

Consultation

RIIO-3 Draft Determinations - Scottish Power Transmission (SPT)

Publication date:	01 July 2025
Response deadline:	26 August 2025
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The next set of price controls for the Electricity Transmission (ET), Gas Distribution (GD) and Gas Transmission (GT) sectors will cover the five-year period from 1 April 2026 to 31 March 2031 (RIIO-3). In December 2024 the network companies in these sectors submitted their RIIO-3 Business Plans for this period to us. We have now assessed these plans.

This document, and others published alongside it, set out our Draft Determinations for the RIIO-3 price controls. These are for consultation and we would like views from people with an interest in RIIO-3 by 26 August 2025. We particularly welcome responses from consumer groups and energy industry network users. We also welcome responses from other stakeholders and the public.

Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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1. Introduction

Purpose of this document

- 1.1 This document sets out our Draft Determination consultation positions for the price control areas that are specific to Scottish Power Transmission (SPT) covering the five-year period from 1 April 2026 to 31 March 2031 (RIIO-ET3). All figures in this document are in 2023/24 prices except where otherwise stated.

What are we consulting on?

- 1.2 In Chapter 2 we set out the SPT-specific outputs and incentives that we propose should form part of RIIO-ET3, including Licence Obligations (LOs), Price Control Deliverables (PCDs), Use-It-Or-Lose-It (UIOLI) allowances and Output Delivery Incentives (ODIs).¹
- 1.3 Chapter 3 describes our assessment of SPT's Business Plan against the RIIO-3 Business Plan Incentive.
- 1.4 Chapter 4 sets out how we propose to manage uncertainty during RIIO-ET3 for areas of uncertainty that are specific to SPT. We do this through uncertainty mechanisms (UMs), specifically volume drivers, re-openers, UIOLIs, pass-through, or indexation mechanisms.
- 1.5 In Chapter 5 we summarise the outcome of our assessment of SPT's costs and engineering justifications for the RIIO-ET3 period.
- 1.6 Chapters 6 and 7 describe our assessment of SPT's innovation and digitalisation strategies respectively.

Navigating the RIIO-3 Draft Determinations documents

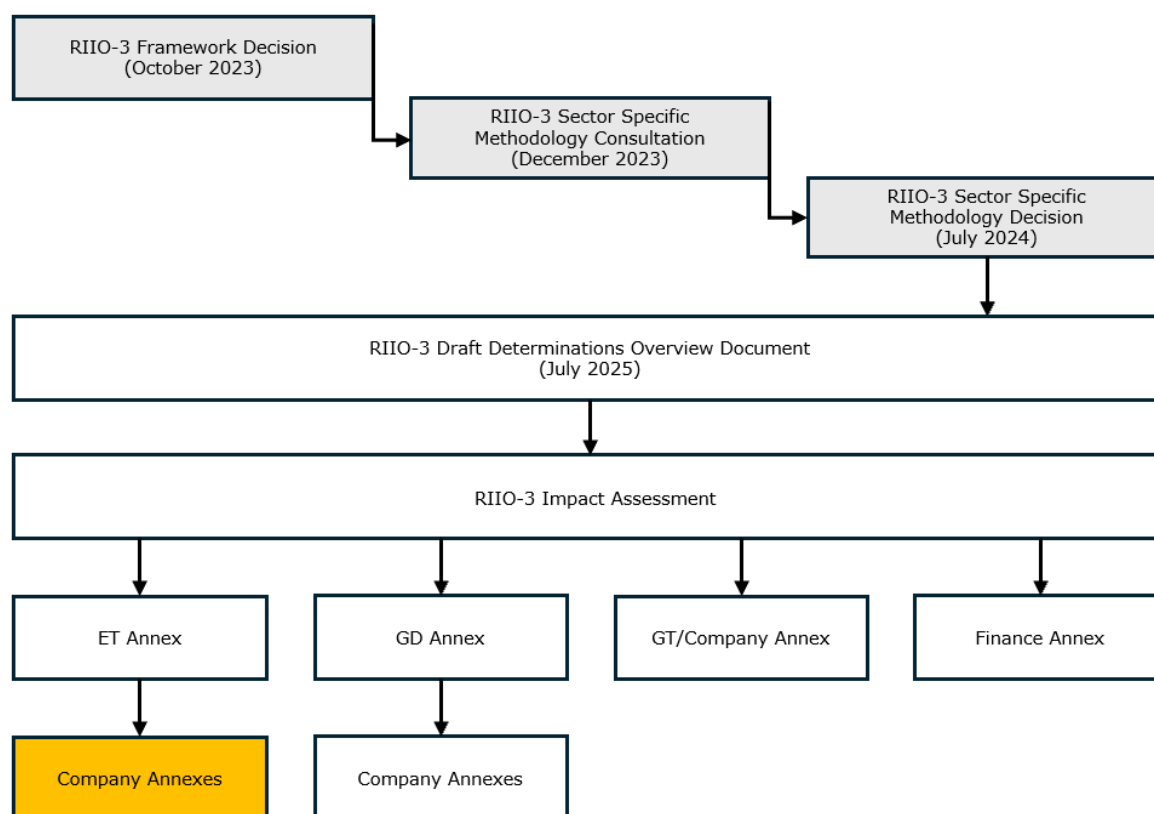
- 1.7 The RIIO-3 Draft Determinations are comprised of an Overview Document, a Finance Annex and sector annexes for ET, GD and GT. The sector annexes are underpinned by a RIIO-3 Impact Assessment, company annexes² and, where relevant, technical annexes. This document is the SPT Annex. Figure 1 below maps all documents relevant to our suite of RIIO-3 Draft Determinations, including the framework and methodology documents that have preceded it.
- 1.8 Our Draft Determinations have considered all previous feedback from network companies and other stakeholders, including the reports from the Independent

¹ ODIs can be either financial (ODI-F) or reputational (ODI-R).

