

Consultation

RIIO-2 Re-opener Applications 2025 Draft Determinations – Overview Document

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Contact:	Evan Alaa, Eliska Antosova
Team:	Price Control Operations - Small & Medium Sized Projects
Email:	ReopenerConsultations@ofgem.gov.uk

Our aim for the RIIO-2 price controls is to ensure energy consumers across Great Britain (GB) get the best possible value, quality of service and environmentally sustainable outcomes from networks. Up to January 2025, we received re-opener applications across various re-opener mechanisms from Electricity Transmission, Electricity Distribution and Gas Distribution network companies.

We are consulting on re-opener applications from nine network companies. Rather than publish a separate consultation for each re-opener submission, we have grouped them into a single consultation comprising this Overview Document (which outlines the scope, purpose, consultation questions and how you can get involved), as well as sector specific annexes containing more detail on the network companies proposals, our Draft Determinations, and rationale for our draft determinations.

We would like views from people with an interest in Electricity Transmission networks, Electricity Distribution networks and Gas Distribution networks. We would also welcome responses from other stakeholders and from the public. Once the consultation is closed, we will consider all responses. We are seeking responses to the questions posed in this document and in the annexes by 26 August. Following consideration of responses, we will make our Final Determinations by the end of calendar year 2025.

We will publish the non-confidential responses we receive alongside a decision on next steps on our website at 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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Contents

RIIO-2 Re-opener Applications 2025 Draft Determinations – Overview Document	1
Contents	3
1. Introduction	4
Navigating the Draft Determinations	7
Related publications	8
2. Draft Determinations at a Glance	10
What are we consulting on?	10
Summary of our Draft Determinations	11
Total amount that consumers will pay through their bills	13
Consultation approach	17
Consultation stages	19
How to respond	19
Your response, data and confidentiality	20
General feedback	21
Next steps	22
3. Appendices	24
Appendix 1 - Consultation Questions	25
Appendix 2 - Re-opener mechanisms overview	27
Appendix 3 - Network companies published re-opener applications	29
Appendix 4 - Glossary	31
Appendix 5 - Privacy notice on consultations	38
Personal data	38

1. Introduction

- 1.1 Network companies are natural monopolies. Effective regulation of privatised for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the disadvantage of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether or not to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers.
- 1.2 We regulate the monopoly companies in the four energy network sectors: Electricity Transmission (ET), Gas Transmission (GT), Electricity Distribution (ED), and Gas Distribution (GD). Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.3 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-2 is the second electricity and gas price control under the RIIO model. The price control period runs from 1 April 2021 until 31 March 2026 for ET, GT and GD.¹ The price control period for ED sector runs from 01 April 2023 to 31 March 2028.² It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess network companies' applications for further funding during RIIO-2 and adjust their allowances in response to changing developments during the price control period. This prevents setting network companies' allowances higher or lower than required.
- 1.4 UMs ensure that consumers fund projects only when there is clear evidence of benefit, and once we have clarity on likely costs and cost efficiency. Without UMs, consumers may be facing higher costs than necessary and network companies may be exposed to an unreasonable level of financial risk. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.5 Where possible, we have set automatic UMs, known as Volume Driver mechanisms, such as the Generation and Demand Connection Volume Drivers,

¹ [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

² [RIIO-ED2 Final Determinations | Ofgem](#)

which provide network companies with immediate funding when they are required to undertake new customer connection works.

- 1.6 In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set “re-openers” which allow us to assess network companies’ proposals robustly, once sufficiently accurate information is made available.
- 1.7 Re-openers are a type of UM that allow us to adjust a licensee’s allowances (in some cases up and in some cases down), outputs and delivery dates in response to changing circumstances during the price control period. For some re-openers we can do this by issuing a direction, provided certain requirements are met in line with the Gas Act 1986 and the Electricity Act 1989. For some re-openers, modifications (i.e. modifications of licence conditions) must be made under section 11A of the Electricity Act 1989 or under section 23 of the Gas Act 1986.
- 1.8 Please see Appendix 2 for a high level explanation of the purpose and benefits of the re-opener mechanisms relevant to these Draft Determinations. The appendix contains references and links to the RIIO-2 Final Determination Documents where more detailed explanation can be found.
- 1.9 **Table 1** provides the full list of network companies we regulate through RIIO and the abbreviations we use when referring to them throughout our suite of Draft Determinations documents. Appendix 4 contains a glossary of terms and definitions used in these documents.

Table 1 – Regulated network companies

Sector	Company Group	Sector Group	Network	Network Short Name
ET	National Grid	National Grid Electricity Transmission	National Grid Electricity Transmission	NGET
ET	Scottish and Southern Energy	Scottish Hydro Electric Transmission	Scottish Hydro Electric Transmission	SHET
ET	SP Energy Networks	SP Transmission	SP Transmission	SPT
GT	National Gas	National Gas Transmission	National Gas Transmission	NGGT
ED	Electricity North West	Electricity North West	Electricity North West	ENWL
ED	Northern Powergrid	Northern Powergrid	Northern Powergrid - Northern	NPGN
ED	Northern Powergrid	Northern Powergrid	Northern Powergrid - Yorkshire	NPGY
ED	National Grid	National Grid Electricity Distribution	National Grid Electricity Distribution - West Midlands	WMID

Sector	Company Group	Sector Group	Network	Network Short Name
ED	National Grid	National Grid Electricity Distribution	National Grid Electricity Distribution - East Midlands	EMID
ED	National Grid	National Grid Electricity Distribution	National Grid Electricity Distribution - South Wales	SWALES
ED	National Grid	National Grid Electricity Distribution	National Grid Electricity Distribution - South West	SWEST
ED	SP Energy Networks	SP Energy Networks	SP Energy Networks - Distribution	SPD
ED	SP Energy Networks	SP Energy Networks	SP Energy Networks - Manweb	SPMW
ED	Scottish and Southern Energy	Scottish and Southern Energy	SSEN Distribution - Hydro	SSEH
ED	Scottish and Southern Energy	Scottish and Southern Energy	SSEN Distribution - Southern	SSES
ED	UK Power Networks	UK Power Networks	UK Power Networks - East	EPN
ED	UK Power Networks	UK Power Networks	UK Power Networks - London	LPN
ED	UK Power Networks	UK Power Networks	UK Power Networks - South East	SPN
GD	Cadent	Cadent	Cadent - East of England	EoE
GD	Cadent	Cadent	Cadent - London	Lon
GD	Cadent	Cadent	Cadent - North West	NW
GD	Cadent	Cadent	Cadent - West Midlands	WN
GD	Northern Gas Networks	Northern Gas Networks	Northern Gas Networks	NGN
GD	Scotia Gas Networks	Scotia Gas Networks	Scotland Gas Network	Sc
GD	Scotia Gas Network	Scotia Gas Networks	Southern Gas Network	So
GD	Wales & West Utilities	Wales & West Utilities	Wales & West Utilities	WWU

Investing for the future

- 1.10 We expect licensees to make investment decisions that benefit consumers in the long-term, and we make decisions on funding through the RIIO-2 re-opener mechanisms that enable anticipatory investments in cases where it is clear that they will deliver long-term value for consumers. Our Draft Determinations aim to support delivery of a clean power system by 2030 and net zero by 2050, by enabling timely and efficient investment in network infrastructure.
- 1.11 The near-term investment supported by our price controls needs to be made with long-term planning horizons in mind. This longer-term approach will help align network development with regional growth, housing, and decarbonisation plans. It will also support network companies in continuing to deliver core

responsibilities such as ensuring timely connections, maintaining resilience, and responding to the evolving needs of a low-carbon economy.

