

Electricity transmission licence

Special Conditions

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

1.1.1 The purpose of this condition is to provide for the special conditions of this licence:

- (a) some provisions of general interpretation; and
- (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Interpretation

1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.

1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.

1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

1.1.6 Any reference in these special conditions to:

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity transmission licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity distribution licences;
- (e) a provision of the standard conditions of electricity generation licences;
- (f) a provision of the standard conditions of electricity interconnector licences;
- (g) a provision of the conditions of the Electricity System Operator Licence,
- (h) must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.

1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving a direction, consent, derogation, approval or designation includes:
 - (b) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
 - (c) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2026.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2023/24 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET3 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET3 Price Control Financial Model will convert these values using in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2023/24 price base.

Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ET3 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document; or
 - (e) the CUSC

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

the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs relating to the licensee.
Actual Totex	is derived in accordance with Chapter 3 of the ET3 Price Control Financial Handbook.
Advanced Procurement Mechanism (APM)	means the regulatory funding mechanism established by Special Condition 3.16 which is designed to facilitate licensees' early engagement with the supply chain to mitigate current and future supply chain constraints which would otherwise threaten delay to infrastructure projects on the electricity transmission network.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Revenue	is the amount the licensee should aim to recover through its Network Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Allowed Security Costs	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the auditors, as the Authority may request) as being a cost which is directly attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the license for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act.
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
APM Allowance	means the Advanced Procurement Mechanism Allowance, established by Part A of Special Condition 3.16.
APM Cap (APMC _t)	means the cap on the APM Allowance established by the Authority and specified in Special Condition 3.16 Appendix 1.
APM Cost Category	means an expenditure category that the Authority has deemed eligible for the licensee to use its APM allowance against as set out in the APM Governance Document.
APM Disallowances (APMD _t)	means APM Expenditure that has been determined as ineligible in accordance with Special Condition 3.16 Part I.

APM Expenditure (APMS _t)	means the amount that the licensee has spent for the purpose of booking supply chain capacity for the procurement of Equipment or Related Services in relation to an APM Cost Category, and which the licensee has reported or intends to report as APMSt through the RRP.
APM Governance Document	means the document issued by the Authority in accordance with Part K of Special Condition 3.16.
APM Recovered Expenditure (APMR _t)	means the allowances initially incurred and reported as APMS _t , which must not be a value greater than APMSt, that have been added to Allowed Revenue through other special conditions of this licence.
APM Register	means a licensee-specific document held and updated by the Authority based on information provided by the licensee in relation to its use of APM Allowances, and which is shared only with the relevant licensee and will otherwise be kept confidential.
APM Re-opener	means any of the re-openers established by Part B, Part C, Part D and Part E of Special Condition 3.16.
Appropriate Auditor	means: <ul style="list-style-type: none"> (a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act; (b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and (c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.
Appropriate Time	means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.
Appropriately Qualified	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.

Asset	Means primary or light current equipment on the transmission system
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associate	means: (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; and (d) a Common Control Company.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
ASTI	means the assets constituting an investment in the Transmission System, where the investment: (a) meets the definition of LOTI; (b) has been identified by the ISOP as being needed to be operational by 2030 to meet the Government's ambition to connect 50GW offshore wind generation; and (c) satisfies the Authority that there is clear evidence that the

	expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.
ASTI Confidential Annex	means the latest version of the confidential document containing confidential / commercially sensitive information related to the ASTI framework issued to the licensee by the Authority
ASTI Cost And Output Adjusting Event	means events outside of the licensees' reasonable control and which the licensee could not have economically and efficiently planned a contingency for which have a material impact on the scope or cost of an ASTI Output.
ASTI ODI Penalty Exemption Period	means the number of days after the ASTI ODI Target Date for which the Authority decides an ASTI output delivery incentive penalty will not apply following an application under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive).
ASTI ODI Target Date	means the date from which the licensee is not eligible for a reward under the ASTI output delivery incentive as stated in Appendix 1 of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive).
ASTI ODI-F Delay Event	means an event that: (a) causes, or is reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days; (b) is outside the licensee's reasonable control; and (c) is not attributable to any error or failure on the licensee's part.
ASTI Outputs	means the outputs included in Appendices 1 and 2 to Special Condition 3.20 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).
ASTI Pre-Construction Funding	means the funding required to complete Pre-Construction Works on an ASTI project.
ASTI Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part D of Special Condition 3.20 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable): a) on the ASTI Output, delivery date and associated allowances to be specified in Appendix 1 to Special Condition 3.20; b) on any additional events that are to be considered ASTI Cost And Output Adjusting Events for that ASTI; and

	c) on the availability standard for the relevant ASTI Output to be specified in Appendix 2 to Special Condition 3.20 with any modifications to Special Condition 3.20 being made under section 11A of the Act.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Authority's Website	means www.ofgem.gov.uk .
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Outputs).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' for a given Risk Sub-Category in the licensee's Network Asset Risk Workbook.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Bespoke Procurement	means procurement that is not Flexible Procurement, or is procurement that the Authority otherwise decides to be bespoke and is thus assessed for APM eligibility on a project-specific basis by the Authority, and is specified as such in the APM Register.
Bengeworth Road GSP Project	means the project to install a new Grid Supply Point at Bengeworth Road to connect to the main London Power Tunnels.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 3.6 of the document titled 'RIIO-3 Sector Specific Methodology Decision Overview document', published by the Authority on 18 July 2024.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled "NIS Supplementary Guidance and CAF Overlay for DGE Sector", published by the Authority on 1 August 2023 as amended from time to time as amended from time to time.
Calculated Revenue	has the value derived in accordance with Part D of Special Condition 2.1 (Revenue Restriction).

Calculated Tax Allowance	means the value of the TAX _t term as set out in the “Revenue” sheet of the ET3 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
CATO Project	means a project which the Authority has decided should be delivered by a Competitively Appointed Transmission Owner.
Carbon Compensation	means investment in: <p>Chapter 1: projects that remove or prevent greenhouse emissions; or</p> <p>Chapter 2: carbon credits which are regarded as higher quality in accordance with the principles set out in the Carbon Offset Guide published by Greenhouse Gas Management Institute and the Stockholm Environment Institute.</p>
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-2 Network Innovation Allowance for an additional Regulatory Year, and the first half of the following Regulatory Year.
Centralised Strategic Network Planning	means the activities undertaken by the Electricity System Operator which result in recommendations for the licensees to deliver specified investments, including (but not limited to) the CSNP publications and any transitional CSNP publications.
CSNP Information Exchange Guidance	means the guidance document issued by the Authority in accordance with Part B of Special Condition 9.25 (CSNP-TO engagement/data exchange)
CO ₂ e	means carbon dioxide equivalent.
Commercial Customer	means any person who is supplied or required to be supplied with electricity and is not a Domestic Customer.
Common Control Company	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Community Funds	means the community fund for transmission infrastructure introduced by the Department for Energy Security and Net Zero.
Company Tax Return	means the financial information that the licensee is required to file with His Majesty's Revenue and Customs each year for the purposes of calculating its Actual Corporation Tax liability.

Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the London stock exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union.
Competition and Markets Authority	means the competition authority established under section 25 of the Enterprise and Regulatory Reform Act 2013.
Compliance Certificate	means a certificate to certify that to the best of the Single Appointed Director's knowledge, information and belief, having made due and careful enquiry, the report of the Compliance Officer fairly represents the licensee's compliance with the Specified Duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer and the compliance of the licensee with its Specified Duties.
Compliance Officer	means a person appointed by the licensee for the purpose of facilitating compliance by the licensee with its Specified Duties.
Compliance Report	means an annual report provided by the licensee to the Authority which demonstrates its compliance with the Specified Duties during the period since the last Compliance Report and its implementation of the practices, procedures and system adopted in accordance with the Compliance Statement.
Compliance Statement	means a statement provided by the licensee to the Authority describing the practices, procedures and systems by which the licensee will secure compliance with the Specified Duties.
Confidential Information	means any information, which is commercially sensitive, and relates to or derives from the management or operation of the Transmission Business.
Connection Entry Capacity	has the meaning given to that term in the CUSC.
Consumer Outcome	means:

	<p>(a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience; or</p> <p>(b) the expected benefits to consumers in terms of service quality, over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the</p> <p>benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience, or benefits to consumers in terms of service quality, that can be attributed to, and reasonably expected from, the works delivered by the licensee over the whole life of the works delivered.</p>
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).
Cost And Output Adjusting Event	<p>means:</p> <p>(a) an Extreme Weather Event;</p> <p>(b) the imposition of additional terms or conditions under a statutory consenting process (including but not limited to planning consent);</p> <p>(c) unforeseen ground or sea-bed conditions;</p> <p>(d) for the purposes of a particular CSNP-F Output under licence condition 3.19 CSNP-F Re-opener, any event that the Authority decides is a Cost And Output Adjusting Event.</p>
Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.

Critical National Infrastructure	<p>means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in:</p> <p>(a) major detrimental impact on the availability, integrity or delivery of essential services - including those services whose integrity, if compromised, could result in significant loss of life or casualties - taking into account significant economic or social impacts; or</p> <p>(b) significant impact on national security, national defence, or the functioning of the state.</p>
CSNP	<p>means the Centralised Strategic Network Plan (CSNP) for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and short-term system operability issues.</p>
CSNP-F	<p>means the CSNP funding mechanism that will give effect to the ISOP's recommended proceed signal for load-related electricity transmission project.</p>
CSNP-F Guidance and Submission Requirements Document	<p>means the document issued by the Authority in accordance with Part G of Special Condition 3.19 Centralised Strategic Network Plan (CSNP) Funding (CSNP-F) Re-opener Price Control Deliverable (CSNP-FAt and CSNP-FRt)</p>
CSNP-F OFI-F Delay Event	<p>means an event that:</p> <p>(a) causes, or is reasonably expected to cause, one or more CSNP-F ODI-F projects to be delayed by at least 30 days;</p> <p>(b) is outside the licensee's reasonable control;</p> <p>(c) is not attributable to any error or failure on the licensee's part;</p> <p>(d) is not a Supply Chain Constraint, or a event arising from a Supply Chain Constraint; and</p> <p>(e) is specified in the CSNP-F Guidance and Submission Requirements Document as an eligible delay event.</p>
CSNP-F ODI-F Delivered Date	<p>means the date on which the Authority is satisfied that:</p> <p>Chapter 1: the project asset has been made available for operational service and configuration by the NESO; and</p>

	Chapter 2: the project asset has achieved and is likely to maintains the project minimum availability standards as specified in Appendix 1 or Appendix 2 of Special Condition 4.8 (CSNP-F output delivery incentive).
CSNP-F ODI-F Penalty Exemption Period	means the number of days after the CSNP-F ODI-F Target Delivery Date for which the Authority decides a CSNP-F ODI-F penalty will not apply following an application under Part [X] of Special Condition 4.8 (CSNP-F output delivery incentive)
CSNP-F ODI-F Target Delivery Date	means the date from which the licensee is not eligible for a reward under the CSNP-F ODI-F as stated in Appendix 1 or Appendix 2 of Special Condition 4.8 (CSNP-F output delivery incentive).
CSNP-F Output	means an output in Appendix 2 to Special Condition 3.19 (CSNP-F) Re-opener (CSNPF _t)
CSNP Information Exchange Guidance	means the guidance document issued by the Authority in accordance with Part B of Special Condition 9.25 (CSNP-TO engagement/data exchange)
CSNP Optimal Delivery Date	means the preferred delivery date as specified by the ISOP in the relevant CSNP.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
CUSC	means the Connection and Use of System Code prepared by the ISOP pursuant to Condition E2 (Connection and Use of System Code (CUSC)) of the Electricity System Operator Licence, as from time to time modified in accordance with that condition.
Cyber Resilience Plan	means a plan of the sort that the licensee was invited to submit a Cyber Resilience Business Plan at Chapter 3 of the document titled “RIIO-3 - NIS-R Cyber Resilience Business Plan Assessment Methodology and Requirement”, published by the Authority on 30 September 2024.
Cyber Resilience Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience UIOLI Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience Re-opener,

	Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with in of Special Condition 9.6 (Digitalisation).
De Minimis Business	means any business or activity carried on by the licensee or a relevant Associate other than: (a) the Transmission Business; and (b) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) .
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
Demand Connection	means the transmission infrastructure works required to connect new demand capacity to the National Electricity Transmission System.
Demand Connection Capacity	means the incremental increase in the offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the ISOP pursuant to the STC.
Designated Areas	means areas that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997.
Digitalisation	means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.6 (Digitalisation).
Digitalisation Re-opener	means the Re-opener established by Part B and Part C of Special Condition 3.7 (Digitalisation Re-opener).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.6 (Digitalisation).

Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licensee and Electricity Distribution Licensees and the ISOP), that have not been otherwise funded through Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.8 (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disallowed Expenditure	means revenue received (whether by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees and the ISOP) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.7 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.7 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Distribution System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Domestic Customer	means any person who is supplied or requires to be supplied with electricity at premises at which a supply of electricity is

	taken wholly or mainly for domestic purposes (but excludes such person insofar as he is supplied or required to be supplied at premises at which supply is taken for non-domestic purposes).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.6 (Digitalisation).
Early Construction Funding	means allowances in addition to ASTI Pre-Construction Funding in relation to an ASTI Output provided before an ASTI Project Assessment Decision and related to: <ul style="list-style-type: none"> (a) strategic land purchases; (b) early enabling works; (c) early procurement commitments; and/or (d) other activities approved in advance by the Authority.
Early Enabling Works	means establishment of site welfare and access, and validation of assumptions at design stage.
Efficiency	means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan or Re-opener submission. This does not include: <ul style="list-style-type: none"> (a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or (b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee's services or government policy.
Electricity Arbitration Association	means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.
Electricity System Operator Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Eligibility Letter	means a document that sets out the licensee's initial view on the need for a Load Re-opener submission, sets out the early needs

	case, sets out early view of technical solution, compares alternative options and preferred Load Re-opener delivery track; in accordance with Load Re-opener Guidance and Submissions Requirements Document.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-2 Network Innovation Allowance projects on which work commenced prior to 31 March 2026, pursuant to the requirements of the RIIO-2 NIA Governance Document.
Eligible SIF Project	means a project undertaken by the licensee or any other Transmission Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Enhanced Service	Reduce constraint costs in line with signals from ISOP.
Enhancing Pre-existing Infrastructure Project	means a project that has been approved by the Authority prior to 31 March 2021 to reduce the impact of the assets forming part of the licensee's Transmission System on the visual amenity of Designated Areas.
ENS Exceptional Event	for the purposes of Special Condition 4.2 (Energy Not Supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 50 faults being recorded by the licensee on the licensee's Transmission System in any 24-hour period, ISOP-Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.

ENS Incentive Methodology Statement	means a document that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs, and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
ET2 Legacy Price Control Financial Model	means a modified version of the ET2 Price Control Financial Model as that term is defined in Special Condition 1.1 (Interpretation and definitions) of this licence as in force on 31 March 2026.
ET3 Price Control Financial Handbook	means the document of that name that was first published by the Authority and which comes into effect on 1 April 2026.
ET3 Price Control Financial Instruments	means the ET3 Price Control Financial Handbook and the ET3 Price Control Financial Model.
ET3 Price Control Financial Model	means the model of that name that was first published by the Authority to come into effect on 1 April 2026.
ET3 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ET3 Price Control Financial Handbook.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
External Transmission Activities	means any business of the licensee or any Affiliate or Related Undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National

	Electricity Transmission System other than the licensee's Transmission System.
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Final Statutory Planning Consultation	means the final public consultation that the licensee undertakes before submitting its primary planning application in relation to a potential Load Re-opener project.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered to the full specification on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	<p>means the mechanism that provides for the recovery from the licensee and from other electricity Transmission Licensees and Electricity Distribution Licensees and the ISOP, in each case to such extent (if any) as may be relevant, of:</p> <ul style="list-style-type: none"> (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
Generation Connection	means the transmission infrastructure works required to connect new generation capacity to the National Electricity Transmission System.

Generation Connection Capacity	means the incremental Transmission Entry Capacity, in MW, for generation connected to the National Electricity Transmission System as specified in the relevant agreement between the licensee and the ISOP pursuant to the STC.
Great Britain	has the meaning given under Standard Condition A1 (Definitions and interpretation).
Green Book Supplementary Guidance	means the supplementary guidance to the document titled 'UK Government Treasury's Green Book, for valuation of energy use and greenhouse gas emissions for appraisal', as from time to time amended.
Greenhouse Gas Protocol Website	means https://ghgprotocol.org/
Grid Code	means the grid code required to be drawn up by the ISOP pursuant to Condition E3 (Grid Code) of the Electricity System Operator Licence, as from time to time revised with the approval of the Authority.
Grid Supply Point	means a connection point at which the transmission system is connected to a distribution system
Halted Project Revenues	means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee or the ISOP) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent or otherwise committed at the time that the Authority requires that project to be halted, in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
IIG Exceptional Event	<p>means, in respect of the leakage of an Insulation and Interruption Gas, an event or circumstance that:</p> <p>(a) is beyond the reasonable control of the licensee;</p> <p>(b) is not capable of prevention, or the impact of which is not capable of mitigation, by the economical and efficient deployment of measures; and</p> <p>(c) results in, causes or prohibits the timely prevention of the leakage.</p>

IIG Methodology Statement	means the document prepared by the licensee in accordance with Part B of Special Condition 4.3 (Insulation and Interruption Gas emissions output delivery incentive).
Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled 'Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain' published by the Authority on 30 November 2018.
Incentivised Loss of Supply Event	<p>means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions:</p> <p>(a) any energy not supplied to customers that have requested a lower standard of connection than that provided in the NETS SQSS (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply);</p> <p>(b) any energy not supplied resulting from a shortage of available generation;</p> <p>(c) any energy not supplied resulting from a de-energisation or disconnection of a User's equipment under an event of default as defined in the CUSC;</p> <p>(d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code;</p> <p>(e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC;</p> <p>any energy not supplied resulting from an emergency de-energisation or disconnection of a User's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or otherwise to ensure public safety; and</p> <p>any event lasting less than or equal to three minutes.</p>
Incremental Deficit	has the meaning given in the Pensions RIGs
Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.
Independent Technical Adviser	the party appointed by the Authority to provide assurance on the design, procurement, and cost of the delivery of selected load-related projects in RIIO-3 on behalf of the Authority within the agreed ITA Scope. It may be used to inform Authority decisions,

	by providing assurance of the information on which a decision is being taken.
Innovation	<p>means:</p> <p>(a) solutions that have been trialled by any Network Licensee as part of a RIIO-1 and RIIO-2 Network Innovation Allowance project pursuant to the requirements of the RIIO-1 and RIIO-2 NIA Governance Documents or a RIIO-3 NIA Project; or</p> <p>(b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.</p>
Innovative Delivery	means licensee actions that have delivered demonstrable and significant consumer value through the behaviour areas specified in the Innovative Delivery Incentive Governance Document.
Innovative Delivery Incentive Governance Document	means the document issued by the Authority under Part C of Special Condition 4.5 (Innovative Delivery output delivery incentive).
Innovative Delivery Incentive Performance Panel	means a panel established by the Authority to make recommendations to the Authority on the performance of the licensee for the purposes of the Innovative Delivery Incentive output delivery incentive established by Special Condition 4.5 (Innovative Delivery output delivery incentive).
Innovative Delivery Incentive Performance Panel Submission	means a document prepared and published by the licensee in accordance with Part B of Special Condition 4.5 (Innovative Delivery output delivery incentive).
Insulation And Interruption Gas	means a gas with a global warming potential of greater than one, used within electrical switchgear and transmission assets with a suitable dielectric strength to enable use as an insulator to prevent discharge or as an interruption aid to prevent flow of current during planned or non-planned switching.
Intervention	Unplanned by the ETO but signalled as necessary by the ISOP
ISOP	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
ISOP-Requested Load Shedding	means a request by the ISOP for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part.

IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
ITA Contract	means the contractual agreement between the Authority and the party appointed as the Independent Technical Adviser in the Price Control Period.
ITA Guidance Document	means the document issued by the Authority under Part B of Special Condition 6.2 (Independent Technical Adviser).
ITA Scope	means the description of the services required by Ofgem from the Independent Technical Adviser, as described in the ITA Terms of Reference, and determined by the Authority's processes outlined in the ITA Guidance Document.
ITA Terms of Reference	means the text of that name issued and maintained by the Authority in accordance with Special Condition 6.2 (Independent Technical Adviser).
Landscape Enhancement Initiative Project	means a landscaping or environmental enhancement scheme that has been informed by stakeholder engagement, to mitigate the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas.
Licensed Activity	has the meaning given to the term "Transmission Owner Activity" in Standard Condition B1 (Regulatory Accounts).
Load UIOLI Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 3.17 (Load use it or lose it allowance).
Load Re-opener Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Part I of Special Condition 3.18 (Load Re-opener and Price Control Deliverable).
Load Re-opener Output	means outputs specified in Appendix 1 of Special Condition 3.18 (Load Re-opener) which are the assets constituting an investment in the Transmission System, which investment: (a) is expected to cost £25m or more of capital expenditure; and (b) is, in whole or in part, load-related.
Load Shedding	means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.
Local Area Energy Plan	means a plan that is the product of a process:

	<p>(a) through which a range of stakeholders including other Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and</p> <p>(b) that has been conducted in the context of enabling energy systems with net zero carbon emissions.</p>
Long-term Monetised Risk	means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.
Loss of Supply Event	means any event on the licensee's Transmission System that causes electricity not to be supplied to a Domestic Customer or to a Commercial Customer for a period of six hours or longer.
Managing Director Of Transmission	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
Materiality Threshold	has the value £[X]m.
Mature Innovation	<p>in relation to the Digitalisation Re-opener means a product or service that has:</p> <p>(a) progressed through network innovation spending, such as the SIF, NIC, or NIA, to the point where it is ready to be considered as part of business-as-usual operations; or</p> <p>(b) is the result of industry-wide activities relating to the modernisation of regulatory reporting</p>
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	<p>means the risk benefit delivered or expected to be delivered by an Asset Intervention, which:</p> <p>(a) is the difference between without intervention and with intervention Monetised Risk;</p> <p>(b) can be measured over one year or over a longer period of time; and</p> <p>(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.</p>

NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	<p>means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that:</p> <p>(a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of Outturn Network Risk Outputs being different to Baseline Network Risk Outputs; and</p> <p>(b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of 'clearly identifiable over-delivery' and 'clearly identifiable under-delivery'.</p>
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
National Energy System Operator	means the National Energy System Operator, as established on 1 st October 2024.
National Risk Register	<p>means the publicly available version of the UK Government's National Security Risk Assessment, as defined by the Cabinet Office and is available at:</p> <p>https://www.gov.uk/government/publications/national-risk-register-2025</p>
Needs Case	means a document that sets out the licensee's view on the need for a Load Re-opener Output in accordance with the Load Re-opener Guidance and Submissions Requirements Document.
Net Zero Carbon Targets	<p>means the targets set out in:</p> <p>(a) section 1 of the Climate Change Act 2008;</p> <p>(b) section A1 of the Climate Change (Scotland) Act 2009; and</p>

	(c) section 29 of the Environment (Wales) Act 2016.
Net Zero Development	<p>means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is:</p> <p>(a) a change in national government policy (including policies of the devolved national parliaments);</p> <p>(b) a change in local government policy;</p> <p>(c) the successful trial of new technologies or other technological advances;</p> <p>(d) a change in the pace or nature of the uptake of low carbon technologies; or</p> <p>(e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.</p>
Net Zero Fund	for the purpose of Special Condition 5.5 (Net Zero Fund use it or lose it allowance) means an allowance for the licensee to support vulnerable customers and communities and contribute to the Net Zero Carbon Targets.
NETS SQSS	means the standards that set out the criteria and methodologies for planning and operating the National Electricity Transmission System, as from time to time amended.
Network Access Policy	means the document of that name approved by the Authority under Special Condition 9.11 (Network Access Policy).
Network Asset	means the assets that collectively form the licensee's Transmission System, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Asset Risk Workbook	<p>means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data:</p> <p>(a) Baseline Network Risk Outputs;</p> <p>(b) Disaggregated Network Risk Outputs;</p> <p>(c) the baseline funding associated with the Disaggregated Network Risk Outputs;</p> <p>(d) Asset Intervention underlying the Disaggregated Network</p>

	Risk Outputs; and (e) records of results from Rebasing exercise.
Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NGESO Pension Transfer Costs	means pension scheme costs properly incurred by the licensee that otherwise would not be incurred in the transfer of assets and rights under Schedule 10 of the Energy Act 2023
NGET Redacted Information Document	means the latest version of the document of that name sent by the Authority to the licensee containing information redacted from this licence.
NIA	means the Network Innovation Allowance provided by Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
NOA	means the Network Options Assessment required by Condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the Electricity System Operator Licence.
NOMs Methodology	means the methodology approved under Special Condition 2L (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Non-variant baseline allowance overspend	means the summation of ex-ante total expenditure for which there are no adjustable values via an uncertainty mechanism.

Not Delivered	means where the licensee has not delivered the output as set out in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.
Onshore Competition Information Exchange Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.22 (Tender Support Activities in onshore electricity transmission).
Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Onshore Competition Information Exchange Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.22 (Tender Support Activities in onshore electricity transmission).
Onshore Competition Information Exchange Process	means the process of the licensee providing information to the Delivery Body in respect of an Onshore Transmission Tender Exercise.
Onshore Transmission Tender Exercise	has the meaning given in Regulation 2 of the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
Operational Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to electricity transmission.
Outage Changes	means a change to the outage plan notified to the licensee by the ISOP on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
Outturn Business Support Costs	means outturn costs pertaining to activities categorised under Business Support Costs as listed in the RIIO-ET3 Regulatory Instructions and Guidance.

Outturn Network Risk Outputs	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.
Overhead Line Conductor	means all conductor strung on overhead line Towers.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Participating Owner	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Variable Values	means the values in the table of that name in the ET3 Price Control Financial Handbook.
Pension Protection Fund	has the meaning given in the Pensions RIGs
Pensions Regulator	has the meaning given in the Pensions Act 2004
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Resilience Re-opener) by its title and publication date.

Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Resilience Re-opener) by its title and publication date.
Physical Security Requirements	means physical security works to CNI on the licensee's property or infrastructure that is mandated by legislation, regulations, policy or other central government requirements.
Pre-Construction Funding	means the funding required to complete Pre-Construction Works on a potential LR or CSNP-F project.
Pre-Construction Works	<p>means:</p> <ul style="list-style-type: none"> (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; (g) Early enabling works (h) tender activities; and /or (i) other activities as may be approved by the Authority <p>undertaken for the purposes of developing a proposed Load Re-opener Output or proposed CSNP-F Re-opener Output to the point where all material planning consents have been obtained.</p>
Pre-existing Transmission Infrastructure	means transmission infrastructure assets forming part of the licensee's Transmission System on 1 April 2026.
Prescribed Rates	<p>means:</p> <ul style="list-style-type: none"> (a) business rates in England and Wales; and (b) non-domestic rates in Scotland <p>or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.</p>
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions [TO BE UPDATED FOR DECEMBER LICENCE CONSULTATION].

Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2026.
Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part C of Special Condition 3.18 (Load Re-opener) or Part F of Special Condition 3.19 (CSNP-F Re-opener).
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Protection And Control	means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Outputs	means a Baseline Network Risk Outputs that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Outputs will supersede the Baseline Network Risk Outputs for the purposes of Special Condition 3.1 (Baseline Network Risk Outputs).
Rebasing	means the process of modifying the Baseline Network Risk Outputs as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.

Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Duties	means the obligations set out in Special Condition 9.15 (Restriction on use of certain information).
Relevant Other Competitive Businesses	means the business of: <ul style="list-style-type: none"> (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore Transmission Licence is to be granted; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or (d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Relevant Special Condition	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.7 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
Re-opener	means the mechanisms created by: <ul style="list-style-type: none"> (a) [TO BE UPDATED FOR DECEMBER LICENCE CONSULTATION].
Re-opener Guidance and Application Requirements Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.5 (Re-opener Guidance and Application Requirements Document).
Resilience Activity	means any activity undertaken by the licensee in response to: <ul style="list-style-type: none"> (a) Changes in national government policy;

	(b) Recommendations made by the ISOP and endorsed by national government; (c) Actions arising from the National Risk Register.
Retail Prices Index	means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).
Returned Project Revenues	means: (a) revenues received by the licensee from the ISOP under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and (b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees and the ISOP), less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
Return on Regulated Equity	means a measure of returns earned by equity investors that includes the 'base' allowed return on equity, operational out or underperformance and financing out or underperformance.
RIGs	means the document published by the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-2 NIA	means the arrangements established by Special Condition 5.2 (RIIO-2 Network Innovation Allowance) of [the RIIO-2] licence as in force on 31 March 2026.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part D of Special Condition 5.2 (RIIO-2 Network Innovation Allowance) [of the RIIO-2 licence] as in force on 31 March 2026.
RIIO-3 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
RIIO-3 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-3 NIA

	Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
RIIO-ET1	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2013.
RIIO-ET2	means the price control that applies to the licensee for the period of five years beginning on 1 April 2021.
RIIO-ET3	means the price control that applies to the licensee for the period of five years beginning on 1 April 2026.
RIIO-ET3 Business Plan Data Template	means the document of that name submitted by the licensee to the Authority on 11 December 2024.
RPEs	means Real Price Effects as defined in Appendix 1 to the ET3 Price Control Financial Handbook.
Security Period	means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
Senior Accounting Officer certificate (SAO2)	Meaning the certificate provided to H.M. Revenue and Customs by the Senior Accounting Officer of the Licensee in accordance with Sch 46 Finance Act 2009. This document may be redacted to remove details of entities other than the Licensee.
Shared Services	means shared corporate services as specified in the Compliance Statement.
SIF	means the strategic innovation fund established by Special Condition 9.20 [NGET and SHETL] and 9.21 [SPTL] (The strategic innovation fund).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects undertaken by the licensee that have not been otherwise remunerated through Network Charges, Directly Remunerated Services or the SIF Funding Mechanism.

SIF Disallowed Expenditure	means any revenue received by the licensee from the ISOP under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction
SIF Funding	means the proportion (if any) of the total amount of funding raised by the ISOP in accordance with the SIF Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible SIF Projects, as adjusted by the amount of any SIF Funding Return.
SIF Funding Mechanism	means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Relevant Year from the ISOP, less any SIF Funding Return.
SIF Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for payments to be made by the licensee to the ISOP, as may be relevant in each of the following cases to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> a) SIF Halted Project Revenues; b) SIF Disallowed Expenditure; c) SIF Returned Royalty Income; and d) SIF Returned Project Revenues.
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 9.20 [NGET and SHETL] and 9.21 [SPTL (The strategic innovation fund)]
SIF Halted Project Revenues	means any revenues received by the licensee from the ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.

SIF Returned Project Revenues	<p>means:</p> <ul style="list-style-type: none"> a) revenues received by the licensee from the ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or b) revenues earned from Eligible SIF Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to customers.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects undertaken by the licensee, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Single Appointed Director	means a member of the managerial board for the licensee, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the Compliance Officer and the licensee's compliance with the Specified Duties.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.6 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Solutions	refers to the process defined in the SOTO optimisation governance document for the SOTO ODI.
Specified Duties	means the obligations pursuant to Special Condition 9.19 (Business separation requirements and compliance obligations) including Standard Condition B5 (Prohibition of Cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.18 (Prohibited Activities and Conduct of the Transmission Business).
Standard Operational Conditions	Operations within the asset's specification

Statement of Transmission Owner Charges	means a statement which the licensee must have in place by virtue of Special Condition 9.13 (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP11.4 Enhanced Service Provision	means the procedure of that name that is published on the ISOP's website https://www.neso.energy/
Subsea Cable	means components of circuits in the licensee's Transmission System that are installed in the sea, ocean or other large body of water.
Subsea Cable Fault	means when a Subsea Cable cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Subsea Cable Repair	means the remedial works that a licensee undertakes to repair or replace a Subsea Cable that cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Supply Chain Constraint	means a disruption or shortage of capacity within the supply chain that materially affects the ability of the licensee to secure contracts for the delivery of necessary materials and services within planned project delivery timeframes
T/CO ₂ e	means tonnes of carbon dioxide equivalent emissions.
Tax Reconciliation	reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority in tab R8a of the Regulatory Financial Performance Reporting RIGS template.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Tender Support Activities	means any activity undertaken by the Licensee under or pursuant to Special Condition 9.22 (Tender Support Activities in onshore electricity transmission).
Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-3 NIA Governance Document and is partly recovered by the licensee under Part A of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).

Totex Allowance	means the sum of values under the heading “Totex allowance” in the “Input” sheet of the ET3 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the ET3 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> (a) the licensee’s Totex Allowance; and (b) the licensee’s Actual Totex.
Totex Incentive Mechanism Rate	has the value set out in the TIM tab of the ET3 Price Control Financial Model.
Towers	means steel structures used to support power carrying conductors and insulators at a distance.
Tower Steelwork	means the steel members that make up lattice overhead line Towers.
Transmission Area [NGET]	means the area that comprises: <ul style="list-style-type: none"> (a) England and Wales; and (b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link owned by the licensee passes through.
Transmission Area [SHETL]	means the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005 and the Kintyre-Hunterston Transmission Line up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing point at Ardsay Bay, the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone or within an area designated under section 1(7) of the Continental Shelf Act 1964 that any part of the Caithness Moray HVDC Link and the Shetland HVDC Link owned by the licensee passes through, but excluding the Cruachan Transmission Line.
Transmission Area [SPTL]	means the area that comprises: <ul style="list-style-type: none"> (a) Scotland (except the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, the Cruachan Transmission Line and the Dalnally Switching Station; and (b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link owned by the licensee passes through.

Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Connection Assets	means those assets solely required to connect an individual User to the National Electricity Transmission System, which are not and would not normally be used by any other connected party.
Transmission Connection Infrastructure	means any asset that is potentially shareable used in the connection of a User to the Transmission System.
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Licensee	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Services	has the meaning given to that term in Condition A1 (Definitions) of the Electricity System Operator Licence.
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Owner Activity	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
Transmission System	has the meaning given to that term by section 4(4) of the Act.
Tyne Crossing Project	means the project to replace the overhead line part of the Transmission System which crosses the River Tyne.
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Unfair Commercial Advantage	means any such advantage from a preferential or discriminatory arrangement, and for the licensee is in connection with a business other than its Transmission Business.
Use It Or Lose It Adjustment	<p>means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:</p> <p>(a) improving cyber resilience in relation to IT or OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience Re-opener, Price Control Deliverable and use it or lose it (CYt, CYREt, CYUt));</p>

	<p>(d) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Carbon Compensation use it or lose it allowance) as set out in the licensee's Environmental Action Plan which will not exceed the allowance provided;</p> <p>(e) Delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.20 (ASTI Pre-construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment);</p> <p>(f) delivering load investment projects in relation to Special Condition 3.17 (Load use it or lose it allowance); or</p> <p>(g) incurring expenditure in relation to Special Condition 3.13 (Closely Associated Indirects use it or lose it allowance, CAI_t).</p>
User	<p>means any person (other than the ISOP or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity.</p>
WACC	<p>means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET3 Price Control Financial Handbook.</p>
Western HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of SP Transmission Limited and that part of the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;</p> <p>(b) convertor stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p> <p>(c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and SP Transmission Limited's Transmission Area as defined in Special Condition 1.1 of their</p>

licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.

Working Day means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.

Special Condition 1.2 Variations to the standard conditions for the purposes of this licence

- 1.2.1 The purpose of this licence condition is to vary the standard conditions in their application for the purposes of this licence.

Part A: Modifications

[NGET]

- 1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- (a) by the addition in the definition of “distribution system” immediately after “any electrical plant” insert “remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and”;
- (b) not used;
- (c) in the definition “national electricity transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
- (d) after the definition of “relinquishment of operational control” insert:

"remote transmission assets"	means any electric lines, electrical plant or meters in England and Wales owned by the licensee which: are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator."
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[SHET]

- 1.2.3 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- (a) insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business"

means each or any of:

- (a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;"

- (b) at the definition of "transmission business" delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of "transmission owner activity" and insert in its place the following new sub-paragraphs:

- (c) "any other separate business;
- (d) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or
- (e) any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons."

[SPTL]

- 1.2.4 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- (a) insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business"

means each or any of:

- (a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;
- (d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;"

- (b) at the definition of “transmission business” delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of “transmission owner activity” and insert in its place the following new sub-paragraphs:
 - (c) “any other separate business;
 - (d) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or
 - (e) any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons.”

Chapter 2: Revenue Restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to place obligations on the licensee in relation to the setting of Network Charges.
- 2.1.2 This condition also establishes the definition of Recovered Revenue (RR_t) and provides the calculation for Allowed Revenue (AR_t).

Part A: Licensee's obligation when notifying Allowed Revenue to the ISOP

- 2.1.3 The licensee must, when notifying the ISOP of its Allowed Revenue, use its best endeavours to ensure that Allowed Revenue is calculated in accordance with this special condition.
- 2.1.4 The licensee must, when calculating the value of Allowed Revenue, use the latest versions of the ET3 Price Control Financial Model and the ET3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the ET3 Price Control Financial Instruments).
- 2.1.5 The licensee must publish on its website, a copy of the ET3 Price Control Financial Model containing the value of Allowed Revenue for year $t+1$ it used when notifying the ISOP under the STC. This must be done by 31 January in the year t .
- 2.1.6 The licensee must ensure each copy of the ET3 Price Control Financial Model remains on its website for at least five years.

Part B: Recovered Revenue term (RR_t)

- 2.1.7 Recovered Revenue (RR_t) means the revenue received by the licensee from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in respect of a Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so received.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

- 2.1.8 The value of AR_t is derived in accordance with the following formula:

$$AR_t = R_t \frac{PI_t}{PI_{2023/24}} + K_t + BRFP_t + LAR_t$$

where:

- R_t means Calculated Revenue and is derived in accordance with Part D;
- PI_t means the price index term and is derived in accordance with Part E;

- $PI_{2023/24}$ means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E;
- K_t means the K correction term and is derived in accordance with Part F;
- $BRFP_t$ means the Base Revenue forecasting penalty and is derived in accordance with Part G; and
- LAR_t means the legacy adjustments term and is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

Part D: Formula for calculating the Calculated Revenue term (R_t)

2.1.9 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + ODI_t + BPI_t + ORA_t + TAX_t + TAXA_t$$

where:

- FM_t means fast money and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model;
- PT_t means the pass-through term and is derived in accordance with Special Condition 6.1 (Pass-through items);
- DPN_t means RAV depreciation and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model;
- RTN_t means return and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model;
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
- EIC_t means the allowance for equity issuance costs and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model;
- ODI_t is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- BPI_t means the business plan incentive term and has the value in the “Revenue sheet” of the ET3 Price Control Financial Model.
- ORA_t means total other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances);
- TAX_t means the tax allowance and has the value set out in the “Revenue sheet” of the ET3 Price Control Financial Model; and
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Tax allowance adjustment).

Part E: Formula for calculating the price index term (PI_t)

2.1.10 The value of PI_t is the arithmetic average of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t derived in accordance with the following formula:

$$PI_m = PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}$$

where:

m refers to a year and month;

CPIH_m means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month *m*.

Part F: Correction term (K_t)

2.1.11 For Regulatory Years commencing prior to or on 1 April 2026, the value of K_t is zero.

2.1.12 For Regulatory Years, commencing after 1 April 2026, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + nomWACC\%)$$

where

AR_t For Regulatory Years commencing on or after 1 April 2026
AR_t is derived in accordance with Part C;

RR_t means Recovered Revenue and is derived in accordance with Part B; and

nomWACC_t means the nominal weighted average cost of capital and has the value set out in the “AR” sheet of the ET3 Price Control Financial Model

2.1.13 The value of K_t is in nominal prices.

Part G: Base Revenue forecasting penalty (BRFP_t)

2.1.14 For Regulatory Years commencing prior to 1 April 2028, the value of BRFP_t is zero.

2.1.15 For Regulatory Years commencing on or after 1 April 2028, the value of BRFP_t is derived in accordance with the following formula:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \cdot BRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.08 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.92 \\ 0, & \text{otherwise} \end{cases}$$

where:

- BR_t means the sum of the terms FM_t , DPN_t , RTN_t and PT_t set out in Part D;
- BR_t^* means the sum of the terms FM_t , DPN_t , RTN_t , PT_t set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.1.5; and
- $BRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.16.
- 2.1.16 The Authority will, following discussion with the licensee, direct a value for $BRFPA_t$ which is not less than zero and not more than 1, if it is satisfied that differences between the values of BR_t and BR_t^* were for reasons outside the reasonable control of the licensee.
- 2.1.17 For the avoidance of doubt, differences between the values of BR_t and BR_t^* that are due to the effect of inflation will be disregarded for the purposes of the penalty.
- 2.1.18 Before making a direction under paragraphs 2.1.16 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 2.1.19 The value of $BRFP_t$ is in nominal prices.

Special Condition 2.2 Tax allowance adjustment ($TAXA_t$)

Introduction

- 2.2.1 The purpose of this condition is to establish a process for setting the value of to the term $TAXA_t$ (the tax allowance adjustment term), which contributes to Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required, and in accordance with Chapter 6 of the ET3 Price Control Financial Handbook.
- 2.2.3 It also explains the process the Authority will follow when directing any change in the value of $TAXA_t$ as a result of the tax review.

Part A: Undertaking a review

- 2.2.4 The Authority may undertake a tax review in accordance with Chapter 6 of the ET3 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the Authority may procure the services of an Appropriately Qualified Independent Examiner to carry out the

tax review and to provide its findings to the Authority within a reasonable time frame. In this instance, the licensee must:

- (a) Provide the Authority and the Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability; and
- (b) Carry out any reasonable steps specified by the Authority or the Appropriately Qualified Independent Examiner for the purposes of the tax review.

2.2.6 Following completion of the review the Authority may direct an adjustment to the value of the $TAXA_t$ term if required, in accordance with Chapter 6 of the ET3 Price Control Financial Handbook specifying the Regulatory Years to which that adjustment relates.

Part B: The process for making a direction

2.2.7 Before making a direction under paragraph 2.2.6, the Authority must send to the licensee and publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a statement setting out the period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 Return Adjustment ($RTNA_t$)

- 2.3.1 The purpose of this condition is to calculate the term $RTNA_t$ (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority will direct any adjustment to the value of the term $RTNA_t$ in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ET3 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term ($RTNA_t$)

- 2.3.6 The value of $RTNA_t$ is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G)}$$

where:

- RTNR* means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.3.7 and 2.3.8;
- RAVL_t* means the RAV value for the licensee and has the value derived in accordance with the ET3 Price Control Financial Model; and
- G* means notional gearing, and has the value of 55%.

2.3.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G) \cdot [-MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2]$$

where:

- RAVL_t* means the RAV value for the licensee and has the value derived in accordance with the ET3 Price Control Financial Model;
- G* means notional gearing, and has the value of 55%;
- OPP* means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ET3 Price Control Financial Model;
- T1* means threshold 1, and has the value of [3%];
- T2* means threshold 2, and has the value of [4%];
- AR1* means adjustment rate 1, and has the value of [50%]; and
- AR2* means adjustment rate 2, has the value of [90%].

2.3.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$TNR = \sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G) \cdot [MAX(MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2]$$

2.3.9 where each term has the meaning given in paragraph 2.3.7.

Part C: What process will the Authority follow in making a direction?

2.3.10 Before making a direction under paragraph 2.3.5, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

2.3.11 A direction under paragraph 2.3.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t)

Introduction

- 3.1.1 This condition specifies the value of the term NARM_t (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.
- 3.1.2 The purpose of this condition is to:
- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver;
 - (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
 - (c) provide for the Rebasing of Baseline Network Risk Outputs; and
 - (d) require the licensee to provide a close out report.
- 3.1.3 This condition also establishes:
- (a) The NARM Handbook;
 - (b) the Network Asset Risk Workbook; and
 - (c) a robust and transparent change control framework for those documents.

Part A: Value of the Baseline Allowed NARM Expenditure term (NARM_t)

- 3.1.4 The value of NARM_t is set out in Appendix 1.

Part B: Requirement to deliver Baseline Network Risk Outputs

- 3.1.5 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.
- 3.1.6 Where the Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

Part C: Rebasing of Baseline Network Risk Outputs

- 3.1.7 The licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:
- (a) calculated using the NARM Methodology approved under paragraph 9.2.9 of Special Condition 9.2;
 - (b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;

- (c) Equally Challenging as the Baseline Network Risk Outputs; and
 - (d) in the same format as the Network Asset Risk Workbook.
- 3.1.8 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:
- (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.7;
 - (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.7; or
 - (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.7 and the Authority is unable to adjust them to make them satisfy those criteria.
- 3.1.9 Before issuing a direction under paragraph 3.1.8, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons for the proposed direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.1.10 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.8(a) or (b):
- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
 - (b) the direction under paragraph 3.1.8(a) or (b) will modify Appendix 1 to reflect this.

Part D: Requirement to provide a closeout report

- 3.1.11 On or before 31 October 2031, the licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following:
- (a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
 - (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);

- (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs;
- (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- (e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as 'clearly identifiable over-delivery' or 'clearly identifiable under-delivery' as per the criteria set out in the NARM Handbook.

Part E: The NARM Handbook

- 3.1.12 The NARM Handbook forms part of this condition.
- 3.1.13 The Authority will publish the NARM Handbook on the Authority's Website.
- 3.1.14 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.15 that if made would improve the clarity or usefulness to users of the NARM Handbook.
- 3.1.15 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
 - (e) correction of manifest errors; and
 - (f) changes to the guidance provided by the NARM Handbook.
- 3.1.16 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended NARM Handbook;
 - (b) the date on which the Authority intends the amended NARM Handbook to come into effect;
 - (c) the reasons for the amendments to the NARM Handbook; and
 - (d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.

- 3.1.17 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

Part F: The Network Asset Risk Workbook

- 3.1.18 The Network Asset Risk Workbook forms part of this condition.

- 3.1.19 The Authority will:

- (a) send to the licensee the Network Asset Risk Workbook; and
- (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.

- 3.1.20 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.21 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.

- 3.1.21 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
- (e) correction of manifest errors.

- 3.1.22 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:

- (a) the amended Network Asset Risk Workbook;
- (b) the date on which the Authority intends the amended Network Asset Risk Workbook to come into effect;
- (c) the reasons for the amendments to the Network Asset Risk Workbook; and
- (d) a period during which representations may be made on the amendments to the Network Asset Risk Workbook, which will not be less than 28 days.

- 3.1.23 The Authority will:

- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;

- (b) send the consolidated version to the licensee; and
- (c) maintain a redacted consolidated version on the Authority's Website.

Appendix 1

Cumulative total of Baseline Network Risk Outputs (R£m*) and Baseline Allowed NARM Expenditure (NARM_t) for delivering Baseline Network Risk Outputs (£m)

Baseline Network Risk Output (R£m)	Baseline Allowed NARM Expenditure, excluding RPEs (£m)					RIIO-3 Total
	2026/27	2027/28	2028/29	2029/30	2030/31	

* R£ is the unit used to denote Monetised Risk values.

Special Condition 3.2 Cyber resilience Re-opener, Price Control Deliverable, and Use it or Lose it (CY_t, CYRE_t, CYU_t)

Introduction

- 3.2.1 The purpose of this condition is to calculate the defined investment terms CY_t (the Cyber resilience baseline term) and CYRE_t (the Cyber resilience non-baseline term) and the use it or lose it allowance (CYU_t). These contribute to the calculation of the Totex Allowance.
- 3.2.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable in the instance of CY_t and CYRE_t.
 - (b) establish the outputs, delivery dates and associated allowances in the instance of CYU_t where allowances are awarded but no Price Control Deliverable is required to be established in accordance with the Cyber Resilience Business Plan Submission Assessment Methodology and Requirements document
 - (c) establish Re-openers for the licensee and Authority to trigger amendments to the Price Control Deliverables, during the Price Control Period, and
 - (d) provide for an assessment of CYU_t uncertain investments that are awarded outside of the Price Control Deliverable.
- 3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.14 or 3.2.15.

Part A: Formulae for calculating the Cyber resilience baseline terms, TIM (CY_t), and the Cyber resilience non-baseline term (CYRE_t) and the UIOLI allowance term, (CYU_t)

- 3.2.4 The value of CY_t is derived in accordance with the following formula:

$$CY_t = CYA_t - CYRA_t$$

where:

CYA_t has the value set out in the Cyber Resilience Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.2.13(a) – (c); and

$CYRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.2.5 The value of $CYRE_t$ is derived in accordance with the following formula:

$$CYRE_t = CYO_t - CYRO_t$$

where:

CYO_t has the value set out in the Cyber Resilience Non-Baseline Allowances Table as a result of circumstances set out in paragraphs 3.2.13(a) to (c); and

$CYRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.2.6 The UIOLI allowance that is not reportable in the annual Price Control Deliverable report but is assessed at the end of the three-year period through the evaluative assessment.

3.2.7 The value of CYU_t is derived in accordance with the following formula:

$$CYU_t = CYAU_t - CYRAU_t$$

where:

$CYAU_t$ has the value set out in the Cyber Resilience Baseline Allowances Table as a result of circumstance set out in paragraph 3.2.13(a); and

$CYRO_t$ has the value directed by the Authority in accordance with Part E.

Part B: Cyber resilience outputs

3.2.8 The Cyber Resilience PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.9 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience PCD Table.

Part C: Requirement to submit a Cyber resilience Plan and Re-opener application

3.2.10 The licensee must Between xx [Month] xxxx and xx [Month] xxxx submit to the Authority:

(a) a Cyber Resilience Plan; and

(b) an application for a direction by the Authority requesting the Cyber Resilience PCD Table as it considers are warranted by its Cyber Resilience Plan.

- 3.2.11 A Cyber Resilience Plan submitted under paragraph 3.2.10(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to the NCSC CAF contributing outcomes.
- 3.2.12 An application under paragraph 3.2.10(b) must be made in writing and:
- (a) Include statements
 - (b) Setting out any amendments requested to the Cyber Resilience PCD Table;
 - (c) Explaining how any amendments requested would improve cyber resilience, including risk reduction on the licensee's network and information systems with respect to NCSC CAF Contributing outcomes; and
 - (d) Explaining the basis of the calculations for any amendments requested to allowances; and
 - (e) Provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber Resilience Re-opener

- 3.2.13 This part establishes a Re-opener that may be used where there are:
- (a) new activities, including new technology, capable of improving cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes;
 - (b) changes to levels of risks or threats relating to cyber resilience, that take the licensee outside of its organisational risk appetite; or
 - (c) changes to statutory or regulatory requirements relating to cyber resilience;
- 3.2.14 The licensee may only apply to the Authority for changes under this Re-opener Between 3 April 2028 and 7 April 2028, or during such other periods as the Authority may direct.
- 3.2.15 Authority may only make changes under this re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.13.
- 3.2.16 An application under paragraph 3.2.14 must be made in writing to the Authority and must:
- (a) Give details of the circumstances referred to in paragraph 3.2.15 that the licensee considers exist;
 - (b) Set out any additions requested to the outputs, delivery dates or allowances set out in the Cyber Resilience Non-Baseline Allowances Table;

- (c) Explain how any additions requested would improve cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing outcomes;
- (d) Explain the basis of the calculations for any amendments requested to allowances; and
- (e) Provide such detailed supporting evidence as is reasonable in the circumstances.

3.2.17 An application under paragraph 3.2.14 must:

- (a) Relate to circumstances of the type referred to in paragraph 3.2.15 that have developed since the licensee submitted its Cyber Resilience Plan under paragraph 3.2.13;
- (b) Take account of any allowed expenditure, which can be avoided as a result of the change; and
- (c) Be confined to costs incurred or expected to be incurred on or after 1 April 2026.

3.2.18 The Authority may only make changes under this Re-opener by direction:

- (a) Where a circumstance in paragraph 3.2.13 exists;
- (b) If an application was made by the licensee under paragraph 3.2.14, where the requirements in paragraphs 3.2.16 and 3.2.17 have been met;
- (c) If the relevant circumstance is that set out in paragraphs 3.2.13(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience;
- (d) If the relevant circumstance is that set out in paragraph 3.2.13(c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience;
- (e) Where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience.