² Throughout this document, 'company annexes' refers to the three TO specific annexes (their abbreviated names are NGET Annex, SHET Annex and SPT Annex).

Stakeholder Groups (ISGs) that were established to challenge each of the network companies on their stakeholder engagement and business plans, and the feedback received in response to our RIIO-3 Call for Evidence.³ Further details on our approach to embedding the consumer voice is set out in the RIIO-3 Overview Document.

Figure 1: RIIO-3 Draft Determinations map



An Overview of SPT’s RIIO-ET3 Price Control

1.9 This section summarises the key aspects of SPT’s RIIO-ET3 Draft Determinations, setting out its cost allowances, outputs, UMs, BPI outcome and financing parameters.

³ <https://www.ofgem.gov.uk/call-for-input/call-evidence-electricity-transmission-gas-transmission-and-gas-distribution-business-plans-riio-3>

Table 1: Submitted versus proposed allowed baseline Totex (£m, 2023/24 prices)

Cost area	SPT submitted totex	Ofgem proposed totex	Difference (£m)	Difference (%)
Core baseline totex	2,071	1,589	-483	-23%
Network Innovation Allowance (NIA)	22.5	20.7	-1.8	-8%
Pass-throughs, UIOLI and other ex ante allowances	-	2,090	-	-
Ex ante allowances	-	3,700	-	-

Table 2: Proposed outputs package

Output name	Output type	Sector(s)	Further detail
Network Asset Risk Metric (NARM)	PCD, ODI-F and ODI-R	ET, GD, GT	Overview Document
Physical Security	PCD and re-opener	ET, GT	Overview Document
Cyber Resilience	PCD and re-opener	ET, GD, GT	Overview Document
Environmental Action Plan and annual environmental report	ODI-R and LO	ET, GD, GT	Overview Document
Strategic Innovation Fund (SIF)	UIOLI	ET, GD, GT	Overview Document
Network Innovation Allowance (NIA)	UIOLI	ET, GD, GT	Overview Document
Totex Incentive Mechanism (TIM)	ODI-F	ET, GD, GT	ET Annex
Operational Transport	PCD	ET, GD	Overview Document
CSNP-F Delivery	ODI-F	ET	ET Annex
Innovative Delivery Incentive	ODI-F	ET	ET Annex
Connections Capacity	ODI-F	ET	ET Annex
Insulation and Interruption Gas (IIG) emissions	ODI-F	ET	ET Annex
Energy Not Supplied (ENS)	ODI-F	ET	ET Annex
SO:TO Optimisation	ODI-F	ET	ET Annex

Output name	Output type	Sector(s)	Further detail
Network Access Policy (NAP)	LO	ET	ET Annex
Landscape Enhancement Initiative (LEI)	UIOLI	ET	ET Annex
CSNP Coordination	LO	ET	ET Annex
New Infrastructure Stakeholder Survey (NISES)	ODI-R	ET	ET Annex
Net Zero Fund	UIOLI	SPT only	This document
Non-Lead Assets & Switchgear	PCD	SPT only	This document

Table 3: Proposed UMs package

UM name	UM type	Sector(s)	Further detail
Business Rates (prescribed rates)	Pass-through	ET, GD, GT	Finance Annex
Cost of debt indexation	Indexation	ET, GD, GT	Finance Annex
Cost of equity indexation	Indexation	ET, GD, GT	Finance Annex
Inflation Indexation of RAV and Allowed Return	Indexation	ET, GD, GT	Finance Annex
Ofgem licence fee costs	Pass-through	ET, GD, GT	Finance Annex
Pension Scheme Established Deficit	Pass-through	ET, GD, GT	Finance Annex
Tax Review	Re-opener	ET, GD, GT	Finance Annex
Real Price Effects (RPEs)	Indexation	ET, GD, GT	Overview Document
Digitalisation	Re-opener	ET, GD, GT	Overview Document
Resilience	Re-opener	ET, GD, GT	Overview Document
Cyber Resilience	Re-opener	ET, GD, GT	Overview Document
Co-ordinated Adjustment Mechanism (CAM)	Re-opener	ET, GD, GT	Overview Document
Net Zero	Re-opener	ET, GD, GT	Overview Document
Pre-Construction Funding (PCF)	PCD and re-opener	ET	ET Annex
Load	Re-opener and PCD	ET	ET Annex
Load	UIOLI	ET	ET Annex
CSNP-F	Re-opener and PCD	ET	ET Annex
Generation Connections	Volume driver	ET	ET Annex

UM name	UM type	Sector(s)	Further detail
Demand Connections	Volume driver	ET	ET Annex
Closely Associated Indirects (CAI)	UIOLI	ET	ET Annex
Business Support Costs	Re-opener	ET	ET Annex
Non-Load	Re-opener	ET	ET Annex
Independent Technical Adviser	Pass-through	ET	ET Annex
Community Benefits	Pass-through	ET	ET Annex
Entry and exit connection asset allowance	Volume driver	ET	ET Annex
Carbon Compensation	UIOLI	NGET and SPT	ET Annex

Table 4: Proposed BPI outcome

BPI Stage	SPT outcome (bps RoRE)	Further detail
Stage A	0	Overview Document and this document
Stage B	0.64	Overview Document, ET Annex and this document
Stage C	4.00	Overview Document and this document

Table 5: Proposed financing parameters

Area	SPT outcome	Further detail
Notional gearing	55%	Finance Annex
Cost of equity	5.64%	Finance Annex
Cost of debt (semi-nominal)	5.64%	Finance Annex
Weighted average cost of capital (semi-nominal)	5.64%	Finance Annex
Expected RoRE ranges	3.11% – 7.91%	Finance Annex

2. Outputs and incentives

2.1 This chapter sets out our views on outputs and incentives that are specific to SPT, including for bespoke proposals submitted through its business plan.

