

Private and Confidential

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14 May 2024

Dear Michael,

National Grid Electricity Transmission plc (NGET) and National Grid Electricity Distribution (NGED) plc: Response to Ofgem's statutory consultation to modify the Price Control Financial Instruments and licence conditions for gas distribution, gas transmission, electricity transmission and electricity distribution.

National Grid on behalf of all NGET & NGED Licenses welcomes the opportunity to provide views on the proposed amendments to the special conditions and PCFIs, as published on 16 April 2024. We have provided a record of our detailed comments in the attached excel document (PCFI and Special Condition Consultation Issues Log). This covering letter summarises our key points.

Our points can be summarised into the following key categories:

- 1) Non-Variant Allowances Relating to the Bramford – Twinstead project (BTNO)
 - 2) Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10At)
 - 3) Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTOt)
 - 4) Updating the RIIO-ED2 PCFH
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1. Non-Variant Allowances Relating to the Bramford – Twinstead project (BTNO)

The Bramford – Twinstead project is currently included in non-variant allowances in the PCFM but should be reclassified to an ASTI re-opener following the publication of the ASTI Licence Modifications¹ on 25 August 2023. We propose the below values are removed from Load related capex non-variant allowances (Cells AP10:AT10) to avoid double counting of our allowance. This

¹ <https://www.ofgem.gov.uk/sites/default/files/2023-08/ASTI%20licence%20modifications%20-%20NGET%20Annex.pdf>

would have a -£14.9m impact on allowed revenue materialising in FY26, and therefore be of benefit by reducing energy consumer bills.

FY22	1.55
FY23	3.10
FY24	4.46
FY25	31.42
FY26	56.99

2. Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10At)

The RIIO ET1/ET2 offset adjustment values in SpC 3.38.3 Appendix 1 should be updated to reflect the T1/T2 Closeout decision² as confirmed in Paragraph 3.38.3 on February 15 2024. SpC 3.38.3 Appendix 1 should be updated to -£9.660m per year with a RIIO-2 total of -£48.30m.

3. Special Condition 4.7 SO:TO optimisation output delivery incentive (SOTOt)

The SO:TO Optimisation special condition 4.7 should be updated to reflect the decision³ to extend the SO:TO Optimisation incentive for the final 3 years of RIIO-2.

4. Updating the RIIO-ED2 PCFH

We acknowledge and agree to the proposed changes within this consultation.

If you would like to clarify anything in this response please do not hesitate to contact myself (drew.sambridge@nationalgrid.com) or Adam Kriese (Adam.Kriese@nationalgrid.com)

We hope that you find this response useful and constructive.

Yours sincerely

Drew Sambridge
Senior Finance Business Partner
(by email)

² https://www.ofgem.gov.uk/publications/decision-modifying-special-conditions-national-grid-electricity-transmission-plcs-electricity-transmission-licence?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_15-02-2024&utm_content=Decision+on+modifying+the+special+conditions+of+National+Grid+Electricity+Transmission+Plc%27s+electricity+transmission+licence&dm_i=1QCB,8JKRY,3BMKOA,ZCWB5,1

³ <https://www.ofgem.gov.uk/sites/default/files/2024-01/SOTO%20modification%20decison.pdf>