3.2.19 A direction under this Part:

- (a) append allowances in the Cyber Resilience Non-Baseline Allowances Table as a result of circumstances set out in paragraph 3.2.13(a)-(c);
- (b) May modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience Non-baseline Allowances Table and the Cyber Resilience PCD Table;
- (c) Will set out the value of the CYOt term where this is being appended; and
- (d) must be confined to costs incurred or expected to be incurred on or after 1st April 2026

Part E: Assessment of Delivery under this condition (CYRA_t, CYRO_t and CYRAU_t)

- 3.2.20 The Authority will, in accordance with the assessment principles set out Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), considering directing a value for CYRA_t or CYRO_t, where the licensee has not Fully Delivered an output in the Cyber Resilience PCD table.
- 3.2.21 Direct an amendment to the value of Use It or Lose It, where it considers that a Use It Or Lose It allowance is appropriate.

Part F: Reporting Requirements (see Appendix 1)

- 3.2.22 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
- (a) A summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) A summary of developments against the outputs in the Cyber Resilience PCD table;
 - (c) The licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience, including risk reduction;
 - (d) A description of how the licensee has considered any relevant guidance provided by the Authority; and
 - (e) Such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.23 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.22 by no later than the dates, and in relation to the periods, set out in Appendix 3 [under draft]

Part G: What process will the Authority follow in making a direction?

- 3.2.24 Before making a direction under paragraph 3.2.15 the Authority will send to the licensee:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.2.25 The direction under paragraph 3.2.24 must set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the CYRA_t, CYRO_t and CYRAU_t term and the Regulatory Years to which that adjustment relates, and,
 - (c) the methodology and data that has been used to decide the matters required by sub-paragraphs (a) and (b), where applicable.

Appendix 1 Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from xx xxx xxxx to xx xx xxxx	Associated periods to be reported on
xx xxxx	xx xxxx to xx xxxx

Appendix 2

[under draft]

Appendix 3

[under draft]

Special Condition 3.3 Resilience Re-opener

Introduction

- 3.3.1 The purpose of this condition is to set the value of $PSUPRE_t$, $PSUP_t$, and $RESRE_t$ (the Resilience Reopener terms). This contributes to the calculation of the Totex Allowance.
- 3.3.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Physical Security Price Control Deliverable (the PCD);
 - (b) establish a re-opener mechanism for the licensee and the Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period;
 - (c) calculate the value of the Resilience Re-opener allowance;
 - (d) establish a mechanism to allow for adjustments to allowances where the licensee is required to undertake Resilience Activities not anticipated at the start of the Price Control Period; and
 - (e) provide for an assessment of the Price Control Deliverable.
- 3.3.3 This condition also sets out the process the Authority will follow when making any changes as a result of the Resilience Re-opener.

Part A: Formulae for calculating the physical security Price Control Deliverable term ($PSUP_t$), the physical security Re-opener ($PSUPRE_t$) and the Resilience Activity ($RESRE_t$) terms

- 3.3.4 The value of $PSUP_t$ is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

- PSUPA_t* means the sum of allowances in the Physical Security Baseline Allowances Table in Appendix 1; and
- PSUPRA_t* has the value zero unless otherwise directed by the Authority in accordance with paragraphs 3.3.13 or 3.3.14.

3.3.5 The value of *PSUPRE_t* is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

- PSUPO_t* means the sum of allowances directed by the Authority as set out in Part B; and
- PSUPRO_t* has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.3.14.

3.3.6 The value of the Resilience Activity terms (*RESRE_t*) is set out in Appendix 3.

Part B: Physical Security Re-opener (*PSUP_t*) and Physical Security PCD

- 3.3.7 This Part establishes the Physical Security PCD and Re-opener. The Physical Security PCD is provided for in the Physical Security PCD Table in Appendix 2.
- 3.3.8 The licensee may apply to the Authority for a direction amending the Physical Security PCD Table where the scope of work of an existing output changes as a result of Physical Security Requirements.
- 3.3.9 The licensee may only apply to the Authority under paragraph 3.3.8 between:
- (a) 1 April 2028 and 8 April 2028; and
 - (b) 1 April 2030 and 8 April 2030; or
 - (c) during such other periods as the Authority may direct.
- 3.3.10 An application under paragraph 3.3.8 must be made in writing to the Authority and set out:
- (a) the changes to the scope of work the licensee is required to carry out under the Physical Security Requirements;
 - (b) the Critical National Infrastructure classification for each site to which the application relates;
 - (c) any amendments requested to the outputs, delivery dates or allowances in the Physical Security PCD Table;
 - (d) an explanation of the basis of the calculations for any amendments requested to allowances; and
 - (e) such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.11 An application under paragraph 3.3.8 must only:
- (a) relate to changes to the scope of work the licensee is required to carry out relating to Physical Security Requirements on or after 19 December 2024;

- (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.3.12 The Authority may amend the outputs, delivery dates or allowances by direction without an application by the licensee where there have been changes to the scope of works as a result of the Physical Security Requirements works that the licensee is required to carry out that:
 - (a) have been mandated on or after 19 December 2024; and
 - (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.3.13 A direction under paragraphs 3.3.8 or 3.3.12 will:
 - (a) set out in full the Physical Security PCD Table as amended; and
 - (b) replace the text in Appendix 2 with the title and publication date of the direction.
- 3.3.14 The Authority may, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), direct a value for $PSUPRA_t$ and $PSUPRO_t$ where the licensee has not Fully Delivered an output in Appendix 2.
- 3.3.15 A direction made under paragraph 3.3.14 will set out:
 - (a) the delivery status of the output that has not been fully delivered;
 - (b) the values of the $PSUPRA_t$ and $PSUPRO_t$ terms and the Regulatory Years to which those adjustments relate; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $PSUPRA_t$ and $PSUPRO_t$ terms.

Part C: Resilience Activity term ($RESRE_t$) and Resilience Activity term re-opener

- 3.3.16 This Part establishes the Resilience Activity term cost re-opener, which is set out in Appendix 3.
- 3.3.17 The licensee may apply for a direction amending:
 - (a) The allowances set out in Appendix 3; and
 - (b) The $RESRE_t$;
 - (c) where the licensee incurs, or expects to incur, material additional costs associated with Resilience Activity that were not included in the baseline allowances on or after 1 April 2026.
- 3.3.18 The Authority may make a direction amending the outputs or allowances set out in Appendix 3 without an application being made under 3.3.17 where it considers that such an application is not necessary

- 3.3.19 An application made by the licensee under 3.3.17 must be made in writing and include:
- (a) the scope of works associated with the Resilience Activity outputs provided for on or after 1 April 2026;
 - (b) the scope of additional Resilience Activity works that the licensee has incurred, or expects to incur;
 - (c) any modifications to the value of RESRE_t in Appendix 3 being sought as a result of the additional Resilience Activity works;
 - (d) an explanation of the basis for calculating any modifications requested to allowances and the profiling of those allowances set out in Appendix 3; and
 - (e) why the costs for the additional Resilience Activity works are justified.
- 3.3.20 An application under this Part must:
- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
 - (b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.
- 3.3.21 For the purposes of this Part, the Materiality Threshold is calculated by multiplying the sum of the proposed adjustment to the costs for the additional Resilience Activity works with the applicable Totex Incentive Mechanism (TIM) sharing factor, and that figure exceeds 0.5% of the licensee's average annual ex ante base revenue over the Price Control Period.
- 3.3.22 Before making a direction under this Part the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
XX	XXX

Appendix 2

Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
XXX	XXXX

Appendix 3

Title and publication date of document containing the Resilience Activity Table

Title	Publication Date
XXX	XXXX

Special Condition 3.4 Not Used

Special Condition 3.5 Not Used

Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to:
- (a) specify any Price Control Deliverable relating to Net Zero Developments;
 - (b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
 - (c) provide for an assessment of the Price Control Deliverable specified in this condition.
- 3.6.3 This condition also sets out the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the net zero Re-opener term (NZ_t)

- 3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

- NZO_t means the sum of allowances in Appendix 1; and
NZRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver

- 3.6.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

Part C: Net Zero Re-opener

- 3.6.6 This Re-opener may be used where:
- (a) a Net Zero Development has occurred or is expected to occur;
 - (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
 - (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
 - (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
 - (e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.
- 3.6.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.
- 3.6.8 The following modifications to the licence may be made under this Re-opener:
- (a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
 - (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.
- 3.6.9 Any modifications made under the Re-opener in this Part C will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (NZRO_t)

- 3.6.10 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NZRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part E: The process for making a direction

- 3.6.11 Before making a direction under paragraph 3.6.10, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;

- (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.6.12 A direction under paragraph 3.6.10 will set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the NZROt term and the Regulatory Years to which that adjustment relates; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NZROt term.

Appendix 1

Net Zero Price Control Deliverable (£m)

Regulatory Year

Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.7 Digitalisation Re-opener

Introduction

3.7.1 This Part establishes the Digitalisation Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.7.2 The licensee may apply for the Digitalisation Re-opener where the licensee incurs or expects to incur costs that exceed the Materiality Threshold as a result of:
- (a) a change in legislation, licences, regulatory requirements, or industry codes, where as a result there is a requirement for the licensee to provide new, or significantly altered, digital or data services, which includes:
 - (b) government or the Authority implementing energy sector reforms that require new data or digital services to be delivered by the licensee;
 - (c) a re-tendering of the smart metering system resulting in additional roles or responsibilities for the licensee with regards to the smart metering system;
 - (d) the licensee implementing Mature Innovation related to data and digitalisation to fulfil obligations in the conditions of this licence.

Part B: How to make an application and modifications

- 3.7.3 The licensee may only apply to the Authority for modifications to this licence under the Digitalisation Re-opener:
- (a) Between 1 July 2028 and 31 July 2028; and
 - (b) during such other periods as the Authority may direct.
- 3.7.4 The licensee must when making an application under the Digitalisation Re-opener, send to the Authority a written application that:
- (a) gives details of how any of the conditions set out in paragraph 3.7.2 have been met;
 - (b) sets out any proposed modifications to the value of DIGI_t in Appendix 1;
 - (c) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
 - (d) provides such detailed supporting evidence as is reasonable in the circumstances.
- 3.7.5 An application under this Part must:
- (a) where the circumstance in paragraph 3.7.2(a) applies, relate to changes to the roles and responsibilities of the licensee introduced on or after 11 December 2024;
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
 - (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.
- 3.7.6 The following modifications to this licence may be made under the Digitalisation Re-opener:
- (a) modifications to the value of DIGI_t set out in Appendix 1;
 - (b) modifications confined to circumstances set out in paragraph 3.7.2 that are the subject of the Digitalisation Re-opener; and

Part C: Authority instigated Re-opener

- 3.7.7 The Authority may by direction make modifications to this licence under the Digitalisation Re-opener on the same basis as the licensee may apply to the Authority under Part A.

Part D: What process will the Authority follow in making a direction

- 3.7.8 The Authority may only make modifications to this licence under the Digitalisation Re-opener by direction where:
- (a) a circumstance in paragraph 3.7.2 exists;
 - (b) the requirements in paragraphs 3.7.4 and 3.7.5 have been met; and

- (c) the modification to allowances is efficient.
- 3.7.9 Before making a modification by direction under this licence condition the Authority must send to the licensee and publish on the Authority's Website:
- (a) The text of the proposed modifications;
 - (b) The reasons for the proposed direction; and
 - (c) A statement setting out the period during which representations may be made on the proposed direction, which must not be less than 28 days.

Appendix 1

Uncertain Costs without Evaluative Price Control Deliverables allowances (£m)

	26/27	27/28	28/29	29/30	30/31	Total allowance (all years)
DIG _t	0	0	0	0	0	0

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

- 3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.8.2 The effect of this condition is to establish a Re-opener for the licensee and Authority to trigger amendments where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of this Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.8.4 The licensee may apply to the Authority at any time during the Price Control Period for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: How to make an application

- 3.8.5 An application under paragraph 3.8.4 must be made in writing to the Authority and:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation delivers greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.6 An application under paragraph 3.8.4 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part C: Authority triggered Re-opener

3.8.7 The Authority will also consider directing modifications to this licence and that of the Partner Licensee without an application being made under paragraph 3.8.4 where:

- (a) The ISOP has identified instances where the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence; and
- (b) The Authority has reached agreement with the licensee and the Partner Licensee that the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence.

- 3.8.8 The Authority triggered Re-opener may include requirements for submission of evidence and detail adjustments to outputs and allowances as detailed in Part B.

Part D: What process will the Authority follow in making a direction

- 3.8.9 Before making a direction under paragraph 3.8.4 or paragraph 3.8.8 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 3.8.10 The direction will set out:

- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Operational transport carbon reduction Price Control Deliverable (OTC_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the term OTC_t (the operational transport carbon reduction Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.9.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of electric vehicles and associated charging infrastructure.

Part A: Formula for calculating the operational transport carbon reduction Price Control Deliverable term (OTC_t)

- 3.9.3 The value of OTC_t is derived in accordance with the following formula:

$$OTC_t = \left(\sum_{n=1}^{[X]} OTCU_n \times \min(OTCD_n, OTCV_n) \right) \frac{OTCA_t}{\sum OTCA_t}$$

where:

$OTCA_t$ means the allowance set out in Appendix 1;

$\sum OTCA_t$ means the total operational transport carbon reduction allowance for the Price Control Period;

$OTCV_n$	means the target number of vehicles and charging infrastructure assets for each group n and set out in Appendix 2;
$OTCD_n$	means the number of vehicles and charging infrastructure assets for each group n the licensee delivers as of 31 March 2031;
$OTCU_n$	means the vehicles and charging infrastructure assets allowed unit costs, as set out in Appendix 2; and
n	means the vehicles and charging infrastructure assets groups, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.9.4 The licensee is funded to deliver the target volume of Operational transport carbon reduction outputs specified in Appendix 2 by 31 March 2031.

Appendix 1

Operational transport carbon reduction PCD allowance (£m)

Output	Delivery Date	Allowance (£m)					
		21/2	22/2	23/2	24/2	25/2	Total
		2	3	4	5	6	Allowance (All years)
OTCA _t	31 March 2031						

Appendix 2

Target number of electric vehicles and charging infrastructure assets and units costs

n	Group descriptions	Target numbers $OTCV_n$	Allowed unit cost (£), $OTCU_n$
1	Vehicle type		
2	Charging asset type		
3			
4			
5			
6			

Special Condition 3.10 Non-Load Re-opener

Introduction

- 3.10.1 The purpose of this condition is to set the value of the term NLR_t (the Non-Load Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.10.2 The effect of this condition is to establish a re-opener mechanism that may be triggered by the licensee or the Authority where a project originally associated with both load and non-load drivers is no longer required for load-related purposes, but a demonstrable needs case remains for the non-load aspect of the project.
- 3.10.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Non-Load Re-opener.

Part A: The value of the Non-Load Re-opener term (NLR_t)

- 3.10.4 The value of NLR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.10.5 The licensee may apply to the Authority for a direction adjusting the value of the NLR_t term in respect of a RIIO-3 baseline project with associated Load Related Expenditure and Non-Load Related Expenditure where the requirements specified in paragraph 3.10.6 apply.
- 3.10.6 The requirements are:
 - (a) that there is no longer a demonstrable load related needs case and there is confirmation from either the ISOP or the relevant network operator that the work is no longer required; and
 - (b) that there remains a demonstrable needs case for the Non-Load Related Expenditure.
- 3.10.7 The licensee may submit a re-opener application during the specified periods in accordance with Part C
- 3.10.8 The Authority may also trigger a re-opener under this condition where it considers appropriate, including where the Authority is acting to give effect to a recommendation from the ISOP

Part C: Application Periods

- 3.10.9 The licensee may only apply to the Authority for an adjustment under Part B during the following periods on:
 - (a) 1 April 2028 to 8 April 2028;
 - (b) 1 April 2030 to 8 April 2030; and
 - (c) during any such later periods as the Authority may direct.

Part D: How to make an application

- 3.10.10 The licensee may apply to the Authority for a modification to Appendix 1 under this Part, where the requirements specified in paragraph 3.10.6 apply.
- 3.10.11 An application under paragraph 3.10.10 must be made in writing and include:
- (a) identification of the Load Related Expenditure with which the non-load driver was associated;
 - (b) counterfactual analysis and/or engineering justification statements demonstrating that the non-load needs case would have existed independently of the load driver;
 - (c) where relevant, justification under the Network Asset Risk Metric (NARM) framework;
 - (d) a list of options considered, including the preferred option and rationale for selection;
 - (e) cost estimates for the proposed intervention; and
 - (f) proposed delivery year(s).
- 3.10.12 An application under paragraph 3.10.10 must be confined to Non-Load Related Expenditure incurred or expected to be incurred on or after 1 April 2026.
- 3.10.13 For the purposes of the Materiality Threshold, an adjustment to allowed expenditure will only be made where the Authority determines that the proposed adjustment, when multiplied by the applicable Totex Incentive Mechanism (TIM) sharing factor, exceeds 0.5% of the licensee's average annual ex ante base revenue over the price control period.
- 3.10.14 The Authority may by direction, modify Appendix 1 if it is satisfied that the conditions specified in paragraphs 3.10.6 and 3.10.11 have been met.
- 3.10.15 Any approved adjustment will be reflected in the licensee's allowed revenue through a direction issued by the Authority.

Part E: What process will the Authority follow in making a direction

- 3.10.16 Before making a direction under Part D the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.10.17 The direction will set out any adjustments to the value of the NLR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

	Relevant Year				
Licensee	2026/29	2027/28	2028/29	2029/30	2030/31
National Grid Electricity Transmission plc	X	X	X	X	X
SHE Transmission	X	X	X	X	X
SP Transmission Ltd	X	X	X	X	X
National Grid Electricity System Operator Limited	X	X	X	X	X

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Introduction

- 3.11.1 The purpose of this condition is to provide for the calculation of the term GCE_t (the Generation Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.11.2 The effect of this condition is to adjust revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.11.3 This condition also adjusts revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2031.

Part A: Formula for calculating the Generation Connections volume driver term (GCE_t)

- 3.11.4 The value of GCE_t is derived in accordance with the following formula:

$$GCE_t = \sum_{p=2026/27}^{2032/33} VGCE_p \cdot PGCE_{t,p} + (TPG_t - TPRG_t)$$

where:

t means the Regulatory Year for which the allowed expenditure is calculated;

p	means the Regulatory Year in which the Generation Connection is delivered;
$VGCE_p$	is the generation connection volume driver allowance as derived in accordance with paragraph X;
TPG_t	means the total expenditure efficiently incurred in each Regulatory Year by the licensee in respect of Generation Connections where the Users reduce Generation Connection Capacity or terminate the relevant bilateral agreements prior to commencing use of the Generation Connection, with “t” representing the year in which the adjustment is recovered;
$TPRG_t$	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPG_t in each Regulatory Year, with “t” representing the year in which the adjustment is recovered; and
$PGCE_{t,p}$	means the profiling factor of allowance in Regulatory Year t for Generation Connections delivered in Regulatory Year p, as set out in Appendix 1.

3.11.5 The value of $VGCE_p$ is derived in accordance with the following formula:

$$VGCE_p = GUC \cdot (AGC_p - BGC_p) + OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + CBLSGUC \cdot (ALCBLS_p - BLCBLS_p) + CBLLGUC \cdot (ALCBLL_p - BLCBLL_p) + (AGCON_p - BGCON_p) + OHLGUC \cdot (ALLHLR_p - BLLHLR_p)$$

where:

GUC	means the Generation Connection Capacity unit cost allowance as set out in the NGET Redacted Information Document;
AGC_p	means the actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p;
BGC_p	means the baseline Generation Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;
$OHLRGUC$	means the unit cost allowance for overhead line reconductoring activity as set out in the NGET Redacted Information Document;
$ALOHLR_p$	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGC_p in Regulatory Year p;
$BLOHLR_p$	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BGC_p in Regulatory Year p, as set out in Appendix 2;

<i>OHLLGUC</i>	means the unit cost allowance for overhead line new activity as set out in the NGET Redacted Information Document;
<i>ALLHLR_p</i>	means the actual length of the overhead line new activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLLHLR_p</i>	means the baseline length of the overhead line new activity in circuit kilometres as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLSGUC</i>	means the unit cost allowance for underground cable less than 1km, as set out in the NGET Redacted Information Document;
<i>ALCBL_S_p</i>	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLCBL_S_p</i>	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLLGUC</i>	means the unit cost allowance for underground cable equal to or greater than 1km as set out in the NGET Redacted Information Document;
<i>ALCBLL_p</i>	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLCBLL_p</i>	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>AGCON_p</i>	means the actual number of Generation Connection projects delivered in Regulatory Year p; and
<i>BGCON_p</i>	means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 2.

Appendix 1

Profiling factors (PGCE_{t,p})

p=year of delivery t= year of allowance	t=2026/27	t=2027/28	t=2028/29	t=2029/30	t=2030/31	t=2031/32	t=2032/33

p=2026/27	1	0	0	0	0	0	0
p=2027/28	0	1	0	0	0	0	0
p=2028/29	0	0	1	0	0	0	0
p=2029/30	0	0	0	1	0	0	0
p=2030/31	0	0	0	0	1	0	0
p=2031/32	0	0	0	0	0	1	0
p=2032/33	0	0	0	0	0	0	1

Special Condition 3.12 Demand Connections volume driver (DRI_t)

Introduction

- 3.12.1 The purpose of this condition is to provide for the calculation of the term DRI_t (the Demand Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.12.2 The effect of this condition is to adjust revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.12.3 This condition also adjusts revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2031.

Part A: Formula for calculating the Demand Connections volume driver term (DRI_t)

- 3.12.4 The value of DRI_t is derived in accordance with the following formula:

$$DRI_t = \sum_{p=2026/27}^{2032/33} VDRI_p \cdot PDCE_{t,p} + (TPD_t - TPRD_t)$$

where:

- t means the Regulatory Year for which the allowed expenditure is calculated;
- p means the Regulatory Year in which the Demand Connection is delivered;
- VDRI_p is the demand connection volume driver allowance as derived in accordance with paragraph 3.12.5;

TPD_t	means the total expenditure efficiently incurred in each Regulatory Year by the licensee in respect of Demand Connections where the Users terminate the relevant bilateral agreements prior to commencing use of the Demand Connection, with “t” representing the year in which the adjustment is recovered;
$TPRD_t$	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPD_t in each Regulatory Year, with “t” representing the year in which the adjustment is recovered; and
$PDC_{t,p}$	means the profiling factor of allowance in Regulatory Year t for Demand Connections delivered in Regulatory Year p, as set out in Appendix 1.

3.12.5 The value of $VDRI_p$ is derived in accordance with the following formula:

$$VDRI_p = DUC \cdot (ADC_p - BDC_p) + OHLRDUC \cdot (ALOHLRD_p - BLOHLRD_p) + CBLSDUC \cdot (ALCBLSD_p - BLCBLSD_p) + CBLLDUC \cdot (ALCBLLD_p - BLCBLLD_p) + (ADCON_p - BDCON_p) + OHLLDUC \cdot (ALLLRD_p - BLLLRD_p)$$

where:

DUC	means the Demand Connection Capacity unit cost allowance as set out in the NGET Redacted Information Document;
ADC_p	means the actual Demand Connection Capacity in MW or MVA delivered in Regulatory Year p;
BDC_p	means the baseline Demand Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;
$OHLRDUC$	means the unit cost allowance for overhead line reconductoring activity as set out in the NGET Redacted Information Document;
$ALOHLRD_p$	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the ADC_p in Regulatory Year p;
$BLOHLRD_p$	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BDC_p in Regulatory Year p, as set out in Appendix 2;
$OHLLDUC$	means the unit cost allowance for overhead line new activity as set out in the NGET Redacted Information Document;
$ALLLRD_p$	means the actual length of overhead line new activity in circuit kilometres commissioned as part of delivering the ADC_p in Regulatory Year p;

<i>BLLLRD_p</i>	means the baseline length of overhead line new activity in circuit kilometres as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLSDUC</i>	means the unit cost allowance for underground cable less than 1km, as set out in the NGET Redacted Information Document;
<i>ALCBLSD_p</i>	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BLCBLSD_p</i>	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLLDUC</i>	means the unit cost allowance for underground cable equal to or greater than 1km as set out in the NGET Redacted Information Document;
<i>ALCBLLD_p</i>	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BLCBLLD_p</i>	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>ADCON_p</i>	means the actual number of Demand Connection projects delivered in Regulatory Year p; and
<i>BDCON_p</i>	means the baseline number of Demand Connection projects delivered in Regulatory Year p, as set out in Appendix 2.

Appendix 1

Profiling factors (PDCE_{t,p})

p=year of delivery t= year of allowance	t=2026/27	t=2027/28	t=2028/29	t=2029/30	t=2030/31	t=2031/32	t=2032/33
p=2026/27	1	0	0	0	0	0	0
p=2027/28	0	1	0	0	0	0	0
p=2028/29	0	0	1	0	0	0	0

p=year of delivery t= year of allowance	t=2026/27	t=2027/28	t=2028/29	t=2029/30	t=2030/31	t=2031/32	t=2032/33
p=2029/30	0	0	0	1	0	0	0
p=2030/31	0	0	0	0	1	0	0
p=2031/32	0	0	0	0	0	1	0
p=2032/33	0	0	0	0	0	0	1

Appendix 2

Baseline Demand Connection Capacity, length of overhead lines, underground cables and delivered Demand Connection projects

Baseline values	Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
BDC _p (MW or MVA)	0	0	0	0	0	0	0
BLOHLRD _p (km)	0	0	0	0	0	0	0
BLCBLSD _p (km)	0	0	0	0	0	0	0
BLCBLLD _p (km)	0	0	0	0	0	0	0
BDCON _p (#)	0	0	0	0	0	0	0

Special Condition 3.13 Closely Associated Indirects use it or lose it allowance (CAI_t)

Introduction

- 3.13.1 The purpose of this condition is to specify the value of the CAI_t (the Closely Associated Indirects term). This contributes to the calculation of the Totex Allowance. The definition of Closely Associated Indirects expenditure is in the RIGs.

3.13.2 The effect of this condition is to:

- (a) specify the Closely Associated Indirects use it or lose it allowance;
- (b) require the licensee to comply with the Closely Associated Indirects Governance Document;
- (c) provide for a Use It Or Lose It Adjustment; and
- (d) this condition explains the process the Authority will follow when issuing or amending the Closely Associated Indirects Governance Document.