Outputs we propose to accept

Network Asset Risk Metric (NARM)

2.2 Table 6 summarises the results of our assessment and the proposed Baseline Network Risk Outputs (BNRO) per NARM asset category. Further detail about the NARM methodology can be found in the overview document.

Table 6: Proposed BNRO per NARM asset category

Asset Category	BNRO (R£m)
132kV Circuit Breaker	19.37
132kV Transformer	622.54
132kV Reactor	
132kV Underground Cable	1,861.12
132kV OHL Conductor	
132kV OHL Fittings	
132kV OHL Tower	3,108.81
275kV Circuit Breaker	114.39
275kV Transformer	418.72
275kV Reactor	
275kV Underground Cable	
275kV OHL Conductor	526.08
275kV OHL Fittings	
275kV OHL Tower	1,344.13
400kV Circuit Breaker	37.98
400kV Transformer	98.37
400kV Reactor	
400kV Underground Cable	
400kV OHL Conductor	
400kV OHL Fittings	
400kV OHL Tower	555.96

Asset Category	BNRO (R£m)
Total	8,707.47

- 2.3 Generally, we were able to align the BNRO and volumes submitted in SPT's NARM Business Plan Data Template (BPDT) with the volume data submitted in its Business Plans and Engineering Justification Papers (EJPs).
- 2.4 During our assessment, we identified two T2 schemes in SPT's NARM submission. These schemes have been removed from our view of SPT's BNRO and we will work with SPT to determine the appropriate treatment of these schemes ahead of Final Determinations.
- 2.5 As the remaining schemes SPT put forward in its NARM submission have been proposed as justified without adjustments through our engineering and cost assessments, the BNRO have not been adjusted.
- 2.6 We propose to continue to use the NARM funding categories outlined in the NARM Handbook,⁴ indicates the scope of NARM Funding Adjustment and Penalty Mechanism and its interaction with other mechanisms.
- 2.7 We propose that all non-load related schemes delivering lead asset replacement or refurbishment be assigned to Category A1 (NARM Funding Adjustment and Penalty Mechanism) and therefore be covered by the NARM Funding Adjustment and Penalty Mechanism.
- 2.8 We propose that all replacement and refurbishment work to be delivered through load-related schemes fall within Category A2 (Funding Under a Separate Mechanism). Any funding associated with these schemes would be covered by the relevant load-related mechanism. Should the anticipated load-related driver for these schemes not materialise then the existing assets planned for replacement or refurbishment may be considered for risk trading as part of the NARM Funding Adjustment and Penalty Mechanism. Should these assets be replaced or refurbished in the absence of the load-related driver, then suitable justification for doing so would need to be provided.

Net Zero Fund UIOLI

Purpose: To support vulnerable consumers to make informed decisions on how best to address their energy needs or issues, and to provide technical support and feasibility assessment of community project plans.

⁴ https://www.ofgem.gov.uk/sites/default/files/2024-07/NARM_Handbook_v3.1_draft.pdf

Benefits: Vulnerable consumers can explore net zero solutions and develop ideas to reduce their greenhouse gas emissions.

Background

- 2.9 In our SSMD we set out that we were open to retaining SPT's Net Zero Fund UIOLI in RIIO-ET3 but had not taken a firm decision.
- 2.10 In its Business Plan SPT set out that the Net Zero Fund has been well received by stakeholders. In RIIO-ET2, per its Environmental Action Plan,⁵ SPT has used the Net Zero Fund to provide both general and tailored net zero workshops which reached over 200 people, and has funded 12 feasibility and energy assessment reports.
- 2.11 However, though we clarified in our RIIO-ET2 Final Determinations that directly funding consumer projects was outside of the scope of the Net Zero Fund, SPT has also used the Net Zero Fund directly to fund ten of these 12 projects. We expressed concern on this in our SSMD.

Consultation position and rationale

Summary of consultation position

UM type: UIOLI.

Scope: Supporting vulnerable consumers, such as by running net zero workshops, and providing technical support and feasibility assessment of community project plans. For communities ineligible for community funds.

Funding level: £5.0m.

Reporting to stakeholders: SPT to submit to the Authority two Net Zero Fund evaluation reports, one halfway through and one at the end of the price control period. SPT also to report annually via Regulatory Reporting Pack (RRP).

Scope

- 2.12 We propose to retain the fund and set the scope only to deliver net zero workshops and to provide project planning and feasibility support to relevant community groups. Consistent with our decision at RIIO-ET2 Final Determinations, we do not consider it appropriate for SPT (in its role as TO) to use an allowance provided for through the price control directly to fund

⁵ [Environmental Action Plan - SPT](#)

consumer-proposed projects. There are other public and private sector means through which community groups can seek direct funding for projects.

- 2.13 In our view, with its experience and expertise, SPT can positively contribute to supporting consumers in vulnerable situations during the transition to net zero. As a TO, this is best done by leveraging its role in the community.
- 2.14 We also propose to reduce the scope only to support communities that are ineligible for community funds. There is otherwise a risk of double funding between the Net Zero Fund and Community Benefit Funding. TOs are provided with funding for this purpose through the Community Benefit Funding pass-through mechanism (see ET Annex, Chapter 3) which provides funding for projects and administrative costs related to project delivery (including capacity building and feasibility work).
- 2.15 We propose to require SPT to make full disclosure that it has sole responsibility for the Net Zero Fund and that this is funded through the price control. This follows from our decision for RIIO-ET2 and will ensure that the responsibility of SPT with regard to the Net Zero Fund is publicly clear.