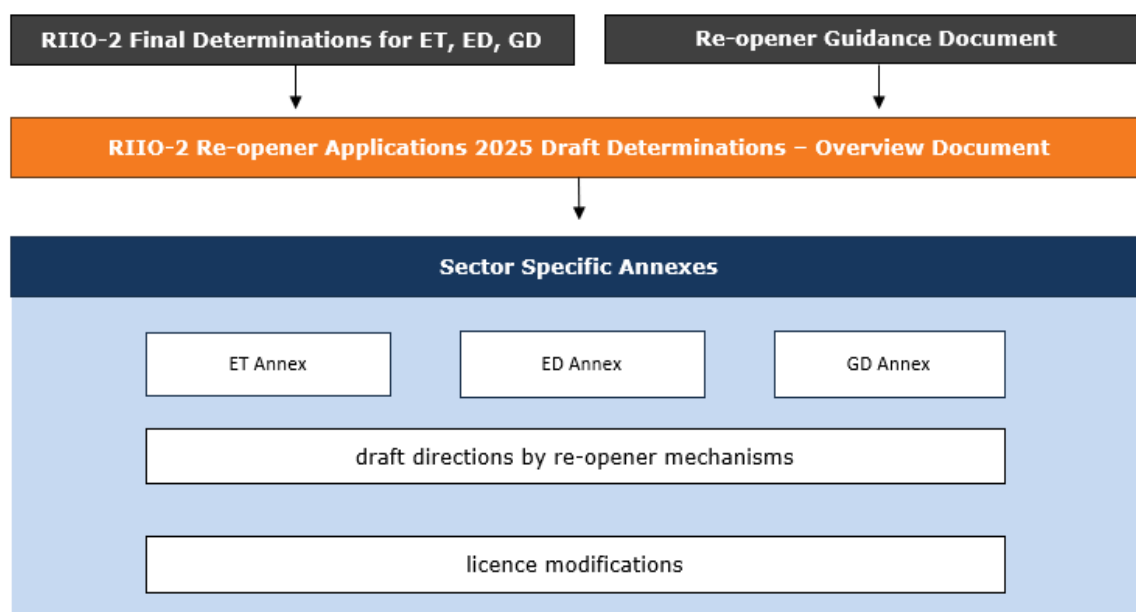
- 1.12 For the remainder of RIIO-2 and looking ahead to RIIO-3, network companies will play a critical role in progressing further down the pathway to a clean power system. Our price controls enable the investment required to build the national and local energy network infrastructure for the decarbonisation of heat, transport, and industry, and to open up routes to net zero. They also support a resilient, secure, efficient, and affordable energy system.

Navigating the Draft Determinations

- 1.13 Our Draft Determinations are a suite of documents set out in **Figure 1**. This includes documents for the GD, ED and ET sectors. This document is the Overview Document, which sets out our approach to standard assessment of network companies' re-opener applications and a summary on Draft Determinations and proposed project allowances for each Re-opener application that is part of this consultation. Where there are specific re-opener mechanism considerations, we have set these out in the relevant sector specific annexes. This document should be read in conjunction to the:

- Sector specific annexes (GD, ED and ET): these documents set out our Draft Determination on the re-opener applications from the applicable network companies. It contains our assessment of the needs case, optioneering, and proposed efficient costs for these submissions.
- Draft directions: these documents set out the text of our draft directions for implementing the Authority's decisions on the relevant licensees' re-opener applications. The draft directions are included as appendices to the sector annexes.
- Draft licence modification notices: these documents set out the proposed text of our draft licence modifications that would give effect to our decision for the relevant licensee's re-opener application, should we decide to proceed with the decision as stated in this consultation. The draft licence modification notices are included as appendices to the sector annexes.

Figure 1 - Navigating our Draft Determinations



Related publications

1.14 Other previously published closely related documents are:

- RIIO-2 Final Determinations for ET, GT, GD – this sets out Final Determinations for company allowances under the RIIO-2 price control framework. ([RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#))
- RIIO-2 Final Determinations for ED – this sets out Final Determinations for Distribution Network Operators (DNO) allowances under the RIIO-ED2 price control, commencing on 1 April 2023 and covering the five-year period to 31 March 2028. ([RIIO-ED2 Final Determinations | Ofgem](#))
- RIIO-3 Draft Determinations for ET, GT, GD – this sets out Draft Determinations for company allowances under the RIIO-3 price control framework. ([RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#))
- Re-opener Guidance - this document sets out how the licensees must prepare their re-opener applications in accordance with Special Condition (SpC) 9.4 (Re-opener Guidance and Application Requirements Document) of the GT, GD and ET licences (effective from 1st April 2021) and the ED licences (effective from 1st April 2023). This document also provides

guidance on the style and structure for re-opener applications. ([Re-opener Guidance and Application Requirements Document: Version 3 | Ofgem](#))

2. Draft Determinations at a Glance

What are we consulting on?

Re-opener applications

2.1 We are consulting on our assessment of nine network companies' re-opener applications. These applications were submitted under the following re-opener mechanisms as provided for by the conditions of the network companies' licences:

Electricity Transmission

- Medium Sized Investment Projects (MSIP)³
- Large Onshore Transmission Investment (LOTI) – Project Assessment⁴

Electricity Distribution

- Hebrides and Orkney Whole System Uncertainty Mechanism (HOWSUM)⁵ – (SSEN only)
- Load Related Expenditure Re-opener⁶

Gas Distribution

- Health and Safety Executive (HSE) Policy Re-opener⁷
- Specified Streetworks Costs Re-opener⁸
- Net Zero Pre-Construction Work and Small Net Zero Projects (NZASP) Re-opener⁹

2.2 For more details on the application submissions, please see the sector specific annexes published alongside this document. In accordance with the [Re-opener Guidance and Application Requirements](#), each licensee is required to publish its re-opener application on its website. Links to the relevant publications on the companies' websites can be found in Appendix 3.