Part A: Formula for calculating the Closely Associated Indirects term (CAI_t)

3.13.3 The value of CAI_t is derived in accordance with the following formula:

$$CAI_t = CAIA_t - CAIR_t + CAIFA_t$$

where:

- CAIA_t means the sum of allowances in Appendix 1;
- CAIR_t has the value zero unless otherwise directed by the Authority in accordance with Part C; and
- CAIFA_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Closely Associated Indirects Governance Document

3.13.4 The licensee must comply with the Closely Associated Indirects Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.13.5 The Authority will issue and amend the Closely Associated Indirects Governance Document by direction.

3.13.6 The Authority will publish the Closely Associated Indirects Governance Document on the Authority's Website.

3.13.7 The Closely Associated Indirects Governance Document will make provision about the governance and administration of the closely associated indirects use it or lose it allowance including:

- (a) the eligibility criteria, in respect of expenditure incurred relating to the allowance provided by this licence condition; and
- (b) the reporting obligations in respect of expenditure incurred in relation to closely associated indirects which the licensee must meet.

3.13.8 Before the Authority directs that the Closely Associated Indirects Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Closely Associated Indirects Governance Document; and

- (b) the date on which the Authority intends the Closely Associated Indirects Governance Document to come into effect; and
 - (c) the period during which representations may be made on the content of the Closely Associated Indirects Governance Document, which will not be less than 28 days.
- 3.13.9 Before directing an amendment to the Closely Associated Indirects Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Closely Associated Indirects Governance Document;
 - (b) the reasons for amendments to the Closely Associated Indirects Governance Document;
 - (c) the date on which the Authority intends the amended Closely Associated Indirects Governance Document to come into effect;
 - (d) the period during which representations may be made on the amendments to the Closely Associated Indirects Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

- 3.13.10 After the Price Control Period, the Authority will make an amendment to the value of CAIR_t by direction, where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Further CAI Use It Or Lose It Allowance

- 3.13.11 During the Price Control Period, the Authority might make an amendment to the value of CAIFA_t by direction, where it considers that a further CAI use it or lose it allowance is appropriate.

Part E: Authority's direction process

- 3.13.12 Before making a direction under paragraph 3.13.9 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) the period during which representations may be made on the proposed direction, which will not be less than 28 days.
 - (d) The direction will set out the value of the CAIR_t and/or the CAIFA_t terms and the Regulatory Years to which that adjustment relates.

Appendix 1

Closely Associated Indirects UIOLI allowance (£m)

Regulatory Year					
2026/27	2027/28	2028/29	2029/30	2030/31	Total

CAIA _t	X	X	X	X	X	X
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Special Condition 3.14 Business Support Costs Re-opener (BSCR_t)

Introduction

- 3.14.1 The purpose of this condition is to specify the value of the BSCR_t (the Business Support Costs Re-opener term). This contributes to the calculation of the Totex allowance.
- 3.14.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to adjust the value of the BSCR_t term.
- 3.14.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Business Support Costs Re-opener.

Part A: The value of the Business Support Costs Re-opener term (BSCR_t)

- 3.14.4 The value of BSCR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.14.5 The licensee may apply to the Authority for a direction adjusting the value of the BSCR_t term for any Regulatory Year during the Price Control Period as a result of meeting following thresholds:
- (a) Outturn Business Support Costs overspend above 15%; and
 - (b) Non-variant baseline allowance overspend above 15%.
- 3.14.6 An application under paragraph 3.14.5 may be made:
- (a) between 1 April 2028 and 31 March 2029; and
 - (b) during such other periods as the Authority may direct.
- 3.14.7 An application under paragraph 3.14.5 must be made in writing and:
- (a) provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency;
 - (b) set out the adjustments to the value of the BSCR_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
 - (c) explain the basis of the calculation for the proposed adjustments to the value of the BSCR_t term; and
 - (d) set out the specific expenditure that the licensee proposes to incur or has incurred in relation to the proposed adjustments to the value of the BSCR_t term.
- 3.14.8 An application under paragraph 3.14.5 must be confined to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.14.9 A direction under paragraph 3.14.5:

- (a) may amend Appendix 1; and
- (b) will set the value of the amended $BSCR_t$ term.

3.14.10 The Authority may make a modification under paragraph 3.14.5 where:

- (a) the licensee has made an application under paragraph 3.14.5;
- (b) the requirements in paragraphs 3.14.6 to 3.14.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
- (d) a needs case for the expenditure of the type specified in paragraph 3.14.5 has been established;
- (e) the proposed option is justified; and
- (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the work specified in paragraph 3.14.5.

Part C: What process will the Authority follow in making a direction?

3.14.11 Before making a direction under paragraph 3.14.5 the Authority will publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.12 The direction will set out any adjustments to the value of the $BSCR_t$ term and the Regulatory Years to which that adjustment relates

Appendix 1.

Business Support Costs Re-opener term ($BSCR_t$) (£m)

	<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	
NGET	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
SHET	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
SPT	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)

Introduction

- 3.15.1 The purpose of this condition is to calculate the terms PCF_t (the Pre-Construction Funding Price Control Deliverable term) and PCFRE_t (the effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger where it expects to incur additional costs for Pre-Construction Works in relation to any existing load related projects or costs for Pre-construction Works in relation to any new load related project;
 - (c) establish a process for the Authority to make a direction providing Pre-construction funding for CSNP projects designated under Special Licence Condition 3.19; and
 - (d) provide for an assessment of the Price Control Deliverable.
- 3.15.2 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.15.6 and 3.15.9.

Part A: Formula for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction Funding Re-opener term (PCFRE_t)

- 3.15.3 The value of PCF_t is derived in accordance with the following formula:

$$PCF_t = PCFA_t - PCFRA_t$$

where:

PCFA_t means the baseline allowances in Appendix 1; and

PCFRA_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

- 3.15.4 The value of PCFRE_t is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

PCFO_t means the sum of allowances directed by the Authority as a result of the Re-openers established by Part C; and

PCFRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver

- 3.15.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Pre-Construction Funding Re-opener for existing projects

- 3.15.6 This Part relates to existing load related PCF projects that have funding approved at Final Determinations. It does not apply to new projects or to projects that are approved via the CSNP under Part E.
- 3.15.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:
- (a) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works; or
 - (b) The licensee expects a material change to one of the outputs or delivery changes in Appendix 2.
- 3.15.8 An application under paragraph 3.15.7 must be made in writing and include:
- (a) a breakdown of what additional Pre-Construction Works are expected to be undertaken;
 - (b) a breakdown of any costs already incurred and the expected costs for additional Pre-Construction Works;
 - (c) an overview of the existing project for which the additional Pre-Construction Works are sought;
 - (d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;
 - (e) a justification of why the Pre-Construction Works and/or allowances are required; and
 - (f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

Part D: Pre-Construction Funding Re-opener for new projects

- 3.15.9 This Part relates only to projects that did not have funding approved at Final Determinations. It does not apply to outputs, delivery dates or associated allowances in Appendix 2 on the 4th of December 2025 and projects that are listed in Appendix 2 under Part E.
- 3.15.10 In respect of new proposed Load Re-opener Outputs, the licensee may apply to the Authority for a direction amending the outputs, delivery dates, or associated allowances in Appendix 2 when submitting an Eligibility Letter for the relevant Load Re-opener (or Needs Case) as set out in paragraph 3.18.10 unless the Authority directs that the licensee may apply another time.
- 3.15.11 An application under paragraph 3.15.10 must be made in writing and include:

- (a) an overview of the load related project that Pre-construction Works allowances are being sought for;
- (b) a breakdown of what Pre-Construction Works are expected to be undertaken;
- (c) a breakdown of any expected costs for Pre-Construction Works;
- (d) the specification of any outputs that the licensee considers should be added to Appendix 2; and
- (e) a justification of why the Pre-Construction Works and allowances are required.

Part E: Authority triggered re-opener

3.15.12 In respect of any CSNP-F Output designated in accordance with Special Licence Condition 3.19, the Authority will direct an amendment to the outputs, delivery dates or allowances set out in Appendix 2 without an application being made by the licensee where the Authority approves the CSNP under C.17.17a of the ISOP.

Part F: Assessment of outputs Price Control Deliverable (PCFRA_t and PCFRO_t)

3.15.13 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) and the principles in paragraph 3.15.14, consider directing a value for PCFRA_t and PCFRO_t where the licensee has not Fully Delivered an output in Appendix 2.

3.15.14 The principles mentioned in paragraph 3.15.13 are:

- (a) where the licensee has not submitted its formal planning application, a minimum of 20% of the allowance for the relevant Pre-Construction Works will be allowed;
- (b) where the licensee has submitted its formal planning application, but has not obtained all material planning consents, a minimum of 60% of the allowance for the relevant Pre-Construction Works will be allowed; and
- (c) where the licensee has obtained all material planning consents, 100% of the Pre-Construction Works PCD allowance will be allowed.

3.15.15 All outputs specified in Appendix 2 will be subject to an ex-post review in order for the Authority to direct a final value.

Part G: What process will the Authority follow in making a direction?

3.15.16 Before making a direction under paragraphs 3.15.10, 3.15.12 or 3.15.13 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.15.17 A direction under paragraphs 3.15.10 and 3.15.12 will set out any amendments to Appendix 2.
- 3.15.18 A direction under paragraph 3.15.13 will set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the PCFRA_t and PCFRO_t terms and the Regulatory Years to which those adjustments relate; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the PCFRA_t and PCFRO_t terms.

Appendix 1

Pre-Construction Funding allowance (PCFA_t) by Regulatory Year (£m)

2026/27	2027/28	2028/29	2029/30	20230/31	Total
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Appendix 2

Pre-Construction Funding Price Control Deliverable (£m)

Output	Delivery date	2026/27	2027/28	2028/29	2029/30
					2030/31
					Total

Special Condition 3.16 Advanced Procurement Mechanism

Introduction

- 3.16.1 The purpose of this condition is to calculate the APM_t, which contributes to calculation of the Totex Allowance.
- 3.16.2 The effect of this condition is to:
- (a) specify the APM Allowance;
 - (b) provide for an APM Allowance adjustment.
 - (c) require the licensee to submit specified information in relation to use of the APM Allowance;
 - (d) provide for disallowance of ineligible APM Expenditure under the APM Allowance;
 - (e) set out the process the Authority will follow when directing any changes to the appendices to this licence condition and when issuing or amending the APM Governance Document; and

(f) require the licensee to comply with the APM Governance Document.

Part A: Formula for calculating the APM Allowance term (APMt)

3.16.3 The value of APM_t is derived in accordance with the following formula:

$$APM_t = \min \left((APMS_t - APMR_t), \max \left(\left(APMC_t - \sum_{2024/25}^{t-1} (APMS_t - APMR_t) \right), 0 \right) \right) - APMD_t$$

where:

APM_t means the APM Allowance term;

$APMS_t$ has the meaning given to APM Expenditure;

$APMD_t$ has the meaning given to APM Disallowances;

$APMR_t$ has the meaning given to APM Recovered Expenditure; and

$APMC_t$ has the meaning given to the APM Cap.

Part B: APM Re-opener of APM Cost Categories

3.16.4 The licensee may apply to the Authority to make amendments to the APM Governance Document by direction with respect to additions of new, or modifications of existing, APM Cost Categories.

3.16.5 Any application under this Part must be made in writing to the Authority and must include, for each proposed new APM Cost Category or amendment to an existing APM Cost Category:

- (a) an explanation of how the proposed inclusion or amendment of this APM Cost Category will help to avoid delays to project delivery or increased project costs;
- (b) whether the APM Cost Category is being proposed as Flexible Procurement or Bespoke Procurement, and evidence to justify any proposed categorisation;
- (c) an explanation of how the licensee will undertake tracking of expenditure of any relevant APM Allowance (including as part of any complex contractual arrangements) to ensure that it can comply with the reporting requirements as set out in Part G; and
- (d) any further information as may be required by the APM Governance Document.

3.16.6 An application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority may direct.

- 3.16.7 The Authority will make a direction adding new APM Cost Categories to the APM Governance Document for any proposed APM Cost Category for which it considers that the requirements under paragraph 3.16.5 have been satisfied. The Authority will make a direction to modify existing APM Cost Categories where it considers that the updated APM Cost Category satisfies the requirements under paragraph 3.16.5.

Part C: APM Re-opener of Bespoke Procurement Allowances

- 3.16.8 The licensee may apply to the Authority to make amendments to the value of the Bespoke Procurement allowance in Appendix 2 by direction.
- 3.16.9 Any application under this Part must be made in writing to the Authority and must include, for each project for which the licensee is submitting an application for a re-opener under this Part:
- (a) project details, including project timelines, to assist identification of the relevant investment and for understanding the need for APM funding and the likelihood that Equipment or Related Services are not used following their procurement;
 - (b) details of the relevant APM Cost Categories included in the request for Bespoke Procurement allowances, and details of how the eligibility criteria as specified in paragraph 3.16.5 are satisfied; and
 - (c) a spreadsheet setting out the licensee's calculation of the value of the proposed amendment. An APM Re-opener application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority may direct.
- 3.16.10 The Authority will make a direction amending the value in Appendix 2 where it considers that the requirements in paragraph 3.16.9 have been satisfied.

Part D: APM Re-opener of the APM Cap

- 3.16.11 The licensee may apply to the Authority to make amendments to the value of the APM Cap (APMCT) in Appendix 1.
- 3.16.12 Any application under this Part must be made in writing to the Authority and must include, for each proposed amendment to the value in Appendix 1:
- (a) details setting out why the APM Cap is insufficient to enable the licensee to procure effectively;
 - (b) details setting out why an amended APM Cap would be to the benefit of consumers or, if none, would not harm the interests of consumers;
 - (c) details regarding the progress towards regulatory approval of projects for which the APM Allowance has been used to procure; and
 - (d) any further information as may be required by the APM Governance Document.

3.16.13 An APM Re-opener application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or such other time as the Authority may direct.

3.16.14 A modification under this Part will be made under section 11A of the Act.

Part E: Authority-triggered Re-opener

3.16.15 The Authority may make amendments to any APM Cost Category by direction where:

- (a) with respect to the addition of a potential new APM Cost Category, it considers that the proposed amendment will help to avoid delays to project delivery or increased project costs;
- (b) with respect to the modification of an existing APM Cost Category, it considers that the updated APM Cost Category will help to avoid delays to project delivery or increased project costs; or
- (c) with respect to removal of an existing APM Cost Category, it considers that the inclusion of this APM Cost Category has ceased to help to avoid delays to project delivery or increased project costs.

3.16.16 Where an APM Cost Category is removed, any procurement undertaken prior to the date on which the Authority publishes a consultation to propose the removal of that APM Cost Category would remain eligible for APM Allowances.

3.16.17 The Authority may amend the value shown in Appendix 2 by direction where the licensee reports through the Regulatory Reporting Pack (RRP) that a portion of the Bespoke Procurement allowance specified in Appendix 2 has been allocated to the $APMR_t$ since the previous RRP submission. In such instances the amendment of the value shown in Appendix 2 directed by the Authority will be equal to the portion of the Bespoke Procurement allowance that has been allocated to the $APMR_t$ since the previous RRP submission.

3.16.18 The Authority may increase the value of $APMC_t$ in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that the licensee has sufficient $APMC_t$ available to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.

3.16.19 The Authority may decrease $APMC_t$ in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that $APMC_t$ is not significantly in excess of what is required to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.

Part F: Process the Authority will follow in making a direction

3.16.20 Before making a direction under Part B, Part C or paragraphs 3.16.15 to 3.16.17, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction, excluding any Confidential Information;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.16.21 Before making a decision to refuse to make a direction under Part B or Part C, the Authority will publish on the Authority's Website:
- (a) the reasons for the decision not to make the proposed direction, excluding any Confidential Information; and
 - (b) a period during which representations may be made on the proposed decision to refuse the direction, which will not be less than 28 days.

Part G: Reporting requirements

- 3.16.22 To inform calculation of $APMS_t$, the licensee must report any expenditure it has incurred against the APM Allowance to the Authority through the RRP for each Regulatory Year. The information required in relation to $APMS_t$ through the RRP will include:
- (a) the relevant APM Cost Categories the expenditure has been incurred against;
 - (b) the number of units procured against each APM Cost Category;
 - (c) the relevant APM Allowance that has been spent to secure procurement, split by APM Cost Category;
 - (d) the expected delivery date for the Equipment or Related Service, or range of delivery dates permitted under the contract(s);
 - (e) the named project that the Equipment or Related Service is intended be allocated to, where known;
 - (f) any given contractual commitments or milestones;
 - (g) forecast final total cost for delivery of the relevant Equipment or Related Service; and
 - (h) any other information which the Authority may require.
- 3.16.23 To inform the calculation of $APMR_t$, the licensee must report any allocation of APM-procured Equipment or Related Service to a project to the Authority through the RRP for each Regulatory Year. The information required through the RRP in relation to $APMR_t$ in the RRP will include:
- (a) Ofgem scheme reference;
 - (b) project reference and scheme name;
 - (c) relevant funding mechanism and licence condition;
 - (d) APM contract reference as given in the APM Register;
 - (e) APM Cost Category;
 - (f) the number of units procured against each APM Cost Category;

- (g) the total APM Allowance that was spent to secure those units; and
- (h) any other information which the Authority may require.

Part H: Status of expenditure

- 3.16.24 No determination of an allowance specified in Appendix 1, 2 or 3 constitutes approval by the Authority of any project in respect of which the allowance has been used to procure Equipment or Related Service.

Part I: Ineligible APM Expenditure

- 3.16.25 The Authority may modify the value of $APMD_t$ in Appendix 3 to disallow APM Expenditure where the licensee:
- (a) procured Equipment or Related Services using its APM Allowance in a manner which did not constitute Flexible Procurement or Bespoke Procurement;
 - (b) procured equipment or services which do not fall within the definitions of Equipment and Related Services because, at the time of the procurement, they did not fall within an APM Cost Category;
 - (c) has not used 25% or more of the Equipment or Related Services it procured in the five-year period since the APM Expenditure was incurred, and where the Authority considers that the procuring of Equipment or Related Services was significantly in excess of what it was reasonable to expect the licensee to have procured given the information available to the licensee at the time it incurred the APM Expenditure;
 - (d) procured services for which use of the services was not possible to link to an APM Cost Category;
 - (e) procured Equipment or Related Service for a project which had, at the date of procurement, been designated as a CATO Project;
 - (f) procured Equipment or Related Service for a project where the licensee has also received Early Construction Funding as provided for in Special Condition 3.21;
 - (g) is able to benefit financially from novating or otherwise transferring procurement undertaken through the APM to another licensee or a third party;
 - (h) has made use of APM Expenditure for which it has not provided the Authority with, either through RRP or upon request, sufficient information for the Authority to achieve confidence that the licensee has not already received Authority funding for these activities; or
 - (i) has already received funding, of which the Authority has become aware, for the same activity as the Authority might otherwise have allowed under the APM Allowance.
- 3.16.26 The licensee is only eligible to recover, on average (arithmetic mean) across the portfolio of APM Cost Categories, 20% of the expected cost of the Equipment or

Related Services procured using the APM. The Authority may disallow expenditure above 20%. This average will be calculated for a period of three Regulatory Years, using data submitted through the RRP. The Authority will review licensee performance against this requirement following submission of RRP following the end of each Regulatory Year.

3.16.27 A modification under this Part will be made under section 11A of the Act.

Part J: APM Governance Document

3.16.28 The licensee must comply with the APM Governance Document when incurring expenditure against the APM Allowance.

3.16.29 The Authority will issue and amend the APM Governance Document by direction.

3.16.30 The Authority will publish the APM Governance Document on the Authority's Website, excluding any Confidential Information.

3.16.31 The APM Governance Document will make provision about the governance and administration of the APM Allowance and APM Re-opener, including:

- (a) the eligibility criteria in respect of expenditure incurred in relation to the allowance provided by this licence condition and what evidence the licensee should provide to show that the criteria are satisfied;
- (b) the operation of the APM Re-openers including what information the licensee should provide when applying for any APM Re-opener;
- (c) the reporting obligations in respect of expenditure incurred in relation to the APM;
- (d) information and guidance with respect to interactions with CATO Projects, ASTI, and any other related regulatory frameworks as specified in the APM Governance Document; and
- (e) the list of APM Cost Categories, including a specification as to which APM Cost Categories relate only to Bespoke Procurement.

3.16.32 Before the Authority directs that the APM Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed APM Governance Document, excluding any Confidential Information;
- (b) the date on which the Authority intends the APM Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the APM Governance Document, which will not be less than 28 days.

3.16.33 Before directing an amendment to the APM Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended APM Governance Document, excluding any Confidential Information;
- (b) the date on which the Authority intends the amended APM Governance Document to come into effect;
- (c) the reasons for the amendments to the APM Governance Document; and
- (d) a period during which representations may be made on the amendments to the APM Governance Document, which will not be less than 28 days.

Appendix 1(confidential)

Values of APMC_t

	Value of term (£m)
APMC _t	Has the value given in the APM Register

Appendix 2 (confidential)

Bespoke Procurement allowance

Value of Bespoke Procurement allowance (£m)
Has the value given in the APM Register

Appendix 3 (confidential)

Value of APMD_t

Term	APMD_t value (£m)
APMD _t	Has the value given in the APM Register

Special Condition 3.17 Load use it or lose it allowance (LI_t)

Introduction

3.17.1 The purpose of this condition is to calculate the term LI_t (the load investment term). This contributes to the calculation of the Totex Allowance.

3.17.2 The effect of this condition is to:

- (a) specify the load investment use it or lose it allowance;
- (b) explain the process the authority will follow when issuing or amending the Load UIOLI Governance Document;
- (c) require the licensee to comply with the Load UIOLI Governance Document; and
- (d) provide for a Use It Or Lose It Adjustment.

Part A: Formula for calculating the load investment term (LIt)

3.17.3 The value of LIt is derived in accordance with the following formula:

$$LIt = LIA_t - LIR_t$$

where:

- LIA_t means the sum of allowances in Appendix 1; and
- LIR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Load UIOLI Governance Document

- 3.17.4 The licensee must comply with the Load UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.
- 3.17.5 The Authority will issue and amend the Load UIOLI Governance Document by direction.
- 3.17.6 The Authority will publish the Load UIOLI Governance Document on the Authority's Website.
- 3.17.7 The Load UIOLI Governance Document will make provision about the governance and administration of the load investment use it or lose it allowance including:
- (a) the definition of "allowable load investment expenditure" and "unrecoverable load investment expenditure";
 - (b) the eligibility criteria, in respect of expenditure incurred relating to the allowance provided by this licence condition; and
 - (c) the reporting obligations in respect of expenditure incurred in relation to load investment which the licensee must meet.
- 3.17.8 Before the Authority directs that the Load UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Load UIOLI Governance Document;
 - (b) the date on which the Authority intends the Load UIOLI Governance Document to come into effect; and
- 3.17.9 the period during which representations may be made on the content of the Load UIOLI Governance Document, which will not be less than 28 days.
- 3.17.10 Before directing an amendment to the Load UIOLI Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Load UIOLI Governance Document;
 - (b) the reasons for amendments to the Load UIOLI Governance Document;

- (c) the date on which the Authority intends the amended Load UIOLI Governance Document to come into effect;
- (d) the period during which representations may be made on the amendments to the Load UIOLI Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

3.17.11 After the Price Control Period, the Authority will make an amendment to the value of LIR_t by direction, where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

3.17.12 Before making a direction under paragraph 3.17.11, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

3.17.13 the period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.17.14 The direction will set out the value of the LIR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Load UIOLI allowance (£m)

	Regulatory Year					Total
	2026/27	2027/28	2028/29	2029/30	2030/31	
LIA _t						

Special Condition 3.18 Load Re-opener and Price Control Deliverable (LR_t)

Introduction

3.18.1 The purpose of this condition is to specify the value of the term and LR_t (the Load Re-opener term). This contributes to the calculation of the Totex Allowance.

3.18.2 The effect of this condition is to:

- (a) specify any Load Re-opener Outputs, delivery dates and allowances for the Price Control Deliverable;
- (b) establish a Re-opener for the licensee to apply for an adjustment to the Load Re-opener Outputs, delivery dates and allowances in Appendix 1;

- (c) provide for an assessment of the Price Control Deliverable; and
 - (d) establish the Load Re-opener Guidance and Submissions Requirements Document.
- 3.18.3 This condition also sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Re-opener.

Part A: Formulae for calculating the load Re-opener allowance term (LR_t)

- 3.18.4 The value of LR_t is derived in accordance with the following formula:

$$LR_t = LRA_t - LRAA_t$$

where:

LRA_t means the sum of allowances in Appendix 1; and

$LRAA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: Load Re-opener Outputs

- 3.18.5 The licensee must deliver the Load Re-opener Outputs specified in Appendix 1 by the delivery dates specified in Appendix 1.

Part C: Scope of this Re-opener and pre-application requirements

- 3.18.6 The licensee may, apply to the Authority for a Project Assessment Decision and an associated modification of Appendices 1 to specify, for a proposed Load Re-opener Output:

- (a) a delivery date; and
- (b) associated allowances.

- 3.18.7 Before applying for a Project Assessment Decision and an associated modification of Appendix 1, under paragraph 3.18.6 the licensee must:

- (a) obtain the Authority's approval that it may make an application for a Load Re-opener Output as provided for in Part D;
- (b) obtain the Authority's approval of a Needs Case as provided for in Part E; and
- (c) have submitted all material planning consent applications;

unless the Authority relieves the licensee by direction of one or more of these requirements.

- 3.18.8 The licensee may apply to the Authority, in each of the Regulatory Years of the Price Control Period:

- (a) between 1 April and 7 April;
- (b) between 1 October and 7 October; and
- (c) or as otherwise directed by the Authority.

3.18.9 Any modification under paragraph 3.18.6 will be made under section 11A of the Act.

Part D: Eligibility Letter

3.18.10 A licensee must submit an Eligibility Letter to the Authority to obtain approval to apply for a Needs Case, unless the Authority directs otherwise.

Part E: Needs Case

3.18.11 If the Authority approves the licensee's eligibility to apply under Part D, or the Authority has relieved the licensee of the requirement to obtain approval, the licensee may seek the Authority's approval of the Needs Case.

3.18.12 A licensee must submit a Need Case not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation, unless otherwise directed by the Authority.