Funding level

- 2.16 We are proposing to maintain the materiality of this fund at £5.0m over RIIO-ET3 and to reject SPT's proposal of £20.0m. While we were open to expanding the Net Zero Fund to other TOs, we received no proposals from them.
- 2.17 SPT stated that this proposed uplift to £20.0m was proportional to the increased network investment in RIIO-ET3. In its EAP the forecasted costs for funding projects totalled £14.33m; forecasted costs for capacity building support and feasibility support totalled £0.72m and £1.6m respectively. We consider that an increased focus on capacity building support and feasibility support will ensure SPT can make use of the Net Zero Fund at £5.0m.
- 2.18 Maintaining the materiality will prevent greater impact on consumer bills. Additionally, the scope with respect to both allowed activities and eligible communities means that we consider £5.0m still a justified level of funding. Unspent allowance would automatically be returned to consumers in full.

Reporting to stakeholders

- 2.19 We propose that SPT produces an evaluation report twice during RIIO-ET3, once in Year 3 and once at the end of the price control. These must include the activities funded, costs and evidence that these were efficiently incurred, and an assessment of the overall impact (including a social return on investment (SROI))

report and a summary of key learnings). This in-depth reporting requirement would make sure SPT is making appropriate use of the Net Zero Fund.

- 2.20 We also propose that SPT reports yearly via Ofgem's RRP. These reports would detail expenditure incurred and a brief description for each activity. This reporting requirement would enable the Authority to monitor use of the Net Zero Fund alongside Community Benefit Funding.

Questions

SPTQ1. Do you agree with our proposal to retain the Net Zero Fund UIOLI for SPT, and with our proposed parameters for it?

PCDs that we propose to introduce

Purpose: To hold SPT to account for delivering specific outputs during RIIO-ET3.

Benefits: To protect consumers if any discrete capital investment is not delivered.

Background

- 2.21 In its Business Plan, SPT proposed various cost and output areas which contained some degree of uncertainty regarding the volumes that it would ultimately deliver. In some cases this uncertainty was acknowledged by SPT, and in others it has been identified by us during our business plan assessment.

Consultation position and rationale

Summary of consultation position

PCD type: Various, shown in Table 7 as PCDE for Evaluative PCDs and PCDM for Mechanistic PCDs.

Output to be delivered: See Table 7.

Baseline cost allowance: See Table 7.

Reporting to stakeholders: Annual reporting through the RRP's.

Delivery date: 31 March 2031

Applied to: SPT

Proposed PCDs

- 2.22 To manage the uncertainty relating delivery of some areas of SPT's Business Plan we propose to include the PCDs shown in Table 7.

Table 7: Proposed SPT RIIO-ET3 PCDs

PCD name	DD modelled cost (£m)	Output(s) to be delivered	Delivery date
Non-Lead Assets & Switchgear PCDM	21.02	<p>AVC Modernisation</p> <ul style="list-style-type: none"> • Replace 121 Automatic Voltage Control (AVC) relays <ul style="list-style-type: none"> ○ Health Index scores: 4-5 • Refurbish 73 AVC relays • Siemens 7SG14 DUOBIAS M models <ul style="list-style-type: none"> ○ All with Health Index score of 4 <p>VF Intertrips & Signalling Equipment Replacement</p> <ul style="list-style-type: none"> • Refurbish 216 intertrip relays <ul style="list-style-type: none"> ○ Includes 19 relays with Health Index score of 1 ○ Details of refurbishment scope not specified 	31 March 2031

PCD types

- 2.23 Mechanistic PCDs are proposed in cases where work is repeatable with a defined volume of work and we can set work by reference to the unit costs. In such cases, the recovery of any non-delivery of work is automatic.
- 2.24 Evaluative PCDs are proposed in cases where the exact work delivered has potential to vary in part from the company business plan submission, either in cost or output. For evaluative PCDs, our approach allows for an in-depth assessment of the output delivered and whether an adjustment to allowances is necessary to protect consumers.
- 2.25 Both PCD types allow us to return money to consumers in the event that the output isn't delivered.

Output to be delivered and baseline cost allowance

- 2.26 The output proposed in Table 7 has been defined using information from SPT's Business Plan, without any material alterations.
- 2.27 The costs proposed in Table 7 have been set using information from SPT's Business Plan. These have been amended to reflect unit cost modelling through the Project Assessment Model (PAM) and the application of ongoing efficiency.

Reporting to stakeholders

- 2.28 We propose to require annual reporting on PCDs in the RRP, which will enable us to monitor status of these PCDs, including timelines and costs.

Questions

SPTQ2. Do you agree with our proposal to introduce this PCD for SPT?

3. Business Plan Incentive (BPI)

- 3.1 This chapter sets out SPT's results for each stage of the BPI, along with the rationale for the result given. For information on what the BPI is and how it is assessed, see the Overview Document.
- 3.2 In assessing business plans against the BPI Stages A and C, we assessed each plan on its own merit based on criteria set out in the Sector Specific Methodology Decision (SSMD) and Business Plan Guidance. A consistency check was undertaken across companies and sectors to ensure we were being consistent in our assessment; but the business plans were not assessed against one another. For Stage B, depending on the nature of the assessment methodology the companies could be compared against one another within each sector. For further information on Stage B, see Chapter 6 of the ET Annex.
- 3.3 Table 6 sets out our proposed BPI results for SPT and where further information on each stage and the result and rationale can be found.