2.3 We are not consulting on any re-opener applications from the sole gas transmission company, National Gas Transmission.

³ Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)

⁴ Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIAt and LOTIREt)

⁵ Special Condition 3.2 (Hebrides and Orkney Re-opener) Part O

⁶ Special Condition 3.2 (Load Related Expenditure Re-opener (LREt)) Part K

⁷ Special Condition 3.17 (HSE policy Re-opener (REPt))

⁸ Special Condition 3.24 (Specified Streetworks Costs Re-opener (STWt))

⁹ Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt))

2.4 **Table 2** below provides a summary of the number of applications we are consulting on and the value of the additional funding that the network companies have applied for.

Table 2 – Re-opener applications subject to this consultation

Sector	Re-opener Mechanism	No. of companies	No. of projects	Price Base*	Company forecast cost £m
ET	ET Medium Sized Investment Projects (MSIP)	3	24	2018/19	294.134
ET	ET Large Onshore Transmission Investments (LOTI)	1	1	2018/19	104.615
ED	ED Hebrides and Orkney – (SSEN only)	1	6	2020/21	158.590
ED	ED Load Related Expenditure Re-opener	1	1	2020/21	201.600
GD	GD HSE policy Re-opener	4	8	2018/19	122.221
GD	GD Specified Streetworks Costs Re-opener	4	4	2018/19	72.396
GD	GD Net zero pre-construction works and small net zero projects re-opener	1	4	2018/19	20.480

2.5 We are also consulting on the text of our draft direction for implementing Authority’s decision for the relevant licensee’s re-opener application.

2.6 Please note that for ED sector, all cost and allowance values in these Draft Determinations are in 2020/21 prices. For all other sectors, all cost and allowance values are in 2018/19 prices. This is to align with the price bases used in setting the RIIO-2 price controls.

2.7 Please note that where a network company has a number of different networks, and where a project relates to more than one of its networks, then we count each network element as a separate project. For example, in most cases, Cadent’s projects cover all four of its networks (EoE, Lon, NW, WM). In these cases, we count this as four projects. The same approach applies to Northern Powergrid (2 networks), National Grid Electricity Distribution (3 networks), SP Energy Networks (2 networks), Scottish and Southern Energy (2 networks), and to Scotia Gas Networks (2 networks).

Summary of our Draft Determinations

2.8 **Table 3** below summarises our Draft Determinations.

Table 3 - Summary of Draft Determinations¹⁰

Sector	Sector Group	Company Requested Number of Projects	Company Requested Forecast costs £m	Ofgem's DD - Projects Approved*	Ofgem's DD - Projects Not Approved	Ofgem's DD - Cost adjustment £m	Ofgem's DD - Allowances £m
ET	National Grid Electricity Transmission	13	204.765	11	2	-82.099	122.666
ET	Scottish Hydro Electric Transmission	5	112.528	5	-	-27.519	85.009
ET	SP Transmission	7	81.457	7	-	-7.193	74.263
ET	Total	25	398.749	23	2	-116.811	281.939
GT	National Gas Transmission	-	-	-	-	-	-
GT	Total	-	-	-	-	-	-
ED	Electricity North West	1	201.600	1	-	-108.495	93.105
ED	Northern Powergrid	-	-	-	-	-	-
ED	National Grid Electricity Distribution	-	-	-	-	-	-
ED	SP Energy Networks	-	-	-	-	-	-
ED	Scottish and Southern Energy	6	158.590	4	2	-150.700	7.890
ED	UK Power Networks	-	-	-	-	-	-
ED	Total	7	360.190	5	2	-259.195	100.995
GD	Cadent	9	65.724	8	1	-21.238	44.486
GD	Northern Gas Networks	2	33.690	2	-	-18.566	15.124
GD	Scotia Gas Networks	3	65.620	3	-	-25.279	40.341
GD	Wales & West Utilities	2	50.063	2	-	-23.485	26.578
GD	Total	16	215.097	15	1	-88.568	126.529

* Including partial approval

2.9 We propose to disallow a total of five projects across the following mechanisms:

- **GD Specified Streetworks Costs Re-opener** (under SpC 3.24 of the GD licence): We propose to only award allowances for GDN costs relating to new streetworks schemes which have been introduced in RIIO-2. We propose to disallow costs which relate to schemes introduced in RIIO-1.
- **MSIP Re-opener** (under SpC 3.14 of the ET licence): We propose to disallow the NGET's Norwich project which does not meet the eligibility threshold specified in SpC 3.14.6 of NGET's licence.

¹⁰ Ofgem DD is a term used to annotate Ofgem Draft Determination

While we are proposing to approve needs cases for NGET's Wallend, Penrhos and Marston Vale connection projects and for SPT's Kilmarnock connection project, we are proposing to reject or partially reject the optioneering for these four projects as NGET and SPT did not sufficiently demonstrate that their preferred options are optimal for consumers.

- **Load Related Expenditure Re-opener** (under SpC 3.2: Part K of the ED licence): We propose to disallow the ENWL's proposal for electric vehicle charge points at motor service areas, A-road service stations and bus depots as the licensee did not sufficiently demonstrate that its preferred option would be in the best interest of consumers. We also propose to disallow the secondary reinforcement programmes on opportunistic upsizing of transformers and splitting High Voltage feeder networks.
- **Hebrides and Orkney Re-opener** (under SpC 3.2: Part O of the SSEH's licence): We consider reinforcement of Scottish island electricity infrastructure to be an important priority for SSEN. However, we require further evidence and justification from SSEN before approving allowances for the projects proposed. At this stage we are proposing a partial allowance, by funding £7.890m (5% of submitted project costs). The purpose of this funding is to support SSEN's continued development of network options identified across RIIO-ED2 and into ED3 in order to deliver the best outcomes for current and future consumers, and to enable SSEN to further refine and develop its detailed proposals.

2.10 We welcome consultation responses from stakeholders on our proposals, and will continue to engage with licensees in order to gather further evidence ahead of making a final decision.

Total amount that consumers will pay through their bills

2.11 Any allowances we award to network companies in RIIO-2, including through re-opener mechanisms, are for the specific regulatory years in which the work is expected to be carried out. Although consumers pay out a portion of the allowances (between 15% and 30% for re-openers)¹¹ to the licensee in the year to which they relate, the majority is paid over the next 45 years. Consumers also

¹¹ Capitalisation and gearing rates, and the Cost of Debt and Equity values for each licensee are as per the Finance Annexes of our RIIO-2 final determinations. Cost of Debt is updated annually. However, for our estimations we have kept the individual licensees' Cost of Debt values constant.

pay additional amounts to network companies over 45-years which cover the interest on any debt raised by the company to finance the work (Cost of Debt, CoD) and allow the network companies' shareholders to make a return (Cost of Equity, CoE). From a consumer perspective, this is conceptually the same as repaying a 45-year loan to the network companies with associated interest payments (with an interest rate equal to the Cost of Debt plus the Cost of Equity).