Part F: Cost And Output Adjusting Event

3.18.13 The licensee may apply to the Authority for a direction under this Part amending a Load Re-opener Output, delivery date or associated allowances in Appendix 1 where:

- (a) there has been one or more Cost And Output Adjusting Event; and
- (b) if the following requirements are met:
- (c) the licensee could not have reasonably foreseen the event or events; and
- (d) the licensee could not have economically and efficiently planned a contingency for the event or events.

3.18.14 The licensee may only apply for a direction under this Part to adjust allowances in Appendix 1 where:

- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.18.15(a), calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event;
- (b) by each event;
- (c) if the Authority has directed that the events in relation to the relevant Load Re-opener Output should count cumulatively towards the percentage threshold, by any one or more events; and
- (d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.18.15 The percentage referred to in paragraph 3.18.14 is:

- (a) 20%; or
- (b) such other percentage as the Authority may specify by direction.

3.18.16 Unless the Authority otherwise directs, the licensee must make any application no later than three months after the delivery date of the Load Re-opener Output

3.18.17 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event meets the requirements set out in paragraph 3.18.13, and, where applicable 3.18.14, has occurred;
- (b) set out any amendments requested to the Load Re-opener Output, the delivery date or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1 and confirm that such adjustments would keep the financial position of the licensee in the same position as if the Cost And Output Adjusting Event had not occurred, so far as is reasonably practicable.; and
- (d) include a statement from a technical adviser, who is external to and independent from the licensee, stating whether considered in the context of the value of the Load Re-opener Output, the proposed adjustments to the Load Re-opener Output, the delivery date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.

3.18.18 A direction under this Part may modify Appendix 1 to:

- (a) amend the description of the Load Re-opener Output to which the Cost and Output Adjusting Event relates;
- (b) adjust allowances for that Load Re-opener Output;
- (c) amend the delivery date for that Load Re-opener Output.

3.18.19 The Authority may make a direction under this Part where:

- (a) there has been an application under this Part;
- (b) there has been a Cost And Output Adjusting Event in relation to the relevant Load Re-opener Output;
- (c) the requirements of paragraphs 3.18.13 to 3.18.17, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred.

Part G: Assessment of the Price Control Deliverable (LR_t)

3.18.20 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for LR_{AAt} where the licensee has not Fully Delivered an output in Appendix 1.

Part H: Process the Authority will follow in making a direction.

3.18.21 Before making a direction under Part F and Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.18.22 A direction in respect of Part G will set out:

- (a) the delivery status of the Load Re-opener Output that has not been Fully Delivered;
- (b) a delivery status of the Load Re-opener Output that has been [to insert upward flex definition once defined];
- (c) the value of the LR_t term and the Regulatory Years to which that adjustment relates; and
- (d) the methodology and data that has been used to decide the delivery status and value of any adjustments to the LR_t term.

Part I: Load Re-opener Guidance and Submissions Requirements Document

3.18.23 The licensee must comply with the Load Re-opener Guidance and Submissions Requirements Document when making an application under Part C or Part F, or if seeking approval under Part D or Part E.

3.18.24 The Authority will issue and amend the Load Re-opener Guidance and Submissions Requirements Document by direction.

3.18.25 The Authority will publish the Load Re-opener Guidance and Submissions Requirements Document on the Authority's Website.

3.18.26 The Load Re-opener Guidance and Submissions Requirements Document will make provision about the detailed requirements.

3.18.27 Before the Authority directs that the Load Re-opener Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Load Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the Load Re-opener Guidance and Submissions Requirements Document to come into effect; and
- (c) the period during which representations may be made on the text of the proposed Load Re-opener Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.18.28 Before the Authority directs that an amendment to the Load Re-opener Guidance and Submissions Requirements Document be made, the Authority will publish on the Authority's Website:

- (a) the text of the amended Load Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the amended Load Re-opener Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the Load Re-opener Guidance and Submissions Requirements Document; and
- (d) the period during which representations may be made on the amendments to the Load Re-opener Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

Load Re-opener Outputs and allowances (£m)

Load Re-opener Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total Allowance (All years)

Special Condition 3.19 CSNP-F Re-opener

Introduction

3.19.1 The purpose of this condition is to specify the value of CSNPFR_t (the CSNP-F Re-opener term). These contribute to the calculation of the Totex Allowance.

3.19.2 The effect of this condition is to:

- (a) calculate the CSNP-F Re-opener allowance;
- (b) specify any CSNP-F Outputs, delivery dates and allowances for the Price Control Deliverable;
- (c) establish a re-opener for the licensee to apply for a CSNP-F Project Assessment Decision in relation to any CSNP-F Output;
- (d) provide for a decision in relation to a Cost and Output Adjusting Event;
- (e) provide for modification of the delivery dates in Appendix 1 to reflect any adjustments made in Special Condition 4.8 CSNP-F ODI-F;
- (f) provide for an assessment of the Price Control Deliverable; and
- (g) establish the CSNP-F Re-opener Guidance and Submissions Requirements Document.

3.19.3 This condition sets out the process the Authority will follow when making any changes as a result of the CSNP-F Re-opener.

Part A: Formula for calculating the CSNP-F Re-opener allowance term (CSNPFR_t)

3.19.4 The value of CSNPFR_t is derived in accordance with the following formula:

$$CSNPFA_t = \sum_{i=1}^i CSNPFA_{i,t}$$

Where:

CSNPFR_{i,t} is the allowance indicated in Appendix 1 for CSNP-F Output i for Regulatory Year t;

i represents a CSNP-F Output listed in Appendix 1; and

t represents the Regulatory Year.

Part B: CSNP-F Outputs

3.19.5 The licensee must deliver the CSNP-F Outputs specified in Appendix 1 by the delivery dates specified in Appendix 1.

3.19.6 The Authority may make a modification to Appendix 1 under this Part to include a new CSNP-F Output with a delivery date where the Authority is acting to give effect to a recommendation from the ISOP, and where the requirements specified in paragraph apply.

3.19.7 The requirements are:

- (a) the ISOP has published, in a CSNP or any transitional CSNP, a recommendation for an investment to be delivered by the licensee;
- (b) the relevant investment is in whole or in-part load related; and
- (c) that the Authority considers the recommended investment to be sufficiently developed to meet the requirements as set out in the CSNP-F Re-Opener Guidance and Submissions Requirements Document.

3.19.8 Any modification under this Part will be made under section 11A of the Act.

Part C: Application for modification to Appendix 1

3.19.9 The licensee may, in respect of any CSNP-F Output, apply to the Authority for a modification for any of the following purposes:

- (a) to update the definition of the CSNP-F Output in Appendix 1;
- (b) to update the CSNP-F Output delivery date in Appendix 1;
- (c) for the minimum availability standard as specified in to be modified; and
- (d) to include associated allowances in Appendix 1.

- 3.19.10 For any proposed modification under this Part, the licensee must set out the information as specified in the CSNP-F Re-opener Guidance and Submissions Requirements Document.
- 3.19.11 Any modification under this Part will be made under section 11A of the Act.
- 3.19.12 Unless the Authority otherwise directs, the licensee may only apply for a CSNP-F modification after submission of all material planning consent applications.

Part D: Cost And Output Adjusting Event

- 3.19.13 The licensee may apply to the Authority for a modification under this Part amending a CSNP-F Output or associated allowances in where:
- (a) there has been one or more Cost And Output Adjusting Event;
 - (b) a modification is required to keep, so far as is reasonably practicable, the financial position of the licensee the same as if the Cost And Output Adjusting Event had not occurred;
 - (c) the licensee could not have reasonably foreseen the event or events; and
 - (d) the licensee could not have economically and efficiently planned a contingency for the event or events.
- 3.19.14 The licensee may only apply for a modification under this Part to adjust allowances in Appendix 1 where:
- 3.19.15 expenditure has increased or decreased by at least the percentage specified in paragraph , relative to the relevant allowance in Appendix 1 because of the event;
- 3.19.16 the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.19.17 Where there has been more than one event, the licensee may apply for these as a single COAE if the Authority has directed that the events in relation to the relevant CSNP-F should count cumulatively towards the percentage threshold, by any one or more events.
- 3.19.18 The percentage referred to in paragraph is:
- (a) [10%;] or
 - (b) such other percentage as the Authority may specify by direction.
- 3.19.19 The percentage in paragraph is calculated before the application of the Totex Incentive Strength.
- 3.19.20 Unless the Authority otherwise directs, the licensee must make any application not later than before the end of the period of three months beginning with the delivery date for the CSNP-F Output.
- 3.19.21 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event which meets the requirements set out in paragraphs , and where applicable , has occurred;
- (b) set out any amendments requested to the CSNP-F Output or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1; and
- (d) include a statement from a technical adviser stating that considered in the context of the value of the CSNP-F Output, the proposed adjustments to the CSNP-F Output, the delivery date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.

3.19.22 A technical adviser referred to in 3.19 21(d) will be:

- (a) the relevant ITA if one has been appointed under relevant licence condition 6.2 for the CSNP-F Output; or
- (b) if an ITA has not been appointed for the CSNP-F Output, then a technical adviser who is external to and independent from the licensee.

3.19.23 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been a Cost And Output Adjusting Event in relation to the relevant CSNP-F Output;
- (c) the requirements of paragraphs , where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect, so far as is reasonably practicable, of keeping the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred.

3.19.24 Any modification under this Part will be made under section 11A of the Act.

Part E: Modification of delivery date in Appendix 1 further to a CSNP-F ODI-F Penalty Exemption Period decision or CSNP-F ODI-F Target Date decision under Special Condition 4.8 CSNP-F ODI-F

3.19.25 The Authority will modify the delivery dates in Appendix 1 where it decides under Special Condition 4.8, CSNP-F ODI-F to make a modification to the CSNP-F ODI-F Penalty Exemption Period or CSNP-F ODI-F Target Delivery Date in Special Condition 4.8, CSNP-F ODI-F.

3.19.26 A modification under this Part will be made under section 11A of the Act.

Part F: Assessment of the Price Control Deliverable (CSNPFR_{i,t})

3.19.27 The Authority may, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), direct a value for CSNPFR_{i,t} where the licensee has not Fully Delivered a CSNP-F Output in Appendix 1.

3.19.28 Before making a direction under this Part, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.19.29 A direction made under this Part will set out:

- (a) the delivery status of the CSNP-F Output that has not been Fully Delivered;
- (b) a delivery status of the CSNP-F Output that has been [insert upward flex definition once defined]
- (c) the value of the CSNPF_{Ri,t} term and the Regulatory Years to which that adjustment relates; and
- (d) the methodology and data that have been used to decide the delivery status and value of any adjustments to the CSNPF_{Ri,t} term.

Part G: CSNP-F Re-opener Guidance and Submissions Requirements Document

3.19.30 The licensee must comply with the CSNP-F Re-opener Guidance and Submissions Requirements Document when making an application under Part C or Part D.

3.19.31 The Authority will amend the CSNP-F Re-opener Guidance and Submissions Requirements Document by direction.

3.19.32 The Authority will publish the CSNP-F Re-opener Guidance and Submissions Requirements Document on the Authority's Website.

3.19.33 The CSNP-F Re-opener Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts B, C and D.

3.19.34 Before directing that the CSNP-F Re-opener Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed CSNP-F Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the CSNP-F Re-opener Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the text of the proposed CSNP-F Re-opener Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.19.35 Before amending the CSNP-F Re-opener Guidance and Submissions Requirements Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended CSNP-F Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the amended CSNP-F Re-opener Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the CSNP-F Re-opener Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the CSNP-F Re-opener Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

CSNP-F Outputs, delivery dates, and allowances (CSNPFR_{i,t}) (£m)

Minimum circuit availability standard after delivery (%)				Regulatory Year							
CSNP-F	0-6	6-12	12-24	Delivery	2026/	2027/	2028/	2029/	2030/	2031/	2032/
Output	months	months	months	date	27	28	29	30	31	32	33
	93%	93%	93%								

Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t)

Introduction

- 3.20.1 The purpose of this condition is to calculate the term APCF_t (the ASTI Pre-Construction Funding Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.20.2 The effect of this condition is to:
 - (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to an ASTI in addition to the allowances in Appendix 1;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) provide for a Use It Or Lose It Adjustment.
- 3.20.3 This condition also sets out the process the Authority will follow when making changes to Appendices 1 and 2 as a result of the Re-opener.

Part A: Formula for calculating the ASTI Pre-Construction Funding Price Control Deliverable term $APCF_t$

3.20.4 The value of $APCF_t$ is derived in accordance with the following formula:

$$APCF_t = APCFA_t - APCFRA_t$$

where:

$APCFA_t$ means the allowances in Appendix 1; and

$APCFRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: ASTI Pre-Construction Funding outputs

3.20.5 Appendix 2 specifies the outputs the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Scope of the ASTI Pre-Construction Funding Re-opener

3.20.6 The licensee may, in respect of an ASTI, apply to the Authority for a modification to the outputs, delivery dates or allowances in Appendices 1 and 2 where:

- (a) the licensee has incurred, or expects to incur, costs for Pre-Construction Works for outputs that are not already specified in Appendix 2, if no allowances for Pre-Construction Works have previously been provided under Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable);
- (b) the licensee expects that the total costs for Pre-Construction Works in relation to all outputs in Appendix 2 will exceed the total allowances in Appendix 1 by the Materiality Threshold; or
- (c) the licensee expects a material change to one of the outputs or delivery dates in Appendix 2.

3.20.7 The licensee must notify the Authority in writing of its intention to make an application under 3.20.6 at least 8 weeks before making an application, unless the Authority directs otherwise.

3.20.8 An application under paragraph 3.20.6 must be made in writing and include:

- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- (b) a breakdown of the incurred and expected costs for Pre-Construction Works;
- (c) an overview of the ASTI or ASTIs to which the Pre-Construction Works and associated costs relate;
- (d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;

- (e) a justification of why any additional Pre-Construction Works and/ or additional allowances are required; and
 - (f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.
- 3.20.9 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when making an application under this Part.
- 3.20.10 A modification under this Part to the outputs, delivery dates and allowances in Appendix 2 and the allowances in Appendix 1 will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (APCFRA_t)

- 3.20.11 Before making a direction under paragraph 3.20.11 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.20.12 A direction under paragraph 3.20.11 will set out the value of the APCFRA_t term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.20.11(a) will set out:
- (a) the delivery status of the output that has not been Fully Delivered; and
 - (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the APCFRA_t term.

Appendix 1Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

	Total Value
NGET	Have the values given in the ASTI Confidential Annex. (Sum of allowances from Appendix 2, PCF Allowance)

Appendix 2Appendix 2

ASTI Pre-Construction Funding Price Control Deliverables (£m)

Project Name	Output	Delivery Date	PCF Allowance
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)	Submission of all material planning consent applications for ATNC	31 March 2026	Have the values given in the ASTI Confidential Annex.

400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)	Submission of all material planning consent applications for EDEU	31 March 2026	Have the values given in the ASTI Confidential Annex.
New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)	Submission of all material planning consent applications for EDN2	31 March 2026	Have the values given in the ASTI Confidential Annex.
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)	Submission of all material planning consent applications for HWUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Eastern subsea HVDC Link from east Scotland to south Humber area (NOA Code: TGDC)	Submission of all material planning consent applications for TGDC	31 March 2026	Have the values given in the ASTI Confidential Annex.

Special Condition 3.21 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)

Introduction

- 3.21.1 The purpose of this condition is to specify the value of the term ASTIR_t (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.21.2 The effect of this condition is to:
- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the Minimum circuit availability standard after delivery in Appendix 2;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.21.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-opener.

Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term (ASTIR_t)

- 3.21.4 The value of ASTIR_t is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

$ASTIA_t$ means the allowances in Appendix 1; and

$ASTIRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

- 3.21.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.
- 3.21.6 After the ASTI Output has been delivered it must be operational and available for use by the ISOP for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

Part C: Early Construction Funding

- 3.21.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust $ASTIA_t$.
- 3.21.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.21.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.
- 3.21.9 The licensee must notify the Authority in writing of its intention to make an application under 3.21.7 at least 8 weeks before making an application, unless the Authority directs otherwise.
- 3.21.10 A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

- 3.21.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:
 - (a) specify or amend an ASTI Output, a delivery date and associated allowances; and
 - (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.
- 3.21.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.
- 3.21.13 A modification under this Part will be made under section 11A of the Act.

Part E: ASTI Cost And Output Adjusting Event

- 3.21.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.
- 3.21.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:
- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.21.17, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
 - i. by each event;
 - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold; and
 - (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.21.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.
- 3.21.17 The percentage referred to in paragraph 3.21.15(a) is:
- (a) 5%; or
 - (b) such other percentage as the Authority may specify by direction.
- 3.21.18 An application under this Part must be made in writing and must:
- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.21.15, or where applicable 3.21.16, has occurred;
 - (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
 - (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and
 - (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.21.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.21.14 to 3.21.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.21.20 A modification under this Part will be made under section 11A of the Act.

Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive)

3.21.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.6.

3.21.22 A modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (ASTIRAt)

3.21.23 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ASTIRAt where the licensee has not Fully Delivered an output in Appendix 1.

Part H: What process will the Authority follow in making a direction?

3.21.24 Before making a direction under Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.21.25 A direction in respect of Part G will set out:

- (a) the delivery status of the ASTI Output that has not been Fully Delivered;
- (b) the value of the ASTIRt term and the Regulatory Years to which that adjustment relates; and

- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the ASTIRt term.

Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document

- 3.21.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.21.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.
- 3.21.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.
- 3.21.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.
- 3.21.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.20 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.7 (ASTI output delivery incentive).
- 3.21.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.
- 3.21.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:
 - (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;

- (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

ASTI Price Control Deliverable

ASTI Output	Delivery Date	Allowance (ASTIA _t , £m)	ECF/PA
New 400 kV double circuit in north East Anglia (NOA Code: AENC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO)	31 December 2029	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC)	31 December 2028	Have the values given in the ASTI Confidential Annex.	
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	Have the values given in the ASTI Confidential Annex.	
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)	31 December 2029	Have the values given in the ASTI Confidential Annex.	
New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between the south Humber and south Lincolnshire (NOA Code: GWNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	

Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)	31 December 2028	Have the values given in the ASTI Confidential Annex.	ECF
New 400 kV double circuit between the existing Norton to Osbaldwick circuit and Poppleton and relevant 275 kV upgrades (NOA Code: OPN2)	31 December 2028	Have the values given in the ASTI Confidential Annex.	ECF
Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)	31 December 2029	Have the values given in the ASTI Confidential Annex.	ECF
North Wales reinforcement (NOA Code: PTNO)	31 December 2030	Have the values given in the ASTI Confidential Annex.	ECF
New Offshore HVDC link between Suffolk and Kent option 1 (NOA Code: SCD1)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Eastern subsea HVDC Link from east Scotland to south Humber area (NOA Code: TGDC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code: TKRE)	31 December 2029	Have the values given in the ASTI Confidential Annex.	ECF

Appendix 2

ASTI Output availability standard

ASTI Output	Minimum circuit availability standard after delivery (%)		
	0-6 months	6-12 months	12-24 months
New 400 kV double circuit in north East Anglia (NOA Code: AENC)			
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)			
New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO)			
New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC)			
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC)			
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)			

Eastern Scotland to England 3rd link: Peterhead to the south
Humber offshore HVDC (NOA Code: E4L5)

400 kV upgrade of Brinsworth to Chesterfield double circuit and
Chesterfield to High Marnham double circuit. New High
Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)

New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA
Code: EDN2)

New 400 kV double circuit between the south Humber and south
Lincolnshire (NOA Code: GWNC)

Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV
(NOA Code: HWUP)

New 400 kV double circuit between the existing Norton to
Osbalwick circuit and Poppleton and relevant 275 kV upgrades
(NOA Code: OPN2)

Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)

North Wales reinforcement (NOA Code: PTNO)

New Offshore HVDC link between Suffolk and Kent option 1 (NOA
Code: SCD1)

Eastern subsea HVDC Link from east Scotland to south Humber
area (NOA Code: TGDC)

Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code:
TKRE)

Special Condition 3.22 Entry and exit connection asset allowance (EECA_t)

[SPTL and SHETP]

Introduction

- 3.22.1 The purpose of this condition is to provide for the calculation of the term EECA_t (the term). This contributes to the calculation of the Totex Allowance.
- 3.22.2 The effect of this condition is to adjust the Totex Allowance to fund the licensee for the net cost of Transmission Connection Assets delivered during the Price Control Period.

Part A: Formula for calculating the entry and exit connection asset allowance term (EECA_t)

- 3.22.3 The value of EECA_t is derived in accordance with the following formula:

$$EECA_t = EECE_t + EECC_t$$

where:

EECE_t means the actual expenditure on Transmission Connection Assets excluding expenditure on Transmission Connection Infrastructure; and

EECC_t means any capital contribution from Users relating to Transmission Connection Assets.

[NGET]

Introduction

3.22.4 The purpose of this condition is to provide for the calculation of the term EECA_t (the entry and exit connection asset allowance term). This contributes to the calculation of the Totex Allowance.

3.22.5 The effect of this condition is to adjust the Totex Allowance for the capital contributions relating to Transmission Connection Assets that the licensee receives from Users during the Price Control Period.

Part B: Formula for calculating the entry and exit connection asset allowance term (EECA_t)

3.22.6 The value of EECA_t is equal to any capital contribution from Users relating to Transmission Connection Assets.

Special Condition 3.23 SF6 asset intervention Price Control Deliverable (SF6RE_t and SF6_t) [NGET & SHET]

Introduction

3.23.1 The purpose of this condition is to calculate the term SF6_t (the SF6 asset intervention Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.23.2 The effect of this condition is to:

(a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and

(b) provide for an assessment of the Price Control Deliverable.

3.23.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.23.6.

Part A: Formula for calculating the SF6 asset intervention Price Control Deliverable term (SF6_t)

3.23.4 The value of SF6_t is derived in accordance with the following formula:

$$SF6_t = (SF6A_t - SF6RA_t)$$

where:

$SF6A_t$ means the allowance in Appendix 1; and

$SF6RA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.23.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs ($SF6RA_t$)

3.23.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $SF6RA_t$ where the licensee has not Fully Delivered an output in Appendix 2.

Part D: What process will the Authority follow in making a direction?

3.23.7 Before making a direction under paragraph 3.23.6 the Authority must publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction;
- (c) a period during within which representations may be made on the proposed direction, which will not be less than 28 days.

3.23.8 A direction under paragraph 3.23.6 must set out any amendments to Appendix 2.

3.23.9 A direction under paragraph 3.23.6 must set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $SF6RA_t$ term and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that have been used to decide the delivery status and value of any adjustments to the $SF6RA_t$ term.

Appendix 1

SF6 asset intervention baseline allowances ($SF6A_t$) by Regulatory Year (£m)

Allowance					Total Allowance (All years)
27/28	28/29	29/30	30/31	31/32	

Appendix 2

SF6 asset intervention Price Control Deliverable Outputs (£m)

Site	Output	Delivery Date	Total Allowance (all years)
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Special Condition 3.24 Substation Condition Monitoring Price Control Deliverable (SBC_t) [NGET]

Introduction

- 3.24.1 The purpose of this condition is to calculate the term SCM_t (the Substation Condition Monitoring Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.24.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Substation Condition Monitoring replacement.

Part A: Formula for calculating the Substation Condition Monitoring Deliverable term (SCM_t)

- 3.24.3 The value of SCM_t is calculated in accordance with the following formula:

$$SCM_t = \left(\sum_{n=1}^{26} SCMU_n \times \min(SCMD_n, SCMV_n) \right) \frac{SCMA_t}{\sum SCMA_t}$$

where:

- SCMA_t means the allowance in Appendix 1;
- $\sum SCMA_t$ means the total Substation Condition Monitoring allowance for the Price Control Period;
- SCMV_n means the target volume of Substation Condition Monitoring for each group n as set out in the NGET Redacted Information Document;
- SCMD_n means the volume of Substation Condition Monitoring for each group n delivered by the licensee as of 31 March 2031;
- SCMU_n means the Substation Condition Monitoring unit cost (per circuit kilometre), as set out in the NGET Redacted Information Document; and
- n means the index number of each group.

Part B: What is the licensee funded to deliver?

- 3.24.4 The licensee is funded to deliver by 31 March 2031 the target volume of Substation Condition Monitoring replacement as specified in the NGET Redacted Information Document.

Appendix 1

Substation Condition Monitoring PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
SBCA _t						

Special Condition 3.25 Protection And Control Price Control Deliverable (PC_t) [NGET]

Introduction

- 3.25.1 The purpose of this condition is to calculate the term PC_t (the Protection And Control Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.25.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Protection And Control replacement and refurbishment.

Part A: Part A: Formula for calculating the Protection And Control Price Control Deliverable term (PC_t)

- 3.25.3 The value of PC_t is derived in accordance with the following formula:

$$PC_t = \left(\sum_{n=1}^{26} PCU_n \times \min(PCD_n, PCV_n) \right) \frac{PCA_t}{\sum PCA_t}$$

where:

- PCA_t means the allowance in Appendix 1;
- $\sum PCA_t$ means the total Protection And Control allowance for the Price Control Period as set out in Appendix 1;
- PCV_n means the target volume of Protection And Control for each group n as set out in Appendix 2;
- PCD_n means the volume of Protection And Control the licensee delivers for each group n as of 31 March 2031;
- PCU_n means the Protection And Control allowed unit costs for each group n, as set out in Appendix 2; and
- n means the Protection And Control asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.25.4 The licensee is funded to deliver by 31 March 2031 the target volume of Protection And Control replacement and refurbishment, as specified in Appendix 2.

Appendix 1

Protection And Control PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
PCA _t						

Appendix 2

Protection And Control target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes PCV _n	Allowed Unit Cost (£m), PCU _n
1			

Special Condition 3.26 Overhead Line Conductor Price Control Deliverable (OC_t) [NGET]

Introduction

- 3.26.1 The purpose of this condition is to calculate the term OC_t (the Overhead Line Conductor Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.26.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Overhead Line Conductor replacement.

Part A: Formula for calculating the Overhead Line Conductor Price Control Deliverable term (OC_t)

- 3.26.3 The value of OC_t is calculated in accordance with the following formula:

$$OC_t = \left(\sum_{n=1}^2 OCU_n \times \min(OCD_n, OCV_n) \right) \frac{OCA_t}{\sum OCA_t}$$

where:

OCA_t means the allowance in Appendix 1;

- $\sum OCA_t$ means the total Overhead Line Conductor allowance for the Price Control Period;
- OCV_n means the target volume of Overhead Line Conductor for each group n (as set out in the NGET Redacted Information Document);
- OCD_n means the volume of Overhead Line Conductor for each group n delivered by the licensee as of 31 March 2031;
- OCU_n means the Overhead Line Conductor unit cost (per circuit kilometre), as set out in the NGET Redacted Information Document; and
- n means the index number of each group.