Table 8: Proposed BPI results for SPT

BPI Stage	Assessment result	Further detail
A	Pass	Overview document for approach to assessment. This chapter for specific views on the assessment result.
B	0.64 bps	Overview Document for approach to assessment. The ET Annex for the network results compared within the sector and an explanation of the assessment methodology. This chapter for specific views on the assessment result.
C	4.00 bps	Overview Document for approach to assessment. This chapter for specific views on the assessment result.
Total bps	4.64 bps	
Total 5 year monetary equivalent £m	4.4	

Stage A

- 3.4 Following our assessment, we consider that SPT met the minimum requirements, as set out in the Business Plan Guidance, and has passed Stage A of the BPI.

Stage B

3.5 The overall assessment result for SPT is 0.64 bps, which corresponds to the weighted average of the outcomes from comparative (-3.16 bps, 37%) and bespoke (3.80 bps, 63%) assessment. The following sections provide detail on the assessment of each cost category.

Comparatively assessed costs

3.6 The table below sets out the comparatively assessed costs and their weightings within the overall Stage B assessment score.

Comparatively assessed cost category	Weighting	Efficiency benchmark	Efficiency score	BPI reward/penalty (bps)
Closely Associated Indirects	27%	1.16	1.46	-2.71
Business Support Costs	8%	1.08	1.20	-0.64
Insurance	2%	1.37	1.25	0.18
Total	37%			-3.16

Bespoke costs

3.7 The table below sets out bespoke costs assessed and the result and rationale for each one assessed.

Bespoke Cost	Weighting	BPI reward/penalty (bps)	Rationale
Closely Associated Indirects: Operational Training	2%	0.39	Comprehensive cost evidence with clear justification of efficiency and innovation. Robust unit cost and volumes justification.
Load Related Capex: Local Enabling (Entry)	1%	0.08	Comprehensive cost evidence as shown in engineering review and adequate unit cost and volumes from benchmarking assessment.
Load Related Capex: Local Enabling (Exit - Sole Use)	0.5%	0.07	Comprehensive cost evidence and robust unit cost justification as lower than the benchmark.
Non-Load Related Capex: Replacement	17%	2.28	Comprehensive cost evidence and well justified unit costs with many scheme-level costs lower than the benchmark.

Bespoke Cost	Weighting	BPI reward/penalty (bps)	Rationale
Non-Load Related Capex: Refurb Major	7%	0.87	Comprehensive cost evidence and well justified unit costs with many scheme-level costs lower than the benchmark.
Non-Load Related Capex: Refurb Minor	1%	0.10	Comprehensive cost evidence and well justified unit costs with all scheme-level costs lower than the benchmark.
Non-Load Related Capex: Spares	1%	0.14	Comprehensive cost evidence and adequate volumes justification through engineering review. Unit cost criterion is not applicable.
Network Operating Costs	12%	0.79	Comprehensive cost evidence with good justification for rising costs. Adequate unit costs and volumes justification, although fairly short section on efficiencies.
Non-operational Capex	1%	0.00	Fair cost evidence. Unit cost and volumes criterion not applicable.
Other costs: Physical Security	2%	0.13	Comprehensive cost evidence and adequate unit cost and volumes justification.
Business Support Costs: IT & Telecoms	4%	-0.87	Poor cost evidence and qualitative review led to a large reduction in costs allowed. Several SQs required to acquire further evidence. Unit cost and volumes criterion not applicable.
Non-operational Capex: IT & Telecoms	0.3%	0.00	Fair cost evidence. Unit cost and volumes criterion not applicable.
Network Operating Costs: Operational Technology	6%	-0.42	Poor cost evidence and qualitative review led to a large reduction in costs allowed. Several SQs required to acquire further evidence. Adequate rating for unit cost and volumes justification due to no reductions, however little detail provided.
Other Costs: Cyber Security	3%	-0.66	Poor cost evidence. Unit cost and volumes criterion not applicable.

Bespoke Cost	Weighting	BPI reward/penalty (bps)	Rationale
Network Operating Costs: Data & Digitalisation	0%	0.01	Comprehensive cost evidence and all projects approved. Unit cost and volumes criterion not applicable.
Non-operational Capex: Data & Digitalisation	4%	0.90	Comprehensive cost evidence and all projects approved. Unit cost and volumes criterion not applicable.
Total	63%	3.80	

Stage C

3.8 The below sections set out the assessment results and rationale for the Clarity and Business Plan Commitments assessments for Stage C of the BPI.

Clarity

Assessment result: 1.40 bps.

3.9 SPT's plan was 'acceptable' in relation to its clarity in four out of five assessment areas, with an 'outstanding' rating assigned to its 'layout and structure'. On the latter it was rated as such due to being well signposted, logically grouped (eg infrastructure, resilience, value), and including helpful visuals like the connections triage infographic. The Load Strategy aligns with regulatory mechanisms and is geographically categorised, while the Environmental Action Plan (EAP) follows a consistent format across environmental areas, aiding transparency and justification. Stakeholder engagement is clearly presented with themes, purposes, and methods.

3.10 In the other areas SPT's plan was coherent, easy to navigate, and showed forward planning and stakeholder involvement without demonstrating 'outstanding' clarity in any of these areas. The EAP for example was excessively long with duplication, broken links, and some poorly designed charts. While consumer value is shown through CO₂ impact and cost breakdowns, key areas, like community benefit costs and load expenditure, lack transparency. Some data errors and unclear alignment between strategic plans and cost figures also reduce the clarity of SPT's Business Plan.