2.12 We have estimated how much the funding decisions in our Draft Determinations, will cost consumers in total over the full 45-year periods in which consumers will pay through their energy bills.¹² The total amount that consumers will pay to each network company is summarised in **Table 4** below. The main headlines from this analysis are below (please note all amounts are in the 2024/25 prices, which is the most recent completed regulatory year). It should be noted that the allowance figures are for all price control periods, i.e. they include RIIO-2 allowances, as well as any allowances that will be awarded through subsequent price controls:

- For the total £815m re-opener allowances approved, consumers will pay an estimated £1,396m (i.e. an additional £580m) to the network companies. The present value¹³ of the £1,396m total amount to be paid by consumers to the network companies is £824m.
- The electricity transmission and distribution companies will receive automatic additional allowances of approximately £78m. This amount is to fund their indirect activities and are set automatically through the Opex Escalator and Indirect Scalar mechanisms. This brings the total allowance for all sectors to £894m.
- The remaining £502m additional amount paid by consumers is to cover the companies' debt interest payments and shareholder returns. This breaks down as follows:

¹² For the purpose of estimating the total cost to consumers we have assumed that the Cost of Debt, Cost of Equity, and other financing parameters remain constant at the company rates set at RIIO-2 FD (range of 1.59% to 3.01% for Cost of Debt, and 4.02% and 5.23% for Cost of Equity). In fact the Cost of Debt is indexed and changes annually and our RIIO-3 DD published on 1 July 2025 also proposes to revise the parameter rates for the RIIO-3 period for the ET, GT, and GD sectors.

¹³ The present value is an adjusted value to allow us to account for of the time value of money. The present value figures reflect that £1 paid in future years will in effect cost less than £1 paid today. We use the Government Green Book social time preference rate (STPR) for the purpose of calculating this estimate.

- £191m (+21% of total reopener allowances) additional will be paid over 45 years by consumers to cover the network companies' debt interest payments, and
- £311m (+35% of total allowances) additional will be paid by consumers over 45 years to the network companies as a return on their shareholders' investments.

2.13 It should be noted the estimates are based on assumption that the network companies spend no more or less than their allowances or any rewards, and does not account for any rewards penalties that may apply under any delivery related incentive mechanisms. If a company spends more than its allowances, then consumers will pay more in order to cover a portion (usually around a half) of the overspend through the Totex Incentive Mechanism (TIM). Similarly, if the company spends less than its allowances, the TIM will return a proportion of the underspend to consumers (meaning that consumers will have paid less than estimated), with the companies retaining the remainder to either reinvest in their networks or businesses or to pass on to their shareholders. The estimates also do not account for the impact of any amounts that consumers may pay to network companies to cover the tax payable on their profits.

Table 4 - Estimated total amount to be paid by consumers through their bills for these Draft Determinations, £m

Sector	Company	Price Base	Paid by Consumers: Reopener Allowances (£m)	Paid by Consumers: Additional Allowances (£m)	Paid by Consumers: Company Debt Repayments	Paid by Consumers: Company Shareholder Return	Total Paid by Consumers	Present Value of Total Paid by Consumers
ET	National Grid Electricity Transmission	2018/19	207	35	47	85	374	217
ET	Scottish Hydro Electric Transmission	2018/19	90	1	16	32	139	83
ET	SP Transmission	2018/19	114	15	25	46	200	115
ET	Sector Total	2018/19	411	51	88	163	713	415
GT	National Gas Transmission	2018/19	0	0	0	0	0	0
GT	Sector Total	2018/19	0	0	0	0	0	0
ED	Electricity North West	2020/21	93	10	36	42	182	104
ED	Northern Powergrid	2020/21	0	0	0	0	0	0
ED	National Grid Electricity Distribution	2020/21	0	0	0	0	0	0
ED	SP Energy Networks	2020/21	0	0	0	0	0	0
ED	Scottish and Southern Energy	2020/21	8	0	3	3	14	8

Consultation - RIIO-2 Re-opener Applications 2025 Draft Determinations – Overview Document

Sector	Company	Price Base	Paid by Consumers: Reopener Allowances (£m)	Paid by Consumers: Additional Allowances (£m)	Paid by Consumers: Company Debt Repayments	Paid by Consumers: Company Shareholder Return	Total Paid by Consumers	Present Value of Total Paid by Consumers
ED	UK Power Networks	2020/21	0	0	0	0	0	0
ED	Sector Total	2020/21	101	10	39	45	196	111
GD	Cadent	2018/19	44	0	8	12	65	41
GD	Northern Gas Networks	2018/19	15	0	3	4	22	14
GD	Scotia Gas Networks	2018/19	40	0	7	11	59	38
GD	Wales & West Utilities	2018/19	27	0	5	7	39	25
GD	Sector Total	2018/19	127	0	23	35	184	119
All	All Sectors Total	2018/19	634	61	148	242	1,086	641
All	All Sectors Total	2020/21	659	63	154	251	1,128	666
All	All Sectors Total	2024/25	815	78	191	311	1,396	824

Consultation approach

Re-opener assessment, and approval process

2.14 The purpose of our decision making process for re-opener applications is to ensure efficient use of the consumers' money and that consumers only pay for the most beneficial projects. In doing so, it is imperative that we carry out robust assessments on network companies' requests for additional funding. In line with the relevant licence condition requirements and the Re-opener Guidance and Application Requirements, our assessment and approval process comprise a number of stages summarised in **Figure 2**. We consider the relevant licensee's project proposal and funding request in accordance with our principal objective under the Gas Act 1986, the Electricity Act 1989 and in accordance with our statutory duties.

2.15 The re-opener assessment and decision making process are as follows:

- **Pre-engagement:** Before submissions are made, we engage with licencees in order to understand the materiality and complexity of the projects.
- **Submission:** Licensees are required to submit their re-opener applications in defined submission windows,¹⁴ at a point in time where they are satisfied that they can submit a sufficiently strong needs case, and when they have sufficient certainty over their cost forecasts. Licensees are required to also publish their submissions on their websites in accordance with the [Re-opener Guidance and Application Requirements Document](#). This document sets out both general and specific requirements that apply to re-opener applications as well as guidance on the form, style and structure of the submissions.
- **Assessment:** Project proposals and funding requests are assessed in accordance with the Re-opener Guidance and Application Requirements and the relevant licence requirements. Typically, submissions are assessed against three areas: needs case, optioneering, and costs. In carrying out our assessment, we take into consideration the evidence presented in the submission itself, as well as evidence gathered in

¹⁴ In accordance with re-opener licence conditions, relevant licensees are restricted to the re-opener submission window provided by the Authority. However, for many of the re-opener mechanisms, we have the discretion to create an additional window. In some instances, the Authority may also decide to trigger a re-opener. The re-opener licence conditions may provide either or both options.