Part B: What is the licensee funded to deliver?

- 3.26.4 The licensee is funded to deliver by 31 March 2031 the target volume of Overhead Line Conductor replacement as specified in the NGET Redacted Information Document.

Appendix 1

Overhead Line Conductor PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
OCA_t						

Special Condition 3.27 Overhead Line Tower Steelwork Management Price Control Deliverable [NGET]

Introduction

- 3.27.1 The purpose of this condition is to calculate the term $OHLSW_t$ (the Overhead Line Tower Steelwork Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.27.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.27.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Part A: Formula for calculating Overhead Line Tower Steelwork Price Control Deliverable term ($OHLSW_t$)

- 3.27.4 The value of $OHLSW_t$ is derived in accordance with the following formula:

$$OHLSW_t = OHLSWA_t - OHLSWR_t$$

where:

$OHL\text{SWR}_t$ has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.27.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.27.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for $OHLSWR_t$ where the licensee has not Fully Delivered an output in Appendix 1.

3.27.7 Before making a direction under paragraph [Part C], the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 3.27.8 The direction will set out:
- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the $\text{OHL\textit{SWR}}_t$ term and the Regulatory Years to which that adjustment relates; and
 - (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $\text{OHL\textit{SWR}}_t$ term.

Overhead Line Tower Steelwork Price Control Deliverable Allowance (£m)

Scheme Name	Output Delivery Date	26/27	27/28	28/29	29/30	30/31	All years
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Special Condition 3.28 Not Used

Special Condition 3.29 Substation Upgrade Price Control Deliverable [NGET]

Introduction

- 3.29.1 The purpose of this condition is to calculate the term SU_t (the substation upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.29.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of substation upgrades.

Part A: Part A: Formula for calculating the substation upgrade Price Control Deliverable term (SU_t)

- 3.29.3 The value of SU_t is derived in accordance with the following formula:

$$SU_t = \left(\sum_{n=1}^{26} SUU_n \times \min(SUD_n, SUV_n) \right) \frac{SUA_t}{\sum SUA_t}$$

where:

SUA_t means the allowance in Appendix 1;

$\sum SUA_t$ means the total substation upgrade allowance for the Price Control Period;

SUV_n means the target volume of substation upgrade for each group n as set out in Appendix 2;

PSW_n means the volume of substation upgrade the licensee delivers for each group n as of 31 March 2031;

SUU_n means the substation upgrade allowed unit costs for each group n, as set out in Appendix 2; and

n means the substation upgrade asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.29.4 The licensee is funded to deliver by 31 March 2031 the target volume of substation upgrades, as specified in Appendix 2.

Appendix 1

substation upgrade PCD allowance (£m)

	Regulatory Year					Total
	2026/27	2027/28	2028/29	2029/30	2030/31	
SUA _t						

Appendix 2

Substation upgrade target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes <i>SUV_n</i>	Allowed Unit Cost (£m), <i>SUU_n</i>
1			
2			
3			
4			
5			

Special Condition 3.30 Consequential Costs recovery from the separation of the ESO term (CC_t) [NGET]

Introduction

3.30.1 The purpose of this condition is to specify the value of the term CC_t (the Consequential Costs recovery from the separation of the ESO term). This contributes to the calculation of the Totex Allowance.

Part A: Formula for calculating the Consequential Costs

3.30.2 The value CC_t is derived in accordance with the following formula:

$$CC_t = (SSA_t - FTSAOSA_t - MT_t) + CSC_t + ETSAESC_t$$

where:

SSA _t	has the value in Appendix 1 and represents price control income for shared services that National Grid plc ceases to receive from National Grid Electricity System Operator Limited as a consequence of its separation;
FTSAOSA _t	has the value in Appendix 1 and represents revenue for shared services that National Grid plc will receive from the ISOP through the Transitional Services Agreement and the Operational Services Agreement;

MT_t	means shared services costs that are either directly transferred to the ISOP or that can be reasonably mitigated or avoided and has the value derived in accordance with paragraph 3.30.3;
CSC_t	means capital expenditure that is stranded as a result of the separation of National Grid Electricity System Operator Limited from National Grid plc and has a value derived in accordance with paragraph 3.30.4; and
$ETSAESC_t$	means consequential costs resulting from the ISOP's early exit from a service provided under the Transitional Services Agreement which are not already recovered or mitigated through other funding mechanisms. This term has the value zero, unless otherwise directed by the Authority in accordance with Part B.

3.30.3 The value of MT_t is derived in accordance with the following formula:

$$MT_t = TRNS_t + FXMT_t$$

where:

$TRNS_t$	means the total value of any operational costs that are directly transferred from National Grid plc to the ISOP following 1 October 2024, including but not limited to any staff or contracts moved to the ISOP.
$FXMT_t$	has the value in Appendix 1 and represents the stranded shared services operational costs that can be reasonably mitigated.

3.30.4 The Capex Stranded Costs, CSC_t can be derived in accordance with the following formula:

$$CSC_t = RESOA_t - IFTSA_t$$

where:

$RESOA_t$	means the representative value of total Indirect Investment expenditure incurred by National Grid plc following 1 October 2024 that would have been allocated to National Grid Electricity System Operator Limited and which should be calculated in accordance with the methodology in Appendix 2.
$IFTSA_t$	means the revenues received from the ISOP through the Transitional Services Agreement and Operational Services Agreement to support Indirect Investments by National Grid plc.

Part B: Revising the value of $ETSAESC_t$

3.30.5 On receipt of a request by the licensee, the Authority may direct changes to the value of $ETSAESC_t$ in Part A of Special Condition 3.30 where sufficient information is provided by the licensee to justify such a change.

3.30.6 The licensee must submit the following information to allow the Authority to review a request to direct changes to the value of $ETSAESC_t$:

- (a) the proposed new value;
 - (b) an explanation of how the requested costs have been calculated; and
 - (c) justification and evidence for why these costs are unavoidable additional costs and how they have not been remunerated through other funding routes, including but not limited to the Transitional Services Agreement, Operational Services Agreement, the Day 2 CTA Contract, and any allowances the licensee receives through this licence.
- 3.30.7 A request under this Part B must be confined to costs incurred or expected to be incurred by National Grid plc no later than 31 March 2026 and which are a consequence of the ISOP exiting a service which is provided under the Transitional Services Agreement at a date which is earlier than the date at which the Transitional Services Agreement is due to expire.
- 3.30.8 The licensee must notify the Authority that it intends to make a request under this Part B as soon as practically possible once it becomes aware that a change in the value is likely to be required.
- 3.30.9 The Authority may only make modifications to the licence under this Part B by direction where:
- (a) the requirements in paragraphs to have been met; and
 - (b) the Authority is satisfied that the request under Part B is sufficiently well evidenced and justified and that the licensee and National Grid plc are unable to recover economic and efficient costs as a result of the ISOP exiting a service early provided under the Transitional Services Agreement without a change in the value for ETSAESC_t.
- 3.30.10 For the purposes of this condition “National Grid Electricity System Operator Limited” means the company of that name which held a Transmission Licence immediately prior to the designation of the ISOP and the Electricity System Operator Licence coming into effect.

Appendix 1

Consequential Cost allowance formula values (£m, 2018,19 prices)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total RIIO-2
SSA _t						
FTSAOSA _t						
FXMT _t						

Appendix 2

Methodology for calculation of RESOA_t

Cost term	Methodology
-----------	-------------

RESOA _t	RESOA _t is calculated by taking the total Indirect Investment expenditure incurred by National Grid plc within the Regulatory Year after 1 October 2024, and multiplying the total values falling within each cost category for Indirect Investment by the relevant % values in the table below.
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Appendix 3

Percentages to be used for the calculation of RESOA_t (%)

Cost category	Allocation (%)
Technology infrastructure	48%
IT networks	27%
Project Costs	26%
Enterprise resource allocation	15%

Special Condition 3.31 NESO Separation Re-Opener [NGET]

Introduction

- 3.31.1 The purpose of this condition is to specify the value of the NSR_t (the NESO Separation Re-opener term). This contributes to the calculation of the Totex allowance.
- 3.31.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to adjust the value of the NSR_t term.
- 3.31.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the NESO Separation Re-opener.

Part A: The value of the NESO Separation Re-opener term (NSR_t)

- 3.31.4 The value of NSR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.31.5 The licensee may apply to the Authority for a direction adjusting the value of the NSR_t term for any Regulatory Year during the Price Control Period as a result of additional efficient costs incurred due to the separation of NESO, where these cannot be reasonably mitigated by the licensee.
- 3.31.6 An application under paragraph 3.31.5 may be made:
- (a) between 1 April 2027 and 30 April 2027; and
 - (b) during such other periods as the Authority may direct.
- 3.31.7 An application under paragraph 3.31.5 must be made in writing and:
- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost

- efficiency, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
- (b) set out the adjustments to the value of the NSR_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustment relates;
 - (c) explain the basis of the calculation for the proposed adjustments to the value of the NSR_t term; and
 - (d) set out the specific costs that the licensee proposes to incur or has incurred in relation to the proposed adjustments to the value of the NSR_t term.
- 3.31.8 An application under paragraph 3.31.5 must only relate to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.31.9 A direction under paragraph 3.31.5:
- (a) may amend Appendix 1; and
 - (b) will set the value of the amended NSR_t term
- 3.31.10 The Authority may make a modification under paragraph 3.31.5 where:
- (a) the licensee has made an application under paragraph 3.31.5;
 - (b) the requirements in paragraphs 3.31.6 to 3.31.8 have been met; and
 - (c) having regard to the information submitted by the licensee, the Authority is satisfied that the adjustments for allowances reflect the efficient costs incurred by the licensee as specified in paragraph 3.31.5.

Part C: What process will the Authority follow in making a direction?

- 3.31.11 Before making a direction under paragraph 3.31.5 the Authority will publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) the period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.31.12 The direction will set out any adjustments to the value of the NSR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

NESO Separation Re-opener term (NSR_t) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	
<u>23.00</u>	<u>37.00</u>	<u>28.00</u>	<u>18.00</u>	<u>9.00</u>	<u>115.00</u>

Special Condition 3.32 Estates Re-opener [NGET]

Introduction

- 3.32.1 The purpose of this condition is to specify the value of the ER_t (the Estates Re-opener term). This contributes to the calculation of the Totex allowance.
- 3.32.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to adjust the value of the ER_t term.
- 3.32.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Estates Re-opener.

Part A: The value of the Estates Re-opener term (ER_t)

- 3.32.4 The value of ER_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.32.5 The licensee may apply to the Authority for a direction adjusting the value of the ER_t term for any Regulatory Year during the Price Control Period as a result of the delivery of the following projects:
 - (a) Eakring Training Centre;
 - (b) [substation building interventions – TO BE FURTHER DETAILED];
 - (c) [training and development – TO BE FURTHER DETAILED]; and
 - (d) [workspace and logistic investments – TO BE FURTHER DETAILED].
- 3.32.6 An application under paragraph 3.32.5 may be made:
 - (a) between 1 April 2028 and 31 March 2029; and
 - (b) during such other periods as the Authority may direct.
- 3.32.7 An application under paragraph 3.32.5 must be made in writing and:
 - (a) provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
 - (b) set out the adjustments to the value of the ER_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
 - (c) explain the basis of the calculation for the proposed adjustments to the value of the ER_t term; and
 - (d) set out the specific works that the licensee proposes to deliver or has delivered in relation to the proposed adjustments to the value of the ER_t term.
- 3.32.8 An application under paragraph 3.32.5 must only relate to costs incurred or expected to be incurred on or after 1 April 2026.

- 3.32.9 A direction under paragraph 3.32.5:
- (a) may amend Appendix 1; and
 - (b) will set the value of the amended ER_t term.
- 3.32.10 The Authority may make a modification under paragraph 3.32.5 where:
- (a) the licensee has made an application under paragraph 3.32.5;
 - (b) the requirements in paragraphs 3.32.6 to 3.32.8 have been met; and
 - (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
 - (d) a needs case for work of the type specified in paragraph 3.32.5 has been established;
 - (e) the proposed option is justified; and
 - (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the work specified in paragraph 3.32.5.

Part C: What process will the Authority follow in making a direction?

- 3.32.11 Before making a direction under paragraph 3.32.5 the Authority will publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) the period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.32.12 The direction will set out any adjustments to the value of the ER_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Estates Re-opener term (ER_t) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.33 Tyne Crossing Project Re-opener (TCR_t) [NGET]

Introduction

- 3.33.1 The purpose of this condition is to calculate the term TCR_t (the Tyne Crossing Project Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.33.2 The effect of this condition is to establish a Re-opener triggered by the licensee in relation to the Tyne Crossing Project.
- 3.33.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.33.4 The licensee may apply to the Authority for a direction adjusting the value of the TCR_t term where there is evidence to support a well-justified needs case for the Tyne Crossing Project.

Part B: When to make an application

- 3.33.5 The licensee may apply to the Authority for an adjustment under paragraph 3.33.4:
 - (a) Between 25 February 2027 and 4 March 2027; or
 - (b) During such other periods as the Authority may direct.

Part C: How to make an application

- 3.33.6 An application under paragraph 3.33.4 must be made in writing to the Authority and include:
 - (a) detailed justification of the expected consumer benefits, including:
 - (b) an independent report which supports the socio-economic justification of the Tyne Crossing Project;
 - (c) supporting information from the ISOP which demonstrates the justification for the proposed option;
 - (d) justification of the proposed option through clear options assessment through cost benefit analysis;
 - (e) the adjustments to the value of the TCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (f) an explanation of the basis of the calculation of the proposed adjustments to the value of the TCR_t term;
 - (g) details of the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the TCR_t term; and
 - (h) information explaining whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-

paragraphs (b) and (d) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

- 3.33.7 An application under paragraph 3.33.4 must relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Part D: What process will the Authority follow in making a direction?

- 3.33.8 Subject to paragraph 3.33.10, before making a direction under paragraph 3.33.4, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 3.33.9 The direction will set out any adjustment to the value of the TCR_t term and the Regulatory Years to which that adjustment relates.

- 3.33.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.34 Subsea Cable Re-opener (SCR_t) [SHETL]

Introduction

- 3.34.1 The purpose of this condition is to set the value of the term SCR_t (the Subsea Cable Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.34.2 The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Subsea Cable Repair works on the licensee's Transmission System.
- 3.34.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: The value of the Subsea Cable Re-opener term (SCR_t)

- 3.34.4 The value of SCR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.34.5 The licensee may apply to the Authority for a direction adjusting the value of the SCR_t term for any Regulatory Year during the Price Control Period as a result of:
- (a) the need to repair Subsea Cable Faults on the licensee's Transmission System that the licensee did not set out in its Business Plan; or
 - (b) the need to mitigate the risk of a Subsea Cable Fault occurring in the future, where the mitigation cost is less than or equal to the harm to consumers

quantified by the licensee of not undertaking the mitigating action at the time proposed by the licensee.

3.34.6 An application under paragraph 3.34.5 may be made:

- (a) Between 25 January 2029 and 31 January 2029; or
- (b) during a period after the Price Control Period to be specified by the Authority by direction.

3.34.7 An application under paragraph 3.34.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
- (b) in cases where the licensee considers there is a material impact on stakeholders, provide evidence that stakeholder engagement has been carried out and contributed to the identification and design of the preferred option;
- (c) provide evidence of the process for procurement and selection that has been applied by the licensee;
- (d) set out the adjustments to the value of the SCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (e) explain the basis of the calculation for the proposed adjustments to the value of the SCR_t term; and
- (f) set out the specific works that the licensee proposes to deliver or has delivered in relation to the proposed adjustments to the value of the SCR_t term.

3.34.8 An application under paragraph 3.34.5 must:

- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
- (b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.

3.34.9 A direction under paragraph 3.34.5:

- (a) may amend Appendix 1; and
- (b) will set out the value of the SCR_t term.

3.34.10 The Authority may direct changes under paragraph 3.34.5 where:

- (a) the licensee has made an application under paragraph 3.34.5;
- (b) the requirements in paragraphs 3.34.6 to 3.34.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:

- (d) a needs case for work of the type specified in paragraph 3.34.5 has been established; and
- (e) the adjustments for allowances reflects the efficient costs to the licensee of undertaking the work specified in paragraph 3.34.5.

Part C: What process will the Authority follow in making a direction?

- 3.34.11 Before making a direction under paragraph 3.34.5 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.34.12 The direction will set out any adjustments to the value of the SCR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Subsea Cable Re-opener term (SCR_t) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	
<u>[0.00]</u>	<u>[0.00]</u>	<u>[0.00]</u>	<u>[0.00]</u>	<u>[0.00]</u>	<u>[0.00]</u>

Special Condition 3.35 Property Re-opener (PR_t) [SHETL]

Introduction

- 3.35.1 The purpose of this condition is to specify the value of the PR_t (the Property Re-opener term). This contributes to the calculation of the Totex allowance.
- 3.35.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to adjust the value of the PR_t term.
- 3.35.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Property Re-opener.

Part A: The value of the Property Re-opener term (PR_t)

- 3.35.4 The value of PR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.35.5 The licensee may apply to the Authority for a direction adjusting the value of the PR_t term for any Regulatory Year during the Price Control Period as a result of the following projects:
- (a) [New Control Room – TO BE FURTHER DETAILED];
 - (b) [New Training Centre – TO BE FURTHER DETAILED]; and
 - (c) [Six additional depots – TO BE FURTHER DETAILED].
- 3.35.6 An application under paragraph 3.35.5 may be made:
- (a) between 1 April 2028 and 31 March 2029; and
 - (b) during such other periods as the Authority may direct.
- 3.35.7 An application under paragraph 3.35.5 must be made in writing and:
- (a) provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
 - (b) set out the adjustments to the value of the PR_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
 - (c) explain the basis of the calculation for the proposed adjustments to the value of the PR_t term; and
 - (d) set out the specific works that the licensee proposes to deliver or has delivered in relation to the proposed adjustments to the value of the PR_t term.
- 3.35.8 An application under paragraph 3.35.5 must be confined to costs incurred or expected to be incurred on or after 1 April 2026.
- 3.35.9 A direction under paragraph 3.35.5:
- (a) may amend Appendix 1; and
 - (b) will set the value of the amended PR_t term.
- 3.35.10 The Authority may direct changes under paragraph 3.35.5 where:
- (a) the licensee has made an application under paragraph 3.35.5;
 - (b) the requirements in paragraphs 3.35.6 to 3.35.8 have been met; and
 - (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
 - (d) a needs case for work of the type specified in paragraph 3.35.5 has been established;
 - (e) the proposed option is justified; and

- (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the work specified in paragraph 3.35.5.

Part C: What process will the Authority follow in making a direction?

- 3.35.11 Before making a direction under paragraph 3.35.5 the Authority will publish on the Authority's website:
- (a) the text of the proposed direction; and
 - (b) the period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.35.12 The direction will set out any adjustments to the value of the PR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Property Re-opener term (PR_t) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.36 Atypical Investment Price Control Deliverable (AI_t) [SHETL]

Introduction

- 3.36.1 The purpose of this condition is to calculate the term AI_t (the generation related infrastructure Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.36.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.36.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Atypical Investment Price Control Deliverable term (AI_t)

- 3.36.4 The value of AI_t is derived in accordance with the following formula:

$$AI_t = AIA_t - AIR_t$$

where:

AIA_t means the allowance set out in Appendix 1; and

AIR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.36.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (AIR_t)

3.36.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for AIR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.36.7 Before making a direction under paragraph Part C, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.36.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the AIR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the AIR_t term.

Appendix 1

Atypical Investment Price Control Deliverable Allowance (£m)

Scheme Name	Output	Delivery Date	26/27	27/28	28/29	29/30	30/31	All years
-------------	--------	---------------	-------	-------	-------	-------	-------	-----------

Special Condition 3.37 Circuit Breaker Price Control Deliverable (CB_t) [SHETL]

Introduction

3.37.1 The purpose of this condition is to calculate the term CB_t (the Circuit Breaker Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.37.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of circuit replacement replacements.

Part A: Formula for calculating the substation upgrade Price Control Deliverable term (CB_t)

3.37.3 The value of CB_t is derived in accordance with the following formula:

$$CB_t = \left(\sum_{n=1}^{26} CBU_n \times \min(CBD_n, CBV_n) \right) \frac{CBA_t}{\sum CBA_t}$$

where:

CBA_t means the allowance in Appendix 1;

$\sum CBA_t$ means the total Circuit Breaker allowance for the Price Control Period;

CBV_n means the target volume of Circuit Breaker for each group n as set out in Appendix 2;

CB_n means the volume of Circuit Breaker the licensee delivers for each group n as of 31 March 2031;

CBU_n means the Circuit Breaker allowed unit costs for each group n, as set out in Appendix 2; and

n means the Circuit Breaker asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

3.37.4 The licensee is funded to deliver by 31 March 2031 the target volume of circuit breaker replacements as specified in Appendix 2.

Appendix 1

Circuit Breaker PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
CBA _t						

Appendix 2

Circuit Breaker target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes	Allowed Unit Cost (£m),
		CBV_n	CBU_n
1			
2			
3			
4			
5			

Special Condition 3.38 Existing Power Station Works Price Control Deliverable (PSWt) [SHETL]

Introduction

- 3.38.1 The purpose of this condition is to calculate the term PSW_t (the Power Station Works Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.38.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Power Station Works.

Part A: Part A: Formula for calculating the Existing Power Station Works Price Control Deliverable term (CB_t)

- 3.38.3 The value of PSW_t is derived in accordance with the following formula:

$$PSW_t = \left(\sum_{n=1}^{26} PSWU_n \times \min(PSWD_n, PSWV_n) \right) \frac{PSWA_t}{\sum PSWA_t}$$

where:

- $PSWA_t$ means the allowance in Appendix 1;
- $\sum PSWA_t$ means the total Power Station Works allowance for the Price Control Period;
- $PSWV_n$ means the target volume of Power Station Works for each group n as set out in Appendix 2;
- PSW_n means the volume of Power Station Works the licensee delivers for each group n as of 31 March 2031;

PSW_n means the Power Station Works allowed unit costs for each group n, as set out in Appendix 2; and
n means the Power Station Works asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

3.38.4 The licensee is funded to deliver by 31 March 2031 the target volume of Power Station Works, as specified in Appendix 2.

Appendix 1

Protection And Control PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
PSWA _t						

Appendix 2

Power Station Works target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes PSWV _n	Allowed Unit Cost (£m), PSWU _n
1			
2			
3			
4			
5			

Special Condition 3.39 Substation Upgrade (SU_t) [SHETL]

Introduction

- 3.39.1 The purpose of this condition is to calculate the term SU_t (the substation upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.39.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of substation upgrades.

Part A: Part A: Formula for calculating the substation upgrade Price Control Deliverable term (SU_t)

- 3.39.3 The value of SU_t is derived in accordance with the following formula:

$$SU_t = \left(\sum_{n=1}^{26} SUU_n \times \min(SUD_n, SUV_n) \right) \frac{SUA_t}{\sum SUA_t}$$

where:

SUA_t means the allowance in Appendix 1;

$\sum SUA_t$ means the total substation upgrade allowance for the Price Control Period;

SUV_n means the target volume of substation upgrade for each group n as set out in Appendix 2;

PSW_n means the volume of substation upgrade the licensee delivers for each group n as of 31 March 2031;

SUU_n means the substation upgrade allowed unit costs for each group n, as set out in Appendix 2; and

n means the substation upgrade asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

3.39.4 The licensee is funded to deliver by 31 March 2031 the target volume of substation upgrades, as specified in Appendix 2.

Appendix 1

Substation Upgrade PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
SUA_t						

Appendix 2

Substation Upgrade target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes SUV_n	Allowed Unit Cost (£m), SUU_n
1			
2			
3			
4			

Special Condition 3.40 Non-Lead Assets and Switchgear Price Control Deliverable (NLAS_t) [NGET]

Introduction

- 3.40.1 The purpose of this condition is to calculate the term NLAS_t (the Non-Lead Assets and Switchgear Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.40.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Non-Lead Assets and Switchgear replacements.

Part A: Formula for calculating the Non-Lead Assets and Switchgear Price Control Deliverable term (NLAS_t)

- 3.40.3 The value of NLAS_t is derived in accordance with the following formula:

$$NLAS_t = \left(\sum_{n=1}^{26} NLASU_n \times \min(NLASD_n, NLASV_n) \right) \frac{NLASA_t}{\sum NLASA_t}$$

where:

- NLASA_t* means the allowance in Appendix 1;
- $\sum NLASA_t$ means the total Non-Lead Assets and Switchgear allowance for the Price Control Period;
- NLASV_n* means the target volume of Non-Lead Assets and Switchgear for each group n as set out in Appendix 2;
- NLAS_n* means the volume of Non-Lead Assets and Switchgear the licensee delivers for each group n as of 31 March 2031;
- NLASU_n* means the Non-Lead Assets and Switchgear allowed unit costs for each group n, as set out in Appendix 2; and
- n* means the Non-Lead Assets and Switchgear asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.40.4 The licensee is funded to deliver by 31 March 2031 the target volume of non-lead assets and switchgear replacements as specified in Appendix 2.

Appendix 1

Non-Lead Assets and Switchgear PCD allowance (£m)

	Regulatory Year					Total
	2026/27	2027/28	2028/29	2029/30	2030/31	
CBA_t						

Non-Lead Assets and Switchgear target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes $NLASV_n$	Allowed Unit Cost (£m), $NLASU_n$
1			
2			
3			
4			
5			

Special Condition 3.41 Bengeworth Road GSP Project Price Control Deliverable (BRG_t) [NGET]

Introduction

3.41.1 The purpose of this condition is to calculate the term BRG_t (the Bengeworth Road GSP Project Re-opener term). This contributes to the calculation of the Totex Allowance.

3.41.2 The effect of this condition is to:

- (a) specify the outputs, delivery date and associated allowances for the Bengeworth Road GSP Project Price Control Deliverable (the PCD); and
- (b) provide for an assessment of the PCD and a reduction in allowances if the licensee does not deliver the PCD as specified.