Business Plan Commitments

Overall assessment result: 2.60 bps

Outcome: Infrastructure fit for a low-cost transition to net zero

Assessment result: -1.30 bps

3.11 SPT has been rated as 'acceptable' across most criteria under this heading, apart from a 'poor' rating for consumer value and additionality. We consider that SPT's failure to have more than one £29m load project at a stage of development to be ready to request RIIO-ET3 baseline funding risks creating consumer detriment. We acknowledge that there are a range of uncertainties, including connections reform, which made it challenging for all TOs to have all RIIO-ET3 load investments ready to request baseline funding in December 2024. However, we expect that all TOs should have done more to identify low/no-regret load investments to include in their load baselines, leaving fewer projects that require in-period assessment and providing greater certainty regarding network design. While its Business Carbon Footprint (BCF) reduction ambition of Net Zero by 2035 is commendable and more ambitious than the other TOs, our praise is limited due to a lack of an implementation plan which hampered our belief in its deliverability.

Outcome: Secure and resilient supplies

Assessment result: 3.90 bps

3.12 SPT's business plan has been rated as 'outstanding' across all criteria in this area, apart from consumer value and additionality, which has been marked as 'acceptable'. Its submission justifies an outstanding overall rating due to the high deliverability and ambition of its plans. We have confidence in SPT's build plans as these are supported by a clear and well-thought-out strategy with regards to how its non-load work interacts with its load plan and Clean Power 2030 (CP2030). This combination of strategic clarity, regulatory alignment and proven delivery capability underpins the outstanding ratings. Clearly referenced and evidenced delivery success in RIIO-ET1 and RIIO-ET2 further strengthen the credibility of SPT being able to delivery on these commitments. The lack of risk that SPT seems to be carrying in regard to non-load is what leads to the 'acceptable' rating on consumer value, as relying on re-openers being needed to complete committed plans may lead to greater consumer cost.

Outcome: High quality of service from regulated firms

Assessment result: 0 bps

3.13 SPT has been rated as 'acceptable' across all criteria due to its largely standard commitments with limited ambition. The workforce and diversity commitments lack detail, such as tax transparency or website accessibility, are well meaning

but basic expectations. Regarding the SO:TO ODI-F, some commitments are good, but little detail has been provided to justify that the works would be innovative and pushing beyond business-as-usual.

Questions

- SPTQ3. Do you agree with our view that SPT passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- SPTQ4. Do you agree with our assessment results for SPT against Stage B of the BPI?
- SPTQ5. Do you agree with our assessment results for SPT against Stage C of the BPI?

4. Managing uncertainty

4.1 This chapter sets out our views on UMs that are specific to SPT, including bespoke UM proposals submitted through its business plan.

Generation and Demand connections Volume Driver

4.2 TOs are required to provide connection offers within specific timeframes and ensuring the transmission network meets technical standards. Customers connecting to the network are either generators or demand users. Generation connections often necessitate substation upgrades and network reinforcements, while demand connections may involve new infrastructure at Grid Supply Points (GSPs). Given the customer-driven nature of these projects, future investment needs are uncertain.

4.3 To manage this, we propose to retain and update the volume driver mechanism used in previous price controls for projects with uncertain needs but predictable, repeatable, and measurable work, allowing revenue adjustments based on actual connection volumes. Table 9 sets out our proposed unit rates for SPT.

Table 9: Generation and Demand Connections Volume Driver modelled unit costs (£k/#, 2023/24 prices)

Volume driver component	DD unit cost
Substation - generation	[REDACTED]
Substation - demand	[REDACTED]
OHL - new	[REDACTED]
OHL reconductor	[REDACTED]
Cable <1km	[REDACTED]
Cable >=1km	[REDACTED]

Questions

SPTQ6. Do you agree with our proposed unit rates?

UMs we propose to reject

Environmental Re-opener

Consultation position and rationale

4.4 SPT proposed an Environmental Re-opener to address environmental legislative and regulatory uncertainty, including potential Local Planning Authority (LPA) and Scottish Environment Protection Agency (SEPA) policy changes. Its

justification included a potential new National Park in the SPT region in RIIO-ET3, which could impact visual amenity funding requirements.

- 4.5 We do not consider that there is a sufficient needs case to warrant this re-opener and therefore propose to reject it. If new legislation has a significant impact, we propose the Net Zero re-opener is appropriate. Similarly, if visual amenity funding is required for a new National Park, we propose SPT can use the pre-existing Landscape Enhancement Initiative (LEI) UIOLI.⁶

Questions

SPTQ7. Do you agree with our proposal to reject SPT's Environmental Re-opener?
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⁶ In rejecting this proposal we note that on 29 May 2025 Scottish Government announced that it has decided not to proceed with the designation of a new National Park in southwest Scotland: [National Parks | NatureScot](#)

5. Cost of service

5.1 This chapter sets out our Draft Determinations on baseline allowances for the different cost areas within SPT's Business Plan submission and summarises our review of the Engineering Justification Papers (EJPs).

Baseline allowances

5.2 Baseline totex referenced in this chapter comprises forecast controllable costs and is inclusive of our proposed ongoing efficiency challenge. The figures presented in this chapter do not include Real Price Effects (RPEs) to allow comparisons with TOs' submissions which were exclusive of RPEs. They also do not include ex ante funding such as UIOLI allowances, pass-throughs or NIA (for SPT's overall ex ante funding, see Table 1). Submitted totex are after exclusions.

5.3 Table 10 compares SPT's submitted baseline totex with our Draft Determinations position at a disaggregated cost activity level.