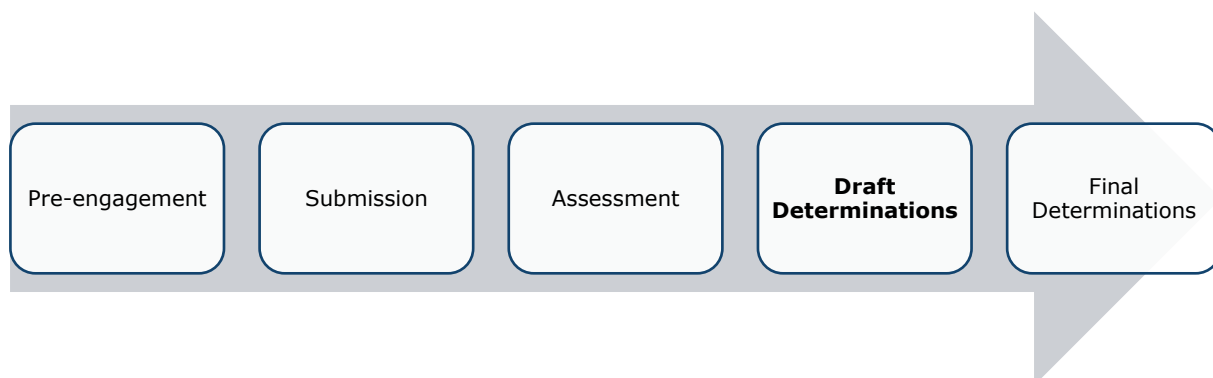
responses to any supplementary questions (SQs) which we may ask licensees to answer following our initial review of their submissions.

- **SQ process:** We may obtain further information from licensees through the SQ process to aid our understanding of the funding request. We expect licensees' applications to be fully comprehensive and for them to fully justify any proposals and additional allowances requested. There is no obligation on Ofgem to ask SQs, and where information is missing or lacking in justification then we may make reasonable assumptions. This is often necessary to enable us to make timely decisions. The SQ process (as well as any other engagement with the companies at assessment stage) is intended to be used for clarification purposes only, and not to provide a second chance to licensees to address any deficiencies in their original submissions.
- **Draft Determination:** We consult on our Draft Determination which provides our minded-to position on the submission. This includes a summary of the proposed needs case, optioneering and costs from the licensee's submission along with our assessment of each one of them. The Draft Determination also includes the allowances we are proposing to award based on our view of the efficient cost of delivering work we consider to be justified. The consultation period runs for a minimum of 28 days, during which we welcome representations from interested stakeholders. We also typically publish for consultation, alongside our Draft Determination, drafts of the directions that will be required to give effect to the proposed decisions.¹⁵
- **Final Determination:** Following consideration of consultation responses, the Final Determination finalises our position on our assessment of the re-opener application. This includes a summary of the Draft Determination, summaries of the responses received and our final decision on the project cost allowance. We issue a direction for implementing the Authority's decision for the relevant licensee's re-opener application. Where required under the relevant licence condition (eg requirement to modify the licence in accordance with section 11A of the Electricity Act

¹⁵ As set out in the relevant licence condition for each re-opener mechanism, before making a decision, we publish on our website: the text of the proposed direction; the reasons for the proposed direction; a period during which representations may be made on the proposed direction, which will not be less than 28 days.

1989 or under section 23 of the Gas Act 1986), we will undertake a statutory consultation on proposed licence modifications to give effect to the Authority's decision.

Figure 2: Re-opener assessment process



Consultation stages

- 2.16 This consultation on the Draft Determinations for the re-opener applications listed in **Table 2** (see paragraph 2.4 above) will run for 39 days and will close on 26 August 2025. We will review and publish the responses a few weeks after the consultation closes. We will endeavour to publish our Final Determinations by the end of calendar year 2025.

Table 5 - Consultation stages

Stage 1	Stage 2	Stage 3	Stage 4
Consultation open (Draft Determinations)	Consultation closes (awaiting decision). Deadline for responses	Responses reviewed and published	Final Determinations
18/07/2025	26/08/2025	Autumn 2025	By the end of 2025

How to respond

- 2.17 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.
- 2.18 We've asked for your feedback on our assessment of each re-opener application that is subject to this consultation. The consultation questions are set out in each sector specific annex. Please respond to each one as fully as

you can. The full list of consultation questions has been consolidated in Appendix 1 of this document.

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

Your response, data and confidentiality

- 2.20 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.
- 2.21 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.
- 2.22 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 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 5.
- 2.23 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

2.24 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:

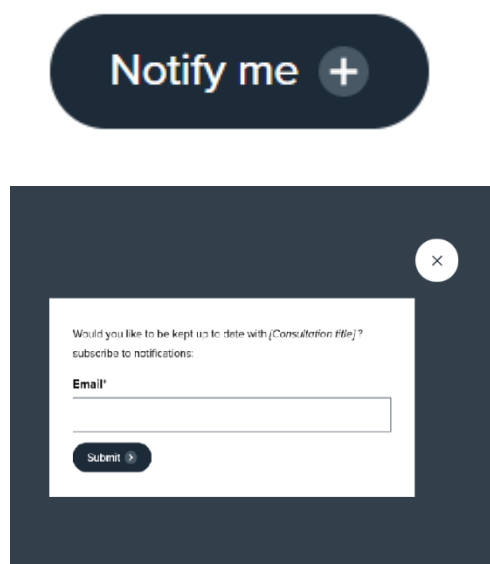
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. 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.

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



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)

Next steps

- 2.25 All proposals published in the consultation documents are draft proposals, subject to the consultation we are carrying out. We will publish our decisions on the re-opener applications subject to this consultation in our Final Determinations at the end of this year.
- 2.26 **Table 6** summarises how we would implement our proposed decisions, should we decide to proceed with them following the consultation. For certain re-opener mechanisms listed in this table, directions would be issued by Ofgem to set out relevant outputs and allowance adjustments. These allowances would be adjusted by changing the value of the re-opener terms listed within the licence and for the Regulatory Years to which that adjustment relates. We have included draft directions in the appendices of the sector specific annexes, which set out for consultation the text of our proposed directions. We will issue directions to set out any adjustments alongside our Final Determinations.
- 2.27 For any mechanisms, eg MSIP, where the licence requires a statutory consultation to adjust allowances then we will publish a statutory consultation alongside our Final Determinations. We have included the draft text for the proposed licence amendments in this consultation document. Please note, this may be revised following further consultation on the proposed licence drafting.