3.41.3 This condition also explains the process the Authority will follow when directing any changes under Part C.

Part A: Part A: Formula for calculating the Bengeworth Road GSP Project Price Control Deliverable term (BRG_t)

3.41.4 The value of BRG_t is derived in accordance with the following formula:

$$BRG_t = BRGA_t - BRGRA_t$$

where:

$BRGA_t$ means the allowance in Appendix 1; and

$BRGRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.41.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Part C: Assessment of outputs ($BRGRA_t$)

3.41.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $BRGRA_t$ where the licensee has not Fully Delivered an output in Appendix 1.

Part D: Part D: What process will the Authority follow in making a direction?

3.41.7 Before making a direction under paragraph 3.41.6, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.41.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) any adjustment to the value of $BRGRA_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $BRGRA_t$ term.

Appendix 1

Bengeworth Road GSP Project Price Control Deliverable Outputs (£m)

						26/27	27/28	28/29	29/30	30/31	All years
Allowance											
Delivery date											
Outputs											

Special Condition 3.42 Generation related infrastructure Price Control Deliverable (GRI_t) [NGET]

Introduction

- 3.42.1 The purpose of this condition is to calculate the term GRI_t (the generation related infrastructure Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.42.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.42.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the generation related infrastructure Price Control Deliverable term (GRI_t)

- 3.42.4 The value of GRI_t is derived in accordance with the following formula:

$$GRI_t = GRIA_t - GRIR_t$$

where:

- GRIA_t* means the allowance set out in Appendix 1; and
- GRIR_t* has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.42.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (GRIR_t)

- 3.42.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and

reporting requirements) consider directing a value for $GRIR_t$ where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.42.7 Before making a direction under paragraph 3.42.6, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.42.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $GRIR_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $GRIR_t$ term.

Appendix 1

Generation related infrastructure Price Control Deliverable Allowance (£m)

Scheme Name	Output Delivery Date	26/27	27/28	28/29	29/30	30/31	All years
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Special Condition 3.43 Iron Acton Substation upgrade Price Control Deliverable ($IASU_t$) [NGET]

Introduction

- 3.43.1 The purpose of this condition is to calculate the term $IASU_t$ (the Iron Acton Substation Upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.43.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.43.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating Iron Acton Substation Upgrade Price Control Deliverable term ($IASU$)

3.43.4 The value of $IASU_t$ is derived in accordance with the following formula:

$$IASU_t = IASUA_t - IASUR_t$$

where:

$IASUA_t$ means the allowance set out in Appendix 1; and
 $IASUR_t$ has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.43.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs ($IASUR_t$)

3.43.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for $IASUR_t$ where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.43.7 Before making a direction under paragraph Part C, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.43.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $IASUR_t$ term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the $IASUR_t$ term.

Appendix 1

Iron Acton Substation $SCMA_t$	means the allowance in Appendix 1;
$\sum SCMA_t$	means the total Substation Condition Monitoring allowance for the Price Control Period;
$SCMV_n$	means the target volume of Substation Condition Monitoring for each group n (as set out in the NGET Redacted Information Document);
$SCMD_n$	means the volume of Substation Condition Monitoring for each group n delivered by the licensee as of 31 March 2031;

- SCMU_n means the Substation Condition Monitoring unit cost (per circuit kilometre), as set out in the NGET Redacted Information Document; and
- n means the index number of each group.

Part E: What is the licensee funded to deliver?

- 3.43.9 The licensee is funded to deliver by 31 March 2031 the target volume of Substation Condition Monitoring replacement as specified in the NGET Redacted Information Document.

Appendix 2

Substation Condition Monitoring PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
SBCA _t						

Special Condition 3.44 Atypical Price Control Deliverable (AI_t)

Introduction

- 3.44.1 The purpose of this condition is to calculate the term AI_t (the generation related infrastructure Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.44.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.44.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Atypical Investment Price Control Deliverable term (AI_t)

- 3.44.4 The value of AI_t is derived in accordance with the following formula:

$$AI_t = AIA_t - AIR_t$$

where:

- AIA_t means the allowance set out in Appendix 1; and
- AIR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.44.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (AIR_t)

3.44.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for AIR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.44.7 Before making a direction under paragraph [Part C], the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.44.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the AIR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the AIR_t term.

Appendix 1

Atypical Investment Price Control Deliverable Allowance (£m) Upgrade Price Control Deliverable Allowance (£m)

Scheme Name	Output	Delivery Date	26/27	27/28	28/29	29/30	30/31	All years
-------------	--------	---------------	-------	-------	-------	-------	-------	-----------

Special Condition 3.45 Substation Condition Monitoring Price Control Deliverable (SBC_t)

Introduction

3.45.1 The purpose of this condition is to calculate the term SCM_t (the Substation Condition Monitoring Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.45.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Substation Condition Monitoring replacement.

Part A: Formula for calculating the Substation Condition Monitoring Deliverable term (SCM_t)

3.45.3 The value of SCM_t is calculated in accordance with the following formula:

$$SCM_t = \left(\sum_{n=1}^{26} SCMU_n \times \min(SCMD_n, SCMV_n) \right) \frac{SCMA_t}{\sum SCMA_t}$$

where:

- $SCMA_t$ means the allowance in Appendix 1;
- $\sum SCMA_t$ means the total Substation Condition Monitoring allowance for the Price Control Period;
- $SCMV_n$ means the target volume of Substation Condition Monitoring for each group n as set out in the NGET Redacted Information Document;
- $SCMD_n$ means the volume of Substation Condition Monitoring for each group n delivered by the licensee as of 31 March 2031;
- $SCMU_n$ means the Substation Condition Monitoring unit cost (per circuit kilometre), as set out in the NGET Redacted Information Document; and
- n means the index number of each group.

Part B: What is the licensee funded to deliver?

3.45.4 The licensee is funded to deliver by 31 March 2031 the target volume of Substation Condition Monitoring replacement as specified in the NGET Redacted Information Document.

Appendix 1

Substation Condition Monitoring PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
SBCA _t						

Special Condition 3.46 Overhead Line Tower Steelwork Price Control Deliverable (OHLSW_t) [NGET]

Introduction

- 3.46.1 The purpose of this condition is to calculate the term OHLSW_t (the Overhead Line Tower Steelwork Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.46.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.46.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating Overhead Line Tower Steelwork Price Control Deliverable term (OHLSW_t) [NGET]

3.46.4 The value of OHLSW_t is derived in accordance with the following formula:

$$OHLSW_t = OHLSWA_t - OHLSWR_t$$

where:

OHLSWA_t means the allowance set out in Appendix 1; and

OHLSWR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.46.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (OHLSW_t)

3.46.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.4 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for OHLSWR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.46.7 Before making a direction under paragraph [Part C], the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.46.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the OHLSWR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustment to the OHLSWR_t term.

Appendix 1

Overhead Line Tower Steelwork Price Control Deliverable Allowance (£m)

Scheme Name	Output	Delivery Date	26/27	27/28	28/29	29/30	30/31	All years
-------------	--------	---------------	-------	-------	-------	-------	-------	-----------

Special Condition 3.47 Non-Lead Assets and Switchgear Price Control Deliverable (NLAS_t) [SPTL]

Introduction

- 3.47.1 The purpose of this condition is to calculate the term NLAS_t (the Non-Lead Assets and Switchgear Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.47.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Non-Lead Assets and Switchgear Replacements.

Part A: Part A: Formula for calculating the Non-Lead Assets and Switchgear Price Control Deliverable term (NLAS_t)

- 3.47.3 The value of NLAS_t is derived in accordance with the following formula:

$$NLAS_t = \left(\sum_{n=1}^{26} NLASU_n \times \min(NLASD_n, NLASV_n) \right) \frac{NLASA_t}{\sum NLASA_t}$$

where:

- $NLASA_t$ means the allowance in Appendix 1;
- $\sum NLASA_t$ means the total Non-Lead Assets and Switchgear allowance for the Price Control Period;
- $NLASV_n$ means the target volume of Non-Lead Assets and Switchgear for each group n as set out in Appendix 2;
- $NLAS_n$ means the volume of Non-Lead Assets and Switchgear the licensee delivers for each group n as of 31 March 2031;
- $NLASU_n$ means the Non-Lead Assets and Switchgear allowed unit costs for each group n, as set out in Appendix 2; and
- n means the Non-Lead Assets and Switchgear asset group, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.47.4 The licensee is funded to deliver by 31 March 2031 the target volume of non-lead assets and switchgear replacements as specified in Appendix 2.

Appendix 1

Non-Lead Assets and Switchgear PCD allowance (£m)

Regulatory Year						
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
CBA _t						

Appendix 2

Non-Lead Assets and Switchgear target volumes and allowed unit costs (£m)

n	Group descriptions	Target volumes NLASV _n	Allowed Unit Cost (£m), NLASU _n
1			
2			
3			
4			
5			

Chapter 4: Output Delivery Incentives

Special Condition 4.1 Total output delivery incentive performance

Introduction

- 4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

- 4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = ENSI_t + IIGI_t + CON_t + IDI_t + SOTO_t + ASTII_t + CSNPFI_t$$

where:

- $ENSI_t$ is derived in accordance with Special Condition 4.2 (Energy not supplied output delivery incentive);
- $IIGI_t$ is derived in accordance with Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive);
- CON_t is derived in accordance with Special Condition 4.4 (Connections output delivery incentive).
- IDI_t is derived in accordance with Special Condition 4.5 (Innovative Delivery output delivery incentive);
- $SOTO_t$ is derived in accordance with Special Condition 4.6 (SO-TO optimisation output delivery incentive);
- $ASTII_t$ is derived in accordance with Special Condition 4.7 (ASTI output delivery incentive);
- $CSNPFI_t$ is derived in accordance with Special Condition 4.8 (CSNP-F output delivery incentive); and

Special Condition 4.2 Energy not supplied output delivery incentive ($ENSI_t$)

Introduction

- 4.2.1 The purpose of this condition is to provide for the calculation of the term $ENSI_t$ (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.2.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to Incentivised Loss of Supply Events.
- 4.2.3 This condition also places obligations on the licensee:

- (a) to maintain and use best endeavours to comply with the ENS Incentive Methodology Statement;
- (b) in relation to the notification and treatment of ENS Exceptional Events; and
- (c) in relation to Incentivised Loss of Supply Events.

Part A: Formula for calculating the energy not supplied output delivery incentive term (ENSI_t)

- 4.2.4 The value of the term ENSI_t is derived in accordance with the following formula:

$$ENSI_t = \max[VOLL \cdot TIMR(ENST_t - ENSA_t), -RIDPA \cdot EABR]$$

where:

VOLL	means the value of lost load which has the value £[X] per MWh;
TIMR	means the Totex Incentive Mechanism Rate;
ENST _t	means the Incentivised Loss of Supply Events volume target and has the value of [X]MWh;
ENSA _t	means the sum volume of all Incentivised Loss of Supply Events as calculated by the licensee in accordance with this condition;
RIDPA	means the maximum downside percentage adjustment, and has the value [X] per cent; and
RoRE	means Return on Regulated Equity.

Part B: ENS Incentive Methodology Statement

- 4.2.5 The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority
- 4.2.6 When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:
- (a) the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
 - (b) the NETS SQSS.
- 4.2.7 The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.
- 4.2.8 The licensee, in consultation with the other Transmission Owners in whose licence a condition equivalent to this one has effect, must from time to time and at least once during the Price Control Period, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to

ensure that it continues to enable the reasonable estimation of the volume of Incentivised Loss of Supply Events.

4.2.9 Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.

4.2.10 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

4.2.11 The Authority may direct changes to the value of the $ENST_t$ term in any Regulatory Year as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

Part C: Amendment of $VOLL_t$

4.2.12 The Authority may direct that the term $VOLL_t$ be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers' valuation of reliable electricity supply.

Part D: Notification and treatment of ENS Exceptional Events

4.2.13 Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:

- (a) notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the event;
- (b) except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
- (c) details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
- (d) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
- (e) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently.

4.2.14 Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the $ENSA_t$ term.

Part E: Licensee's obligations in respect of Incentivised Loss of Supply Events

4.2.15 The licensee must use its reasonable endeavours to:

- (a) prevent Incentivised Loss of Supply Events;
- (b) mitigate the impact after any such event to limit its effect; and
- (c) restore supplies quickly and efficiently after such an event, having due regard to safety and other relevant legal obligations.

Part F: Process for issuing directions

4.2.16 Before issuing a direction under paragraphs 4.2.11, 4.2.12 or 4.2.14, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons why it proposes to issue the direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI_t)

Introduction

- 4.3.1 The purpose of this condition is to calculate the term IIGI_t (the Insulation And Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.3.2 The effect of this incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation And Interruption Gas emissions from assets forming part of the licensee's Transmission System as compared against the target emissions.
- 4.3.3 This condition also places obligations on the licensee:
 - (a) to maintain and use its best endeavours to comply with the IIG Methodology Statement; and
 - (b) in relation to the notification and treatment of IIG Exceptional Events.

Part A: Formula for calculating the Insulation And Interruption Gas emissions output delivery incentive term (IIGI_t)

4.3.4 The value of IIGI_t is derived in accordance with the following formula:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot TIS_t$$

where:

CTE _t	means the target Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets forming part of the licensee's Transmission System, which is set out in Appendix 1;
------------------	--

ALE_t	means the actual Insulation And Interruption Gas emissions in tonnes of CO ₂ e from assets forming part of the licensee's Transmission System as calculated by the licensee in accordance with this condition;
$NTPC_t$	means the relevant central non-traded price per tonne of CO ₂ e as set out in the Green Book Supplementary Guidance; and
$TIMR_t$	means the Totex Incentive Mechanism Rate.

Part B: IIG Methodology Statement

- 4.3.5 The licensee must have in place an IIG Methodology Statement approved by the Authority.
- 4.3.6 The IIG Methodology Statement must:
- (a) be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation And Interruption Gases from the assets forming part of the licensee's Transmission System;
 - (b) in respect of each Insulation And Interruption Gas, set out how the licensee's actual and expected emissions are adjusted to tonnes of CO₂e by:
 - i. using the relevant global warming potential values set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website;
 - ii. where the information in i. above is not available, using the relevant Global Warming Potential values set out in Annex IV (Method of Calculating the Total GWP of a Mixture) to Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006; or
 - (c) where the information in i. or ii. above is not available, using the relevant global warming potential values from an alternative appropriate source, and explaining the process undertaken to verify that source; and
 - (d) set out the methodology by which the licensee will determine the leakage of Insulation And Interruption Gases from the assets forming part of its Transmission System for the purposes of calculating the ALE_t term.
- 4.3.7 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.
- 4.3.8 The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose such revisions to the IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.3.6.

- 4.3.9 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.
- 4.3.10 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made.

Part C: Notification and treatment of IIG Exceptional Events

- 4.3.11 Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insulation And Interruption Gas, it must:
- (a) notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the event;
 - (b) except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
 - (c) details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from the IIG Exceptional Event;
 - (d) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - (e) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event to limit its effect.
- 4.3.12 Notification of an IIG Exceptional Event under paragraph 4.3.11 will not be considered by the Authority when:
- (a) the cost of submission is likely to exceed the value of the volume of leakage referred to in paragraph 4.3.11(b)(i), calculated using the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance; or
 - (b) the financial cost of the event is less than 5% of the licensee's calculated annual emissions target, as set out in Appendix 1 below.
- 4.3.13 Where an IIG Exceptional Event occurs, the Authority will consider directing an adjustment to the AL_{Et} term.
- 4.3.14 Before directing an adjustment to the AL_{Et} term under paragraph 4.3.13, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1

Annual emissions targets

<u>Annual emissions targets</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>
CTE _t	[]	[]	[]	[]	[]

Special Condition 4.4 Connections output delivery incentive

Introduction

4.4.1 [TO BE ADDED FOR DECEMBER CONSULTATION].

Special Condition 4.5 Innovative Delivery output delivery incentive

Introduction

- 4.5.1 The purpose of this condition is to calculate the term IDI_t (the Innovative Delivery output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of this condition is to reward the licensee's performance relating to Innovative Delivery.
- 4.5.3 This condition also establishes the Innovative Delivery Incentive Governance Document.

Part A: Formula for calculating the Innovative Delivery output delivery incentive term (IDI_t)

4.5.4 The value of the term IDI_t is derived in accordance with the following formula:

$$IDI_t = \min (IDIPAS_t, IDIMAX_t)$$

where:

- $IDIPAS_t$ means the licensee's Innovative Delivery Incentive Performance score as determined by the Authority in accordance with the Innovative Delivery Incentive Governance Document; and
- $IDIMAX_t$ means the maximum reward in respect of IDI_t for the licensee, as specified in Appendix 1.

Part B: Requirement to prepare and publish an Innovative Delivery Incentive Performance Panel Submission

4.5.5 Before the end of the Regulatory Year beginning on 1 April 2028, the licensee must submit the Innovative Delivery Incentive Performance Panel Submission

to the Authority in accordance with the Innovative Delivery Incentive Governance Document.

- 4.5.6 The licensee must publish an Innovative Delivery Incentive Panel Submission for the Regulatory Year on, or before, the date specified in the Innovative Delivery Incentive Governance Document.
- 4.5.7 The licensee must publish its Innovative Delivery Incentive Performance Panel Submission on the licensee's Website.

Part C: The Innovative Delivery Incentive Governance Document

- 4.5.8 The licensee must comply with the Innovative Delivery Incentive Governance Document in relation to the Innovative Delivery Incentive output delivery incentive.
- 4.5.9 The Innovative Delivery Incentive Governance Document may make provision about the governance of the output delivery incentive, including:
 - (a) the criteria against which the performance of the licensee will be assessed;
 - (b) the process and procedures that will be in place for assessing the performance of the licensee;
 - (c) the requirements the licensee must fulfil as part of the assessment process;
 - (d) the information that will be used for the performance assessment, including how reporting will be used in that evaluation;
 - (e) the methodology the Authority will use to determine an incentive reward, including the manner and process by which the licensee's Innovative Delivery Incentive Performance Panel Submission will be used by the Authority to determine the value of IDIPAS_t;
 - (f) the role of the Innovative Delivery Incentive Performance Panel; and
 - (g) the process for the appointment by the Authority of persons who will make up the Innovative Delivery Incentive Performance Panel.
- 4.5.10 Before issuing the Innovative Delivery Incentive Governance Document, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed Innovative Delivery Incentive Governance Document;
 - (b) the date on which the Authority intends the Innovative Delivery Incentive Governance Document to come into effect;
 - (c) a period during which representations may be made on the content of the Innovative Delivery Incentive Governance Document, which will not be less than 28 days.
- 4.5.11 Before directing an amendment to the Innovative Delivery Incentive Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Innovative Delivery Incentive Governance Document;
- (b) the date on which the Authority intends the amended Innovative Delivery Incentive Governance Document to come into effect;
- (c) the reasons for the amendments to the Innovative Delivery Incentive Governance Document; and
- (d) a period during which representations may be made on the amendments to the Innovative Delivery Incentive Governance Document, which will not be less than 28 days.

Appendix 1

Maximum reward for the Innovative Delivery Incentive Performance Panel term (IDIMAX_t) (£m)

Licensee	2026/27	2027/28	2028/29	2029/30	2030/31
NGET					
SHET					
SPT					

Special Condition 4.6 SO-TO optimisation output delivery incentive (SOTO_t)

Introduction

- 4.6.1 The purpose of this condition is to calculate the term SOTO_t (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to reward the licensee where it has delivered SO-TO Optimisation Solutions under the STCP11.4 Enhanced Service Provision.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term (SOTO_t)

- 4.6.3 For the Price Control Period the value of the term SOTO_t is derived in accordance with the following formula:

$$SOTO_t = \min (SOTOSF_t \cdot 0.5 \cdot (SOTOS_t + SOTOO_t), SOTOSF_t \cdot SOTOS_t)$$

where:

SOTOSF_t means the SO-TO optimisation sharing factor which has the value of 0.1;

SOTOS_t means the total constraint savings forecasted by the ISOP for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and

$SOTOO_t$ means the total outturn constraint savings estimated by the ISOP after the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document.

- 4.6.4 Subject to the Enhanced Service or Intervention meeting the requirements of the eligibility criteria in Part C, the Enhanced Service will be eligible for a reward derived in accordance with the formula set out in paragraph 1.1.3.

Part B: SO-TO Optimisation Governance Document

- 4.6.5 The licensee must comply with the SO-TO Optimisation Governance Document.

- 4.6.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.

- 4.6.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.

- 4.6.8 The SO-TO Optimisation Governance Document will make provision, and continue to make provision, about the governance and administration of the SO-TO Optimisation output delivery incentive, including:

- (a) the reporting obligations in respect of the SO-TO optimisation output delivery incentive and the reporting process for the ETOs and the ISOP.
- (b) the methodology by which the ISOP will assess ex-ante forecast constraint savings and outturn savings

- 4.6.9 Before issuing the SO-TO Optimisation Governance Document the Authority will publish on the Authority's Website:

- (a) the text of the proposed SO-TO Optimisation Governance Document;
- (b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;
- (c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will not be less than 28 days.

- 4.6.10 Before directing an amendment to the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SO-TO Optimisation Governance Document;
- (b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
- (c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
- (d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will not be less than 28 days.

Part C: SO-TO Optimisation Eligibility Criteria

- 4.6.11 This Part specifies the criteria which apply in determining whether an incentive payment is payable under Part A.
- 4.6.12 The licensee is entitled to an incentive benefit payment if, in relation to an asset, an Enhanced Service or Intervention:
- (a) physically enhances the asset beyond a like for like replacement or maintaining the asset;
 - (b) materially changes what the asset does beyond a like for like replacement or replacement or maintaining the asset; and
 - (c) reduces constraint costs.
- 4.6.13 The licensee is entitled to an incentive benefit payment in relation to an asset if as a result of an Enhanced Service or Intervention:
- (a) the asset is put in a position where it runs at a capacity that is greater than the capacity that would otherwise have been the case under the Standard Operational Conditions of the asset; and
 - (b) the Lifespan of the asset could be negatively affected.
- 4.6.14 The licensee is entitled to an incentive benefit payment in relation to an asset if the Enhanced Service or Intervention has the effect of imposing obligations on the licensee which exceed its requirements under the licence.
- 4.6.15 The licensee is entitled to an incentive benefit payment if the Enhanced Service or Intervention is attributable to force majeure that has negatively impacted the network.
- 4.6.16 No incentive benefit payment is payable in relation to an Enhanced Service or Intervention in relation to an asset if such Enhanced Service or Intervention was identified by the ISOP as being necessary prior to the licensee's RII0-3 business plan submission on 11 December 2024.

Special Condition 4.7 Accelerated strategic transmission investment output delivery incentive (ASTII_t)

Introduction

- 4.7.1 The purpose of this condition is to provide for the calculation of the term ASTII_t (the Accelerated strategic transmission investment output delivery incentive term). The ASTII_t term contributes to the licensee's Allowed Revenue.
- 4.7.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to the ASTI ODI Target Date.
- 4.7.3 This condition also establishes a mechanism for the licensee to apply for a modification to the:

- (a) value of the ASTI ODI Penalty Exemption Period in Appendix 1 following an ASTI ODI-F Delay Event; and
- (b) the ASTI ODI Target Date in Appendix 1 following a material change to the scope of an ASTI Output.

Part A: Formula for calculating the accelerated strategic transmission investment output delivery incentive term (ASTII_t)

4.7.4 The value of the term ASTII_t is derived in accordance with the following formula:

$$ASTII_t = \sum_{n=1}^n AnnualODIP_{n,t} + \sum_{n=1}^n AnnualODIR_{n,t}$$

$$AnnualODIP_{n,t} =$$

$$-F_n \cdot \min \left[\max[Start\ Day\ of\ year\ (t+1) - CalcD, 0], \text{days in year } t, -\min \left[\frac{CappedODI_n - \sum_{2021}^{t-1} AnnualODIP_{n,t}}{F_n} + 0 \right] \right]$$

$$AnnualODIR_{n,t} =$$

$$F_n \cdot \min \left[\max[Start\ Day\ of\ year\ (t+1) - Delivery\ Date_n, 0], \text{days in year } t, \max \left[\frac{CappedODI_n - \sum_{2021}^{t-1} AnnualODIR_{n,t}}{F_n}, 0 \right] \right]$$

where

$$CappedODI_n = \max[\min(UncappedODI_n, Cap_n), -Cap_n];$$

and

$$UncappedODI_n = \begin{cases} -F_n \cdot (D_n - PE_n), & \text{if } D_n \geq 0 \\ -F_n \cdot D_n, & \text{if } D_n < 0 \end{cases}$$

where:

D_n	equals (Delivery Date _n – ASTI ODI Target Date);
$Delivery\ Date_n$	means the date on which Project n is delivered, or is expected to be delivered;
PE_n	means the ASTI ODI Penalty Exemption Period in days for Project n as set out in Appendix 1;
$CalcD$	means the ASTI ODI Target Date plus ASTI ODI Penalty Exemption Period in days;
F_n	is the Daily Reward/Penalty for Project n set out in Appendix 1 of this condition;

Cap_n	is the ODI Cap for Project n set out in Appendix 1 of this condition;
T	represents the Regulatory Year; and
N	represents each ASTI project

Part B: Applications for modifications to Appendix 1

- 4.7.5 The licensee may apply under this Part for a modification to the ASTI ODI Penalty Exemption Periods and the ASTI ODI Target Dates in Appendix 1.
- 4.7.6 The licensee may apply under this Part to modify the ASTI ODI Target Dates in Appendix 1 where there is a material change to the scope of the relevant ASTI project.
- 4.7.7 The licensee may apply to the Authority for a modification to the ASTI ODI Penalty Exemption Period in Appendix 1 where there has been an ASTI ODI-F Delay Event. The licensee must notify the Authority in writing of its intention to make an application under paragraph 4.7.8 within 45 days of the later of:
 - (a) the event that is the subject of that application commencing;
 - (b) the licensee becoming aware of the event having commenced; or
 - (c) this condition coming into effect.
- 4.7.8 The licensee may apply to the Authority:
 - (a) within 45 days of the earlier of:
 - (b) cessation of the event that is the subject of the application;
 - (c) the notification to the Authority in accordance with paragraph 4.7.7; or
 - (d) by any other date directed by the Authority, which shall be no earlier than the relevant date under paragraph 4.7.8(a).
- 4.7.9 An application under paragraph 4.7.8 must be made in writing and include:
 - (a) a description of the event that is the subject of the application along with evidence that demonstrates that the event is an ASTI ODI-F Delay Event;
 - (b) the requested modification to the ASTI ODI Penalty Exemption Period value along with supporting analysis and evidence; and
 - (c) any evidence available that the licensee took reasonable steps before and after the event to prevent, mitigate and limit the event's effect.
- 4.7.10 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when notifying the Authority or making an application under this Part.
- 4.7.11 A modification under this Part will be made under section 11A of the Act.