Table 10 Submitted versus proposed allowed baseline Totex (£m, 2023/24 prices)

Cost area	SPT submitted totex	Ofgem proposed totex	Difference (£m)	Difference (%)
Load related capex	34	28	-6	-16%
Non-load related capex	500	461	-39	-8%
Non-operational capex	117	107	-9	-8%
Network operating costs	353	263	-90	-26%
Business support costs	385	236	-149	-39%
Closely associated indirects	580	396	-185	-32%
Other costs	101	97	-4	-4%
Baseline totex	2,071	1,589	-483	-23%

Engineering assessment of SPT's business plan

Plan Quality

5.4 SPT's EJPs are all of a similar high quality and clarity. The supporting information provided is clear and the data consistent with the proposed investments. SPT's approach to optioneering is clear and appears standardised.

Thematic Issues

5.5 In this section we have identified two thematic issues with SPT's EJP submissions, described below.

Increasing Use of GIS

5.6 We recognise the detailed optioneering which SPT has demonstrated through the RIIO-ET1 and RIIO-ET2 Business Plan and re-opener submissions. This has continued into the RIIO-ET3 Business Plan submissions. In most EJPs, we have found that the proposed solutions appear well justified, however we have observed an increasing use of GIS solutions. In some cases, SPT's justification for this has not been sufficiently robust or evidenced at this stage. As such we do not consider the proposed solutions economic and efficient. The outcome of our assessment is that there are five EJPs which are partially justified on this basis. We note that these EJPs were submitted for future re-openers only and so our review does not impact baseline allowances. We expect all TOs to undertake thorough optioneering to ensure their solutions are economic and efficient.

5.7 Ahead of future re-openers for GIS investments, we expect:

- SPT to provide more rationale on its GIS usage across its portfolio. We expect further considerations and clarity on future extendibility, Outage implications, Whole Life Costs and Original Equipment Manufacturer (OEM) tie-in risks.
- SPT to provide a CBA evaluating the proposed GIS options against an AIS alternative, and detailed evidence on the trade-offs in environmental and social impacts between GIS and AIS solutions.

Atypical EJPs

5.8 Generally, SPT's atypical EJPs are of a similar standard to the other EJPs in SPT's Business Plan submission. The funding requests within the SPT atypical EJPs are also broadly in line with expectations in relation to compliance with the Atypical Template and IDP Guidance. There is however a smaller fraction of poorly drafted EJPs which, while justified, requires additional information to support future monitoring.

Assessment

- 5.9 In the ET sector, due to the different types of EJP used we do not refer to EJPs as our standard terminology, instead we refer to Ofgem Scheme References (OSRs) which makes the integration of our engineering assessment into the cost assessment process more transparent. This means that our assessment is on a per OSR basis as opposed to per EJP⁷ basis.
- 5.10 We reviewed 116 SPT OSRs totalling approximately £1.8bn of planned investment for RIIO-ET3.
- 5.11 Following our technical review and analysis, we consider the need case of all 116 OSRs to be fully justified. For 109 OSRs, we found the optioneering fully justified, and the scope confidence high.
- 5.12 We found the optioneering of the seven remaining OSRs to be partially justified as the proposed use of GIS assets was not sufficiently robust or evidenced. These OSRs were submitted for needs case approval only, hence the scope confidence was not assessed at this stage.
- 5.13 Appendix 1 provides details on our recommendations in relation to SPT's partially justified EJPs/OSRs. As outlined above, these recommendations have not impacted SPT's funding requests.
- 5.14 The funding outcomes of our engineering assessments can be found the PAM models issued to TOs.

Questions

SPTQ8. What are your views on our engineering assessment of SPT's RIIO-ET3 Business Plan?

⁷ Individual EJPs may have multiple OSRs and so where we do reference an EJP it is to minimise the administration on listing all applicable OSRs.

6. Innovation

Background

- 6.1 The SSMD, Business Plan Guidance and Overview Document identify the criteria and process that we have used to assess NIA funding requests. The Overview Document also details our proposals for NIA oversight, the SIF, increasing third party involvement and innovation deployment.
- 6.2 We set out below our Draft Determinations on SPT's RIIO-ET3 NIA funding.

Consultation position and rationale

Level of Network Innovation Allowance (NIA) funding: In its Business Plan, SPT requested £22.45m in NIA funding. Following our assessment, we propose to award £20.65m.

- 6.3 Innovation Strategy: SPT's Innovation Strategy was clear, well-structured and well-justified, clearly articulating the problems it was trying to resolve and the solutions identified for these.
- 6.4 SPT's key areas of focus were around ensuring that its network was ready to enable a low carbon energy system, be reliable in its service provision, resilient against severe weather events and climate change, responsible in its network investment, and providing evidence of how it is rolling out previous innovation and incorporating it into its BAU activities.
- 6.5 Business Plan Assessment: After assessing SPT's Business Plan against the criteria set out in the Business Plan Guidance (paragraph 3.13), it was scored against each of these based on whether it had provided sufficient evidence to justify the amount of NIA it was requesting. Based on SPT's score, we propose to reduce its NIA award by 9%. From the criteria, we would have expected additional detail to be given in the following areas:
- Funding Justification: We would have expected more information to be given justifying the amount of funding it has requested, explaining how the amount was determined and what other options were considered.
 - Ensuring projects aren't duplicative: While SPT explains at a high level how it will avoid duplication, we would have expected more detail to be given here on the processes they have in place to ensure projects are not duplicative and how they are applied.
 - Proposals to disseminate: SPT states that it disseminates learnings and gave three examples of stakeholder events where dissemination has

occurred between 2022 and 2024. We would have expected more in terms of its dissemination efforts, as well as more detailed future plans for increasing these.