Table 6 – Decision implementation overview

Sector	Network company	Licence condition / Re-opener subject to this consultation	Direction/ licence modification
ET	National Grid Electricity Transmission	SpC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ET	SP Transmission	SpC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ET	Scottish Hydro Electric Transmission	SIPC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ED	Scottish Hydro Electrical Power Distribution	SpC: 3.2 (Hebrides and Orkney Re-opener) Part O	Direction
ED	Electricity North West Limited	SpC: 3.2 (Load Related Expenditure Re-opener (LREt)) Part K	Licence modification
GD	Cadent	SpC: 3.17 (HSE policy Re-opener (REPt)) and SpC: 3.24 (Specified Streetworks Costs Re-opener) (STWt)	Direction
GD	Northern Gas Networks	SpC: 3.17 (HSE policy Re-opener (REPt)) and SpC: 3.24 (Specified Streetworks Costs Re-opener) (STWt)	Direction
GD	SGN (Scotland Gas Network)	SpC: 3.17 (HSE policy Re-opener (REPt)) and SpC: 3.24 (Specified Streetworks Costs Re-opener) (STWt)	Direction
GD	Southern Gas Networks	SpC: 3.17 (HSE policy Re-opener (REPt)) and SpC: 3.24 (Specified Streetworks Costs Re-opener) (STWt)	Direction
GD	Wales & West Utilities	SpC: 3.17 (HSE policy Re-opener (REPt)) and SpC: 3.24 (Specified Streetworks Costs Re-opener) (STWt)	Direction
GD	Cadent	SpC: 3.9 (Net Zero Pre-construction work and Small Net Zero Projects Re-opener) Part C	Direction

3. Appendices

Appendix	Name of appendix	Page no.
1	Consultation Questions	26
2	Re-opener mechanisms overview	29
3	Re-opener mechanisms: links to publications	31
4	Glossary	33
5	Privacy notice on consultations	40

Appendix 1 - Consultation Questions

RIIO-2 Re-opener Applications 2025 Draft Determinations – ET Annex

- ET.Q2 For each eligible project, do you agree with our assessment of the needs case for the 2025 MSIPs?
- ET.Q3 For each eligible project, do you agree with the list of options considered to address the need? Are there other realistically viable options that you think should have been considered?
- ET.Q4 For each eligible project, do you agree with our assessment of the preferred option for the 2025 MSIPs?
- ET.Q5 For each eligible project, do you agree with our assessment of the efficient costs?
- ET.Q6 Do you agree with the principle that SHET should not financially benefit from its decision to move the Gremista GSP project from the MSIP mechanism to LOTI?
- ET.Q7 Do you agree with Draft Determinations position on pre-construction costs for Gremista GSP project?
- ET.Q8 Do you agree with our Draft Determinations on direct construction costs for Gremista GSP project?
- ET.Q9 Do you agree with our Draft Determinations on indirect costs for the Gremista GSP project?
- ET.Q10 Do you agree with our Draft Determination on risk for Gremista GSP project?
- ET.Q11 Do you agree with our Draft Determinations on the COAE threshold adjustment for Gremista GSP project?
- ET.Q12 Do you agree with our Draft Determinations view on the implementation of the Large Project Delivery (LPD) mechanisms: Re-profiling and Project Delay Charge for Gremista GSP project?

RIIO-2 Re-opener Applications 2024 Draft Determinations – ED Annex

- ED.Q1 Do you agree with our assessment of the of the needs case for the projects under Hebrides and Orkney Re-opener submission?
- ED.Q2 Do you agree with assessment of the costs of projects under the Hebrides and Orkney Re-opener submission?
- ED.Q3 Do you agree with our assessment of the development funding for the projects under Hebrides and Orkney Re-opener submission?

- ED.Q4. Do you agree with our assessment on the needs case of the Engineering Justification Papers (EJPs) submitted under the LRE re-opener?
- ED.Q5 Do you agree with our assessment on the optioneering of the EJPs submitted under the LRE re-opener?
- ED.Q6 Do you agree with our approach to use disaggregated benchmarking models to inform the efficient costs of ENWL's application?
- ED.Q7 Do you agree with our draft determinations of efficient costs for ENWL's application under the LRE re-opener?
- ED.Q8 Do you agree with our view that the proposed reinforcement (the loop circuit) to A-road service stations should be classed as sole use and charged to the connecting customer?

RIIO-2 Re-opener Applications 2024 Draft Determinations – GD Annex

- GD.Q1 Do you have any views on the draft directions contained in Appendix 1?
- GD.Q2 Do you agree with our assessment of applications under the HSE Policy Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.
- GD.Q3 Do you agree with our proposal to award allowances proportionate to each GDN's emergency and repair staff numbers?
- GD.Q4 Do you agree with our calculation methodology? Please include views on each aspect including benchmarking, RIIO-2/RIIO-3 funding splits, and consistency with the RIIO-2 allowances proposed in our RIIO-3 Draft Determinations.
- GD.Q5 Of the categories listed in paragraph 3.9, which categories should we consider awarding funding for?
- GD.Q6 Do you agree with our assessment of applications under the Specified Streetworks Costs Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.
- GD.Q7 Do you agree with our applications assessment under the NZASP Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.

Appendix 2 - Re-opener mechanisms overview

Re-opener Mechanism	Sector	Purpose	Benefits	Licence Condition	Chapter reference	Link to the relevant FD document
Medium Sized Investment Projects (MSIP)	ET	To ensure that ETOs are able to undertake necessary investments in the transmission network, funding for which has not been provided in RIIO baseline allowances.	Allows Ofgem to scrutinise, on behalf of consumers, the need for and cost of projects with more unusual characteristics.	Special condition 3.14	4.49 – 4.58 of RIIO-2 Final Determinations Electricity Transmission System Annex (REVISED)	RIIO-2 Final Determinations Electricity Transmission System Annex (REVISED) (ofgem.gov.uk)
Large Onshore Transmission Investment (LOTI)	ET	To ensure that TOs are funded to undertake necessary large investments on the transmission network.	Allows Ofgem to scrutinise, on behalf of consumers, large transmission investments at the point at which needs case and efficient costs can be scrutinised more effectively.	Special Condition 3.13	4.29 – 4.34 of RIIO-2 Final Determinations Electricity Transmission System Annex (REVISED)	RIIO-2 Final Determinations Electricity Transmission System Annex (REVISED) (ofgem.gov.uk)
Hebrides and Orkney – (SSEN only)	ED	To allow for upward adjustment of ex ante allowances after identification of customer needs once third-party uncertainties have reduced.	The consumer bears less risk of paying for over- or underinvestment in infrastructure needs for the islands.	Special Condition 3.2	4.6 – 4.9 of RIIO-ED2 Final Determinations SSEN Annex	RIIO-ED2 Final Determinations SSEN Annex (ofgem.gov.uk)
Load Related Expenditure Re-opener	ED	To enable additional investment in DNOs primary networks, if required.	Ensure networks have sufficient funding to enable net zero and protect consumers from paying higher costs than necessary.	Special Condition 3.2	3.21 – 3.32 of RIIO-ED2 Final Determinations Core Methodology	RIIO-ED2 Final Determinations Core Methodology (ofgem.gov.hk)

