold amount
ENWL	1.04	0.83
NPgN	1.55	1.24
NPgY	1.08	0.86
WMID	0.99	0.80
EMID	0.93	0.74
SWALES	2.17	1.74
SWEST	1.52	1.21
LPN	1.05	0.84
SPN	1.07	0.86
EPN	0.68	0.54
SPD	1.24	0.99

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.

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SPMW	1.64	1.31
SSEH	3.17	2.54
SSES	0.80	0.64

## Chapter 5: Other revenue allowances

### Special Condition 5.2 RIIO-2 network innovation allowance (NIA<sub>t</sub>)

#### Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA<sub>t</sub> (the network innovation allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (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<sub>t</sub>)

5.2.4 Subject to the cap in paragraph 5.2.5, the value of NIA<sub>t</sub> is derived in accordance with the following formula:

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

where:

NIAE<sub>t</sub> means the Total NIA Expenditure; and

UNIA<sub>t</sub> 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:

$$\sum_{t=2023/24}^{2027/28} (NIA_t) \leq (TNIA)$$

where:

NIA<sub>t</sub> 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<sub>t</sub>:
- (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<sub>t</sub>, 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<sub>t</sub> must be made under section 11A (modifications of conditions of licences) of the Act.

## **Appendix 1**

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

<b>Licensee</b>	<b>Value of TNIA (£m)</b>
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

## Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA<sub>t</sub>)

### Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA<sub>t</sub> (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA<sub>t</sub> (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<sub>t</sub>)

- 5.3.4 For the Regulatory Year commencing on 1 April 2023, the value of CNIA<sub>t</sub> is derived in accordance with the following formula:

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

where:

- ECNIA<sub>t</sub> 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;
- CNIA<sub>R<sub>t</sub></sub> 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<sub>t</sub> 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<sub>t</sub> 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 (CNIIV)**

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

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

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 <sub>2022/23</sub>	has the value of BR <sub>t</sub> 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 <sub>2022/23</sub>	has the value of ENIA <sub>t</sub> 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:
- (a) 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;
  - (b) 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;
  - (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
  - (d) 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 RII0-1 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 CNIAR:
- (a) where the licensee has not complied with the RII0-1 Electricity Network Innovation Allowance Governance Document; and
  - (b) in order to disallow NIA expenditure in relation to that failure to comply with the RII0-1 Electricity Network Innovation Allowance Governance Document.
- 5.3.12 In reaching a decision on a value for CNIAR, the Authority must consider the impact that the licensee's non-compliance with provisions of the RII0-1 Electricity Network Innovation Allowance Governance Document is likely to have on consumers.
- 5.3.13 Any modifications to the value of CNIAR must be made under section 11A (modifications of conditions of licences) of the Act.

## **Chapter 7: Legacy**

### **Special Condition 7.9 RII0-ED1 network innovation competition**

#### **Introduction**

- 7.9.1 The NIC was in operation during the RII0-1 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.
- 7.9.2 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**

7.9.3 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 ~~ISOP GB System Operator~~ 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.

7.9.4 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 ~~ISOP GB System Operator~~; 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**

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

7.9.6 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.

7.9.7 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**

7.9.8 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,
- 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<sub>t</sub>)**

### **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<sub>t</sub>.

9.9.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the ~~ISOP GB System Operator~~ (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<sub>t</sub>**

9.9.4 The value of SIF<sub>t</sub> is SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the ~~ISOP GB System Operator~~, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of ~~Part A of cSpecial Condition F23.4~~ (~~Innovation funding~~ ~~The strategic innovation fund~~) in the ~~Electricity System Operator licence~~ ~~Transmission Licence~~ held by the ~~ISOP GB System Operator~~.

9.9.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the ~~ISOP's Electricity System Operator GB System Operator's Transmission Licence~~, the Authority must calculate and then, by direction given to the licensee, specify:

- (a) the value of the SIF<sub>t</sub>;
- (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 ~~ISOP GB System Operator~~ 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 ~~ISOP GB System Operator~~ 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 ~~ISOP GB System Operator~~; 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).