- An explanation of why the innovation in question cannot be funded from the Totex allowance: SPT provided insufficient information on why each workstream cannot be funded from its Totex allowance, and only states that NIA is used to fund smaller scale, higher risk projects, that carry a level of risk they are not prepared to take as part of BAU funding.

Questions

SPTQ9. Do you agree with the level of proposed NIA funding for SPT?

7. Data and Digitalisation

Introduction

- 7.1 The SSMD, Business Plan Guidance and Overview Document identify the criteria and process that we have used to assess the funding of proposed data and digitalisation investments. The Overview Document also details our proposals for further digitalisation of the sector through the existing Digitalisation licence condition, a proposed Data Sharing Infrastructure (DSI) licence condition, and a Digitalisation Re-opener.
- 7.2 We have set out below our Draft Determinations on SPT's RIIO-ET3 data and digitalisation funding.

Summary of consultation position

Level of data and digitalisation funding: In its Business Plan, SPT requested £88.54m in funding. We identified £6.04m of investments as miscategorised, which should have been categorised as IT and Telecoms. This left £82.5m in data and digitalisation funding requested. Following our assessment, we are minded to award £80.8m, or 98% of the total data and digitalisation funding requested.

Consultation position and rationale

- 7.3 SPT's digitalisation investments are underpinned by a digitalisation strategy that focuses on stakeholder/customer engagement, network growth, smart network and asset management, and fostering a culture change within the organisation to become more data driven. SPT states that its digitalisation investments enable more efficient and effective planning and investment in the network, driving consumer benefits.
- 7.4 SPT's digitalisation investments signposted clear improvements to compliance with all of the Data Best Practice principles. SPT is guiding its focus on specific principles based on stakeholder feedback and outlined plans on where it intends to be in terms of increased compliance by the end of RIIO-3 as part of its digitalisation strategy. The Data Best Practice principles ensure that data is managed in a way that maximises value, transparency, and trust, and enables the full benefits of data to be unlocked for consumers, and SPT's efforts to increase compliance will ultimately benefit consumers by increasing alignment with these principles.
- 7.5 In the Business Plan Guidance we noted that all licensees should signpost investments that would allow them to connect and utilise the DSI effectively. During the assessment period for business plans, we have published our

decision on governance of the DSI.⁸ We are confident that the proposed investments being made by SPT will allow them to effectively connect to and utilise the DSI. In particular, SPT's EJP titled 'Data Sharing Infrastructure', will support deployment of the cloud infrastructure and Data Preparation Node (DPN) needed for DSI integration. We are confident that the proposed investments being made by SPT will allow them to effectively connect to and utilise the DSI. These investments will provide consumer benefits as the DSI will support innovation by making data more accessible, and improve SPT's understanding and visibility of energy system data.

7.6 We are not proposing to award an investment of £1.74m towards Customer Relationship Management. This represents 2.1% of SPT's total requested data and digitalisation spend. We are proposing to disallow this investment as the submitted project description lacked sufficient detail and is therefore not fully justified. The project did not include specific, measurable or time-bound goals from which to assess the suitability of the associated spend.

7.7 We consider that an additional £6.04m was miscategorised as data and digitalisation. This amount corresponds to investments in SPT's Document Management Tool and Move to Cloud activities, and involve enhancements of SPT's existing, foundational IT infrastructure. Despite enabling digitalisation within SPT, these investments are therefore better suited in the IT&T category rather than data and digitalisation.

Questions

SPTQ10. Do you agree with our proposed level of funding for SPT's data and digitalisation investments?
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⁸ [Governance of the Data Sharing Infrastructure | Ofgem](#)

8. Your response, data and confidentiality

All proposals published as part of these documents are draft proposals, subject to consultation. We will publish our decisions on the RIIO-3 price controls in our Final Determinations later this year. We will implement our Final Determinations by modifications to the companies' licence conditions, after further consultation on licence drafting.

Consultation stages

8.1 Table 11 below sets out the key stages for this consultation and how we will progress from Draft Determinations to Final Determinations

Table 11: Consultation Stages

Stage	Date
Consultation Open	01/07/2025
Consultation closes (awaiting decision). Deadline for responses	26/08/2025
Final Determinations (including publication of consultation responses)	Winter 2025

How to respond

8.2 We want to hear from anyone interested in this consultation. Please send your response to RIIO3@ofgem.gov.uk.

8.3 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

8.4 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

8.5 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

8.6 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material

in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

- 8.7 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 8.8 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 8.9 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

Notify me +

Would you like to be kept up to date with *Consultation name will appear here*? subscribe to notifications:

Email*

Submit >

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Appendix 1 – Summary of Engineering Review

EJP Title	Need case	Optioneering	Scope Confidence	Comments
[REDACTED]	Justified	Partially Justified	N/A	<p>The need case for a range of SPT's new substation portfolio is justified at this moment in time. We are aware that these projects are interactive with CP2030 and competition and our justified status does not prevent changes in the future from NESO.</p> <p>SPT has requested a needs case assessment only in relation to these EJPs, at this stage seeking PCF only.</p> <p>SPT's optioneering is comprehensive, and we consider its process for CBA review and option selection is broadly agreeable. However, at present we do not consider SPT's proposed use of GIS over AIS solutions to be adequately justified on these projects.</p> <p>Our consultation position is reflected in the PAM output. For these EJPs, our recommendations have not impacted any funding requests or any future assessments. We expect additional information, as per paragraph 5.7 of this document, to be provided to justify the proposed use of GIS as opposed to AIS in the re-opener submissions.</p>

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not share your personal data with any other person or organisation.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 12 months after the project is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".