Health and Safety Executive (HSE) Policy Re-opener	GD	A common re-opener to account for changes in HSE-related policy areas that result in material changes to GDNs' costs during RIIO-GD2.	Provides appropriate protection for consumers, and GDNs, by adjusting funding (upwards or downwards) to account for changes to safety requirements that result from changes in HSE policy or to GDNs' Approved Programmes during the course of RIIO-GD2.	Special Condition 3.17	4.15 – 4.18 of the RIIO-2 Final Determinations – GD Sector Annex (REVISED)	RIIO-2 Final Determinations – GD Sector Annex (REVISED)
Net Zero Pre-Construction Work and Small Net Zero Projects (NZASP) Re-opener	GD	To allow GD and GT network companies to undertake design and pre-construction work that is too material for the UIOLI and also to progress Net Zero facilitation projects that aren't material enough for the Net Zero Re-opener.	Enables companies to progress small value, but high impact, Net Zero work in an agile way.	Special Condition 3.9	8.27 – 8.32 of RIIO-2 Final Determinations – Core Document	RIIO-2 Final Determinations – Core Document
Specified Streetworks Costs Re-opener	GD	An ongoing re-opener from RIIO-GD1 to recover the efficient costs of complying with new permit and lane rental schemes or new requirements introduced by public bodies after the RIIO-GD2 price control is set.	The mechanism protects customers and GDNs by avoiding the inclusion of uncertain streetworks spend in baseline allowances and providing an opportunity for GDNs to request funding for potential additional efficient costs within period, if they arise	Special Condition 3.24	4.52 - 4.55 of RIIO-2 Final Determinations – GD Sector Annex (REVISED)	RIIO-2 Final Determinations – GD Sector Annex (REVISED)

Appendix 3 - Network companies published re-opener applications

Sector	Company	Re-opener Mechanism	Link to relevant publications
ET	NGET	Medium Sized Investment Projects (MSIP)	Our RIIO-2 business plan National Grid
ET	SHET	Medium Sized Investment Projects (MSIP)	Medium Sized Investment Projects (MSIP) - SSEN Transmission
ET	SPT	Medium Sized Investment Projects (MSIP)	MSIP Reopeners - SP Energy Networks
ET	SHET	Large Onshore Transmission Investment (LOTI) mechanism	Gremista GSP (Grid Supply Point) and 132kV Connection - SSEN Transmission
ED	SSEN	Hebrides and Orkney Whole System Uncertainty Mechanism (HOWSUM)	Whole system energy solutions for the Scottish Islands - SSEN
ED	ENWL	Load Related Expenditure Re-opener (LREt)	Public information
GD	Cadent	Health and Safety Executive (HSE) Policy Re-opener	Fatigue-Re-opener-Submission-September-2024.pdf
GD	NGN	Health and Safety Executive (HSE) Policy Re-opener	NGN-RIIO-GD2-HSE-Policy-Special-Condition-3.17-Re-opener-Submission-300924-redactedv2.0-2.pdf
GD	SGN	Health and Safety Executive (HSE) Policy Re-opener	SGN HSE Re-opener 30 September 2024 Redacted 0.pdf
GD	WWU	Health and Safety Executive (HSE) Policy Re-opener	Microsoft Word - WWU re-opener - Fatigue Final 03.10.2024 redacted revised
GD	Cadent	Net Zero Pre-Construction Work and Small Net Zero Projects (NZASP) Re-opener	Net-Zero-Pre-construction-Work-and-Small-Net-Zero-Projects-Re-opener-Cadent-Vehicle-Based-Advanc.pdf
GD	Cadent	Specified Streetworks Costs Re-opener	Streetworks-Re-opener-Submission-September-2024.pdf
GD	NGN	Specified Streetworks Costs Re-opener	NGN-RIIO-GD2-Specified-Streetworks-Special-Condition-3.24-Re-opener-Submission-300924-1.pdf
GD	SGN	Specified Streetworks Costs Re-opener	SGN Streetworks Re-opener 30 September 2024 Redacted 0.pdf

GD	WWU	Specified Streetworks Costs Re-opener	Microsoft Word - WWU Streetworks re-opener paper redacted revised
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Appendix 4 - Glossary

A

Allowed revenue

The amount of money that a network company can earn on its regulated business.

Associated Document

A document issued and amended by the Authority in accordance with the Special Condition 1.3 (Common procedure) and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified. It does not include the RIIO-ED2 Price Control Financial Instruments.

The Authority/Ofgem/GEMA

Ofgem is the Office of Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority (GEMA or 'the Authority'), the body established by section 1 of the Utilities Act 2000 to regulate the gas and electricity markets in Great Britain.

B

Base revenue

For RIIO-ED2, our proposed definition of base revenue is a subset of overall revenue calculating in the price control financial model: fast-pot expenditure, non-controllable opex, RAV depreciation and return.

Baseline Allowed Return

Our estimation, taking into account expectations, of the efficient return for debt and equity capital. Based on a weighted average of the pre-tax cost of debt and the post-tax cost of equity, adjusted for ex ante expectations if any. The weighting uses notional gearing.

Benchmarking

The process used to compare a company's performance (eg its costs) to that of best practice or to average levels within the sector.

C

Capital expenditure (capex)

Expenditure on investment in long-term distribution and transmission assets, such as electricity distribution cables or overhead lines.

Closely Associated Indirects

These costs include the back-office functions directly involved in the construction and operation of the network assets, such as project management and network design.

Consumer

Within the regulatory framework we consider consumers to be the end users of gas and electricity, whether for domestic or business use.

D

Distributed generation (DG)

Any generation connected directly to the local distribution network, as opposed to the transmission network, as well as combined heat and power schemes of any scale.

Distribution Network Operators (DNOs)

A DNO is a company that operates the electricity distribution network, which includes all parts of the network from 132kV down to 230V in England and Wales. In Scotland 132kV is considered to be a part of transmission rather than distribution so their operation is not included in the DNOs' activities. There are 14 DNO licensees that are subject to RIIO price controls. These are owned by six different groups.

Distribution System

The system of low voltage electric lines and low-pressure pipelines providing for the transfer of electricity and gas within specific regions of GB.

Distribution System Operation

The set of activities that are needed to support the transition to a smarter, flexible and digitally enabled local energy system. DNOs have been building capabilities in planning, operating and market facilitation of flexible resources to drive more efficient development and use of the decarbonising electricity system. This differs from the more traditional responsibility of a DNO, which is to take power from the transmission network and deliver it at safe, lower voltages to homes and businesses.

E

Electricity System Operator (ESO)

The entity responsible for operating the electricity transmission system and for entering into contracts with those who want to connect to and/or use the electricity transmission system. National Grid Electricity System Operator Limited is the electricity system operator in Great Britain.

Engineering Justification Paper

A decision support tool to provide justifications for investments, which is open to scrutiny and challenge.

F

Firm Connection

A connection is firm or non-firm depending on how many circuits supply the site and the arrangement of those circuits. Firm connections have two or more circuits into the site.

G

Gas Distribution Networks (GDNs)

GDNs transport gas from the National Transmission System to final consumers and to connected system exit points. There are eight network areas managed by four companies that are subject to RIIO price controls.

L

Licence conditions

These are the conditions under which a licensee holds its licence to operate as a gas transporter or electricity transporter and address various detailed matters including requirements to meet certain standards of performance, how the company's allowed revenue is to be calculated and procedures for modifying various documents.

Licence obligations (LO)

This is one of the RIIO building blocks, an output that is contained within the licence conditions of a network company. The Authority has the power to take appropriate enforcement action in the case of a failure to meet these obligations.

Load Related Expenditure

The investment required to ensure the network has sufficient capacity to accommodate the load on it.

N

Net Zero Target

The 'net zero target' refers to a government commitment to ensure the UK reduces its greenhouse gas emissions by 100% from 1990 levels by 2050. If met, this would mean the amount of greenhouse gas emissions produced by the UK would be equal to or less than the emissions removed by the UK from the environment.

Network Company

A transmission network owner or distribution network operator. The ESO does not fall under this term, see the term Electricity System Operator (ESO).

Network Options Assessment (NOA)

The NOA is the process for assessing options for reinforcing the National Electricity Transmission System (NETS) to meet the requirements that the Electricity System Operator (ESO) finds from its analysis of the FES.

Non-firm Connection

A connection is firm or non-firm depending on how many circuits supply the site and the arrangement of those circuits. Non-firm connections have only one circuit into the site and are the simplest type of connection.

Non-op Capex

The capital costs incurred from activities that are unrelated to core activities, but essential to DNOs in being able to carry out these activities.

O

Ongoing Efficiency

The reduction in the volume of inputs required to produce a given volume of output - ie the productivity improvements that we consider even the most efficient company is capable of achieving.

Opex Escalator

The OE, set out in Special Condition (SpC) 3.36 of the ET licences, is an example of a Volume Driver mechanism, and is used to set Closely Associated Indirect (CAI) allowances in cases where Ofgem has awarded additional Direct Activity Allowances through a re-opener mechanism.

Operating Expenditure (opex)

The costs of the day-to-day operation of the network such as staff costs, repairs and maintenance expenditures and overheads.

Outputs

Services, requirements, and deliverables that network companies are funded or incentivised to deliver through the price control. These can be LOs, ODIs or PCDs. Common outputs apply to all or some of the energy sectors, whereas bespoke outputs apply to one network company.

P

Price control

The control developed by the regulator to set targets and allowed revenues for network companies. The characteristics and mechanisms are developed by the regulator in the price control review period depending on network company performance over the last control period and predicted expenditure (companies' business plans) in the next.

Price Control Deliverables (PCDs)

In RIIO-2, we will use PCDs to capture those outputs that are directly funded through the price control and where the funding provided is not transferrable to a different output or project. The purpose of a PCD will be to ensure the conditions attached to the funding are clear up-front.

Project deliverables (NZASP only)

Project deliverables are project specific outputs such as key activity milestones or evidence to be reported to Ofgem and provides evidence that projects are progressing as planned. These are set out within the funding direction, meaning deliverables should be met as a condition of receiving funding through the NZASP re-opener. These differ from PCDs which are set out in the licence.

R

Regulatory Instructions and Guidance (RIGs)

A document that is published as part of the price control settlement which sets out further detail on how the price control is to be implemented and how compliance with it will be monitored.

Re-openers

An Uncertainty Mechanism used in certain limited and pre-defined circumstances, which may amend revenue allowances, outputs and/or delivery dates within the price control period.

RIIO (Revenue = Incentives + Innovation + Outputs)

Ofgem's regulatory framework, stemming from the conclusions of the RPI-X@20 project. It builds on the success of the previous RPI-X regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to drive the innovation needed to deliver a sustainable energy network at value for money to existing and future consumers.

S

System Operator (SO)

The SO is the entity responsible for operating the transmission system and for entering into contracts with those who want to connect to the transmission system. In relation to electricity and gas, this role is performed by National Grid.

T

Third party

Within the innovation context, third party refers to any person other than network companies. It may include, for example, private companies, academics, small and medium-sized enterprises, and trade bodies. It is often used interchangeably with non-network company.

Total expenditure (totex)

Totex includes both capital expenditure (capex) and operating expenditure (opex). Totex is made up of fast money and slow money.

Total Market Return (TMR)

A measure of return that equity investors expect for the market-average level of risk.

Totex Benchmarking

A cost assessment approach that includes all normalised controllable costs in a single benchmarking model.

Totex Incentive Mechanism (TIM)

A mechanism within the Price Control Financial Model (PCFM) 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 expenditure.

Transmission Owner (TO)

Means, in the electricity sector, National Grid Electricity Transmission, Scottish Power Transmission or Scottish Hydro Electric Transmission and, in the gas sector, National Grid Gas Transmission.

Transmission system

The system of high voltage electric lines and high-pressure pipelines providing for the bulk transfer of electricity and gas across GB.

U

Uncertainty Mechanisms (UMs)

Uncertainty mechanisms allow changes to the base revenue during the price control period to reflect significant cost changes that are expected to be outside the company's control. Common UMs apply to all or some of the energy sectors, whereas bespoke UMs apply to one network company.

V

Volume driver

An Uncertainty Mechanism allowing revenue to vary as a function of a volume measure (eg number of new connections).

W

Worst served customer

Customer experiencing on average at least four interruptions at higher voltage distribution per regulatory year, over a three regulatory year period (i.e. 12 or more interruptions over three regulatory years, with a minimum of two interruptions per regulatory year).

Appendix 5 - 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

No external agencies.

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 six months after the consultation 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](#)".