Appendix 1

ASTI ODI Target Dates, Daily reward/penalty and ASTI ODI Penalty Exemption Period

Project	ASTI ODI Target Date	Daily Reward/ Penalty (£)	Aggregate ODI Cap (£)	ASTI ODI Penalty Exemption Period
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Special Condition 4.8 CSNP-F output delivery incentive (CSNPFI_t)

Introduction

- 4.8.1 The purpose of this condition is to provide for the calculation of the term CSNPFI_t. The CSNPFI_t term contributes to the licensee's Allowed Revenue.
- 4.8.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to the CSNP-F ODI-F Target Delivery Date.
- 4.8.3 The effect of this condition is to:
- (a) provide for the calculation of the CSNP-F ODI-F term (CSNPFI_t) (Part A);
 - (b) set out the process by which the Authority will set a CSNP-F ODI-F Target Delivery Date and incentive values for CSNP-F Outputs that have been determined as such under Special Condition 3.19, CSNP-F Re-opener (Part B);
 - (c) set out the process by which the Authority will set a CSNP-F ODI-F Target Delivery Date and incentive values for projects that are not CSNP-F Outputs (Part C);
 - (d) set out the process in relation to ASTI ODI-F Delay Events (Part D), including:
 - i. the process by which the licensee can apply for a modification to the CSNP-F ODI-F Penalty Exemption Period in Appendix 1 following a CSNP-F ODI-F Delay Event; and
 - ii. the process by which the licensee can apply for a modification to the CSNP-F ODI-F Target Delivery Date in Appendix 1 following a material change to the scope of the relevant output.

Part A: Formulae for calculating the CSNP-F ODI-F term (CSNPFI_t)

- 4.8.4 The value of the term CSNPFI_t is derived in accordance with the following formula:

$$CSNPFI_t = \sum_{i=1}^i CSNPFI_{i,t}$$

where

$$CSNPFI_{i,t} = \min \left(\sum_{i=1}^i AnnualPenalty_{i,t} + \sum_{i=1}^i AnnualReward_{i,t} + LumpSum_{i,t}, AnnualCapR_i \right)$$

and

$$AnnualPenalty_{i,t} =$$

$$-F_i \cdot \min \left[\max[Start\ Day\ of\ year\ (t + 1) - CalcD, 0], days\ in\ year\ t, -\min \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} CSNPFI_{i,t}}{P_i}, 0 \right] \right]$$

and

$$AnnualReward_{i,t} =$$

$$F_i \cdot \min \left[\max[Start\ Day\ of\ year\ (t + 1) - DD_i, 0], days\ in\ year\ t, \max \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} CSNPFI_{i,t}}{R_i}, 0 \right] \right]$$

and

$$LumpSum_{i,t} = \begin{cases} \min(PotentialLS_i, RemainingCap_i) & \text{if } DD_i \leq TDD_i \text{ and if } DD_i \text{ falls in year } t \\ 0 & \text{if } DD_i > TDD_i \\ 0 & \text{if } DD_i \text{ does not fall in year } t \end{cases}$$

and

$$CappedODI_i = \max[\min(UncappedODI_i, CapR_i), -CapP_i];$$

and

$$UncappedODI_n = \begin{cases} -F_i \times (D_i - PE_i - Deadband_i), & \text{if } DD_i > TDD_i, \\ -F_i \times D_i, & \text{if } DD_i \leq TDD_i, \end{cases}$$

and

$$RemainingCap_i = \max(0, CapR_i - \max(0, R_i \times (TDD_i - DD_i))$$

where:

AnnualCapR _i	is the cap on the annual reward for project i as set out in Appendix 1 or Appendix 2 of this condition;
CalcD _i	means the TDD _i plus PE _i in days;
CapP _i	is the cap on the overall CSNP-F ODI-F penalty for project i as set out in Appendix 1 or Appendix 2 of this condition;
CapR _i	is the cap on the overall CSNP-F ODI-F reward for project i as set out in Appendix 1 or Appendix 2 of this condition;
Deadband _i	equals the number of days in the year in which TDD _i falls;

DD_i	means the CSNP-F ODI-F Delivered Date for project i ;
D_n	equals $(DD_i - TDD_i)$;
i	represents a project with a CSNP-F ODI-F incentive, as listed in Appendix 1 and Appendix 2;
PE_i	means the CSNP-F ODI-F Penalty Exemption Period in days for project i as set out in Appendix 1 or Appendix 2;
P_i	is the daily CSNP-F ODI-F penalty for project i as set out in Appendix 1 or Appendix 2 of this condition;
$PotentialLS_i$	represents the potential maximum CSNP-F ODI-F lump sum reward available for project i as set out in Appendix 1 or Appendix 2;
R_i	is the daily CSNP-F ODI-F reward for project i as set out in Appendix 1 or Appendix 2 of this condition;
t	represents the Regulatory Year; and
TDD_i	represents the CSNP-F ODI-F Target Delivery Date for project i as set out in Appendix 1 or Appendix 2.

Part B: Setting a CSNP-F ODI-F Target Delivery Date and incentive values for CSNP-F Outputs

- 4.8.5 Where a CSNP-F Output has been designated through Special Condition 3.19, (CSNP-F Re-opener), the Authority may make a direction to amend to Appendix 1 under this Part to include a new CSNP-F ODI-F project with values for:
- (a) annual CSNP-F ODI-F reward cap, equal to 5% of forecast totex;
 - (b) overall CSNP-F ODI-F reward cap, calculated as 10% of forecast totex;
 - (c) overall CSNP-F ODI-F penalty cap, calculated as 5% of forecast totex;
 - (d) CSNP-F ODI-F Penalty Exemption Period, as determined by Part D of this condition;
 - (e) CSNP-F ODI-F daily penalty, calculated as 15% of the ISOP's forecast constraint costs [as determined as part of the assessment process feeding into the CSNP recommendations] that would result from a one-year delay to the project, divided by 365, subject to a minimum of 2% of forecast totex and a maximum of 5% of forecast totex;
 - (f) CSNP-F ODI-F maximum potential lump sum, equal to 2.5% of forecast totex;
 - (g) CSNP-F ODI-F daily reward, calculated as the 30% of the ISOP's forecast constraint costs that would result from a one-year delay to the project, divided by 365, subject to a minimum of 2% of forecast totex and a maximum of 5% of forecast totex;

- (h) CSNP-F ODI-F Target Delivery Date, which will be set to be equal to the CSNP Optimal Delivery Date as given in the relevant CSNP ; and
 - (i) the minimum availability standard as set out in licence condition 3.19 (CSNP-F Re-opener) for the corresponding CSNP-F Output.
- 4.8.6 The forecast totex referenced in paragraph is the totex as published by the ISOP for the relevant project.
- 4.8.7 Before making a direction under this Part, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part C: Setting a CSNP-F ODI-F Target Delivery Date and incentive value for projects that are not CSNP-F Outputs

- 4.8.8 The Authority may make a modification to Appendix 2 to include a new CSNP-F ODI-F project with values for:
- (a) annual CSNP-F ODI-F reward cap, equal to 5% of forecast totex;
 - (b) overall CSNP-F ODI-F reward cap, calculated as 10% of forecast totex;
 - (c) overall CSNP-F ODI-F penalty cap, calculated as 5% of forecast totex;
 - (d) CSNP-F ODI-F Penalty Exemption Period, as determined by Part D of this condition;
 - (e) CSNP-F ODI-F daily penalty, which shall be half the CSNP-F ODI-F daily reward value;
 - (f) CSNP-F ODI-F maximum potential lump sum, which shall be equal to 2.5% of forecast totex;
 - (g) CSNP-F ODI-F daily reward, which shall be 2% of forecast totex unless the TO and/or ISOP is able to present additional information of exceptional consumer benefit of on-time/early delivery to suggest that a higher incentive up to a maximum of 5% is in line with consumers' interests;
 - (h) CSNP-F ODI-F Target Delivery Date; and
 - (i) the minimum availability standard, which is 93% for up to 24 months following the Delivered Date, unless the Authority considers that another percentage and/or time period is appropriate for the relevant project given the technology to be used.
- 4.8.9 The forecast totex referenced in paragraph will be determined by the Authority, considering all relevant information including, but not limited to, a totex value proposed by the licensee.
- 4.8.10 Any modification under this Part will be made under section 11A of the Act.

Part D: CSNP-F ODI-F Delay Events

- 4.8.11 The licensee may apply under this Part for a modification to the CSNP-F ODI-F Penalty Exemption Period and the CSNP-F ODI-F Target Delivery Date in Appendix 1 or Appendix 2.
- 4.8.12 The licensee may apply under this Part to modify the Event in Appendix 1 or Appendix 2 where there is a material change to the scope of the relevant project.
- 4.8.13 The licensee may apply to the Authority for a modification to the CSNP-F ODI-F Penalty Exemption Period in Appendix 1 or Appendix 2 where there has been a CSNP-F ODI-F Delay Event.
- 4.8.14 The licensee must notify the Authority in writing of its intention to make an application under paragraph within 45 days of the later of:
 - (a) the event that is the subject of that application commencing; or
 - (b) the licensee becoming aware of the event having commenced.
- 4.8.15 The licensee may apply to the Authority:
 - (a) within 45 days of the earlier of:
 - i. cessation of the event that is the subject of the application;
 - ii. the notification to the Authority in accordance with paragraph (c); or
 - (b) by any other date directed by the Authority, which shall be no earlier than the relevant date under paragraph (a).
- 4.8.16 Any application under paragraph must be made in writing and include:
 - (a) a description of the event that is the subject of the application along with evidence that demonstrates that the event is a CSNP-F ODI-F Delay Event;
 - (b) the requested modification to the CSNP-F ODI-F Penalty Exemption Period value along with supporting analysis and evidence; and
 - (c) any evidence available that the licensee took reasonable steps before and after the event to prevent, mitigate and limit the event's effect.
- 4.8.17 A modification under this Part will be made under section 11A of the Act.

Appendix 1

CSNP-F ODI-F values for projects added through Part B

Project title	Annual CSNP-F reward cap (AnnualCap R)	Overa ll CSNP-F ODI-F reward cap (CapR)	Overa ll CSNP-F ODI-F penalty Period (PE)	CSNP-F ODI-F Penalty Exempti on (PE)	CSNP-F ODI-F daily penalt y (P)	CSNP-F ODI-F maximum potential lump sum (PotentialLS)	CSNP-F ODI-F daily reward (R)	CSNP-F ODI-F Target Delive ry Date (TDD)	Minimum availability standard
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Appendix 2

CSNP-F ODI-F values for projects added through Part C

Project title	Forecast totex	Annual CSNP-F ODI-F reward cap (AnnualCap pR)	Overa ll CSNP-F ODI-F reward cap (CapR)	Overa ll CSNP-F ODI-F penalty Period (PE)	CSNP-F ODI-F Penalty Exempti on (PE)	CSNP-F ODI-F daily penalt y (P)	CSNP-F ODI-F maximum potential lump sum (PotentialLS)	CSNP-F ODI-F daily reward (R)	CSNP-F ODI-F Target Delive ry Date (TDD)	Minimum availability standard
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Chapter 5: Other Revenue Allowances

Special Condition 5.1 Total other revenue allowances (ORA_t)

Introduction

- 5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowances term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating other revenue allowances term (ORA_t)

- 5.1.2 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + LEIP_t + NZF_t + CCO_t$$

where:

- NIA_t is derived in accordance with Special Condition 5.2 (RIIO-3 network innovation allowance);
- $CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);
- $LEIP_t$ is derived in accordance with Special Condition 5.4 (Landscape Enhancement Initiative Projects);
- NZF_t [is derived in accordance with Special Condition 5.5 (Net Zero Fund use it or lose it allowance);]
- CCO_t [is derived in accordance with Special Condition 5.6 (Carbon Compensation use it or lose it allowance);]

Special Condition 5.2 RIIO-3 Network Innovation Allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the Network Innovation Allowance term (NIA_t)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

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

where:

$NIAE_t$ means the Total NIA Expenditure.

- 5.2.5 The total value of the NIA over the RIIO-3 Price Control Period is subject to the following cap:

$$\sum_{t=\frac{2026}{27}}^{\frac{2030}{31}} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4.

$TNIA_t$ means the value of the licensee's Network Innovation Allowance as set out in Appendix 1.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: The RIIO-3 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-3 NIA Governance Document.
- 5.2.8 The Authority will issue and amend the RIIO-3 NIA Governance Document by direction.
- 5.2.9 The Authority will publish the RIIO-3 NIA Governance Document on the Authority's Website.
- 5.2.10 The RIIO-3 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:
- (a) the definition of "unrecoverable NIA expenditure";
 - (b) the eligibility criteria, which RIIO-3 NIA Projects must meet;
 - (c) the information that is to be published by the licensee before RIIO-3 NIA Projects can begin;
 - (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-3 NIA Project, and the processes and procedures for that approval;
 - (e) arrangements for ensuring that learning from RIIO-3 NIA Projects is captured and disseminated by the licensee to other Transmission Licensees holders of a Distribution Licence, and the ISOP;
 - (f) the reporting obligations in respect of RIIO-3 NIA Projects (which may include reporting in respect of the funding and the completion of such projects); and
 - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-3 NIA Projects.

- 5.2.11 Before directing that the RIIO-3 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed RIIO-3 NIA Governance Document;
 - (b) the date on which the Authority intends the RIIO-3 NIA Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the RIIO-3 NIA Governance Document, which will not be less than 28 days.
- 5.2.12 Before directing an amendment to the RIIO-3 NIA Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIO-3 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-3 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-3 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-3 NIA Governance Document, which will not be less than 28 days.

Appendix 1

Value of the licensee's Network Innovation Allowance

Licensee	Value of TNIA (£m)

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIO-2 NIA funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 The value of CNIA is derived from the following formula:

$$CNIA = CNIA_{26/27} + 0.5 \times CNIA_{25/26}$$

where:

CNIA_{26/27} means the CNIA_t formula with reference to the formula in part B.

CNIA_{25/26} means the CNIA_t formula with reference to the formula in part B.

5.3.5 For the period commencing on 1 April 2026, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (0.9 \times \min[ECNIA_t, CNIAV] - CNIAR_t) \times \frac{PI_{\frac{2023}{24}}}{PI_t}$$

where

ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-2 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);

CNIAV is derived in accordance with the formula in Part B;

CNIAR means an amount recovered by the licensee in relation to the Regulatory Year 2026/27 under the RIIO-2 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-2 NIA Governance Document; and

$\frac{PI_{2023/24}}{PI_t}$ is the price index derived in accordance with Part F of Special Condition 2.1.

5.3.6 In respect of any time after 30 September 2027, the value of CNIA_t is equal to zero.

5.3.7 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

5.3.8 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_t \times (R^* - PT_t - ODI_t) - (ENIA_t)$$

where:

NIAV_t means the licensee's NIA Percentage, and has the value that is attributed to the licensee in Appendix 1 (which has effect as part of this condition);

R* as defined in Condition 2.1;

PT_t	as defined in Condition 2.1;
ODI_t	as defined in Condition 2.1; and
$ENIA_t$	means the Eligible NIA Expenditure for Relevant Year t incurred by the licensee in respect of Eligible NIA Projects as calculated by the licensee in accordance with the NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).

Part C: The RIIO-2 NIA Governance Document

- 5.3.9 The licensee must comply with the RIIO-2 NIA Governance Document.
- 5.3.10 The Authority will amend the RIIO-2 NIA Governance Document by direction.
- 5.3.11 The RIIO-2 NIA Governance Document makes and will continue to make additional provision in respect of:
 - (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects is captured and disseminated by the licensee to other Transmission Licensees, holders of a Distribution Licence, and the ISOP;
 - (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-2 NIA Governance Document);
 - (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
 - (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part D: Procedure for amending the RIIO-2 NIA Governance Document

- 5.3.12 Before amending the RIIO-2 NIA Governance Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended RIIO-2 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4 Landscape Enhancement Initiative Projects (LEIP)

Introduction

- 5.4.1 The purpose of this condition is to specify the term LEIP (Landscape Enhancement Initiative Projects). This contributes to the calculation of ORAt (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.4.2 The effect of this condition is to:
- (a) calculate the LEIP term;
 - (b) specify the reporting requirements for the LEIP; and
 - (c) specify the expenditure cap for LEIP for the price control period.

Part A: Formula for calculating the LEIP term

- 5.4.3 The total amount of the licensee's allowance for LEIP is calculated in accordance with the following formula:

$$LEIP = \max \left(\min \left(LEIAE_t, \quad LEIC - \sum_{t=2026/27} LEIP_k \right), 0 \right)$$

where:

- LEIC means the total value of the licensee's expenditure cap for Landscape Enhancement Initiative Projects for the Price Control Period set out in Appendix 1; and
- LEIAE_t means the licensee's expenditure on Landscape Enhancement Initiative Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Annual Environmental Reports; and
- LEIP_k means the licensee's expenditure on Landscape Enhancement Initiative Projects that the licensee has reported to the Authority for previous Regulatory Years, excluding the immediately previous Regulatory Year, of the Price Control Period.

Part B: Reporting requirements

- 5.4.4 The licensee must provide, as part of the Annual Environmental Report, information on any LEIP project for each preceding Regulatory Year in accordance with requirements specified in the Environmental Reporting Guidance. Such information must include:
- (a) the Designated Area for each project;
 - (b) the benefits each project is seeking to achieve; and
 - (c) the expected beneficiaries of each project.

- 5.4.5 The licensee must provide, as part of the Regulatory Reporting Pack, information on any LEIP expenditure for each preceding Regulatory Year in accordance with requirements specified in the Environmental Reporting Guidance. Such information must include:
- (a) the total amount spent in relation to the Landscape Enhancement Initiative projects for the preceding regulatory year;
 - (b) the amount of funding allocated to each project; and
 - (c) any additional funding it expects to be allocated to each project.

Appendix 1

Expenditure cap for Landscape Enhancement Initiative (LEIP) (£m,)

[11.6/6.6]

Special Condition 5.5 Net Zero Fund use it or lose it allowance (NZF_t) [SPTL]

Introduction

- 5.5.1 The purpose of this condition is to calculate the term NZF_t (the Net Zero Fund term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.5.2 The effect of this condition is to:
- (a) specify the associated allowance for the Net Zero Fund;
 - (b) specify appropriate use of the Net Zero Fund;
 - (c) require the licensee to submit Net Zero Fund evaluation reports in the Price Control Period; and
 - (d) provide for an assessment of the Net Zero Fund including a Use It Or Lose It Adjustment.
- 5.5.3 This condition also explains the process the Authority will follow when directing any changes under paragraph 5.5.8.

Part A: Formula for calculating the Net Zero Fund term

- 5.5.4 The value of NZF_t is derived in accordance with the following formula:

$$NZF_t = NZFA_t - NZFR_t$$

where:

NZFA_t means the allowances in Appendix 1; and

NZFR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Appropriate Uses of the Net Zero Fund

5.5.5 The licensee must only use the Net Zero Fund for the following two activities, among communities in its licence area who are not eligible to receive Community Funds:

- (a) supporting vulnerable consumers to make informed decisions and to address energy needs or issues that they face, such as by running net zero workshops; and
- (b) providing technical support and feasibility assessment of community project plans which would reduce greenhouse gas emissions.

Part C: Requirement to submit a Net Zero Fund evaluation report

5.5.6 The licensee must submit to the Authority a Net Zero Fund evaluation report by 1 October 2028 and a final Net Zero Fund evaluation report by 1 October 2031.

5.5.7 The evaluation reports must include:

- (a) a list and description of activities funded by the Net Zero Fund during the Price Control Period;
- (b) the costs incurred by the licensee in relation to the Net Zero Fund;
- (c) evidence that the costs were efficiently incurred;
- (d) an assessment of the overall impact of activities funded by the Net Zero Fund, including a social return on investment report; and
- (e) a summary of key learnings the licensee has identified for supporting vulnerable consumers and communities in the Price Control Period.

Part D: Assessment of the Net Zero Fund (NZFR_t)

5.5.8 The Authority will direct an amendment to the value of NZFR_t where it considers that the appropriate uses in paragraph 5.5.5 are not being met and that a Use It Or Lose It Adjustment is appropriate.

5.5.9 The direction will set out the value of the NZFR_t term and the Regulatory Years to which that adjustment relates.

Part E: What process will the Authority follow in making a direction?

5.5.10 Before making a direction under paragraph 5.5.8, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction; and
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Appendix 1

Net Zero Fund allowance (£m)

	Regulatory Year					Total
	2026/27	2027/28	2028/29	2029/30	2030/31	
NZFA _t						

Special Condition 5.6 Carbon Compensation use it or lose it allowance (CCO_t) [NGET and SPTL]

Introduction

- 5.6.1 The purpose of this condition is to calculate the term CCO_t (the Carbon Compensation term). This contributes to the calculation of ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.6.2 The effect of this condition is to:
- (a) specify the associated allowance for Carbon Compensation;
 - (b) require the licensee to submit a Carbon Compensation evaluation report at the end of the Price Control Period; and
 - (c) provide for a Use It Or Lose It Adjustment
- 5.6.3 This condition also explains the process the Authority will follow when assessing the Carbon Compensation evaluation report.

Part A: Formula for calculating the Carbon Compensation term (CCO)

- 5.6.4 The value of CCO_t is derived in accordance with the following formula:

$$CCO_t = CCOA_t - CCOR_t$$

where:

- CCOA_t means the allowance specified as CCOA_t in Appendix 1; and
- CCOR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Requirement to submit a Carbon Compensation evaluation report

- 5.6.5 The licensee must submit to the Authority a net zero carbon Capital Construction evaluation report by 31 October 2031.
- 5.6.6 The report must include:
- (a) a list and description of the projects undertaken by the licensee to offset carbon emissions via Carbon Compensation during the Price Control Period;
 - (b) the cost of each project;

- (c) evidence that the costs were efficiently incurred; and
- (d) the emissions each project has or will offset in terms of T/CO₂e.

Part C: Assessment of the Carbon Compensation (CCOR_t)

- 5.6.7 The Authority will direct an amendment to the value of CCOR_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

- 5.6.8 Before making a direction under paragraph 5.6.7, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 5.6.9 The direction will set out the value of the CCOR term and the Regulatory Years to which that adjustment relates.

Carbon Compensation allowance (£m)

	Regulatory Year					
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
CCOA _t	[0.00	0.00	0.00	0.00]

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the allowed pass-through term (PT_t)

- 6.1.3 The value of the PT_t term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t + ESOP_t + CF_t + TSA_t + MP_t + ITAt$$

where:

- RB_t* means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- EDE_t* means the payments in relation to the Pension Scheme Established Deficit repair expenditure, as set in the triennial review of Pension Scheme Established Deficit provided for in the ET3 Price Control Financial Handbook;
- TPD_t* means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the ISOP in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC; and
- ESOP_t* means the NGESO Pension Transfer Costs and is derived in accordance with Part C.
- CF_t* means the community funds for transmission infrastructure introduced by the Department for Energy Security and Net Zero and is derived in accordance with Part D.
- TSA_t* means the Tender Support Activities costs incurred by the licensee in relation to an Onshore Transmission Tender Exercise in the licensee's Transmission Area and is derived in accordance with Part E.
- MP_t* means the adjustment equal to miscellaneous pass-through costs incurred by the licensee and not reflected in any other part of this condition, which the Authority has (following consultation with the licensee) directed the licensee to treat as part of MP_t.
- ITAt* means the cost of services provided by the Independent Technical Adviser in the delivery of the ITA Scope associated with the licensee.

Part B: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
 - (b) use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 The Authority may review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation. If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority may adjust the value of RB_t by direction.
- 6.1.6 Before making a direction under paragraph 6.1.6 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 6.1.7 A direction under paragraph 6.1.6
- (a) may only specify a different value for RB_t for the Regulatory Years following the Regulatory Year in which the revaluation took place; and
 - (b) may not specify a different value for RB_t that is less than zero.

Part C: Formula for calculating $ESOP_t$

- 6.1.8 $ESOP_t$ is derived in accordance with the following formula;

$$ESOP_t = LSOIDE_t + LSOEDE_t + FSOE_t + FSOO_t$$

where:

- $LSOIDE_t$ means the payments made by the licensee in relation to the Incremental Deficit for each Regulatory Year in respect of legacy pensioner and deferred pension members attributed to NGESO;
- $LSOEDE_t$ means the adjustment to offset any negative value incurred by the licensee for each Regulatory Year in relation to the Pension Scheme Established Deficit in respect of legacy pensioner and deferred pension members attributed to NGESO, including (for avoidance of doubt) any stranded surplus clawback, as further explained and elaborated upon in the ET3 Price Control Financial Handbook;
- $FSOE_t$ means the payments made by the licensee for external costs relating to the National Grid Electricity Group of the Electricity Supply Pension Scheme for each Regulatory Year as specified in paragraph 6.1.9 multiplied by the Pre Cut-Off Date Regulatory Fraction for

NGESO, excluding any costs recovered by the licensee via NGESO as part of the transition cost recovery process; and

FSO_{0t} means the value directed by the Authority and represents for each Regulatory Year other NGESO Pension Transfer Costs, excluding any costs recovered by the licensee via NGESO as part of the transition cost recovery process.

6.1.9 The Authority may review, and by direction adjust the value of, the LSOIDE_t term, the LSOEDE_t term and/or the FSOE_t term.

6.1.10 Costs properly incurred by the licensee for the purposes of calculating FSOE_t are:

- (a) scheme management and administration costs, including all explicitly charged investment fees and regulatory imposed costs such as Pension Protection Fund and related levies and other non-controllable costs of meeting regulatory requirements of the Pensions Regulator and all relevant statutory requirements;
- (b) reasonable pension liability management costs including the cost of early retirement, voluntary redundancy, flexible retirement options, transfer and pension increase exchange (PIE) exercises, and
- (c) such project costs reasonably incurred.

6.1.11 The licensee may submit evidence to the Authority of such other NGESO Pension Transfer Costs that in its view should be included in the calculation of FSOE_t.

6.1.12 For the purposes of this condition “NGESO” means the company previously known as National Grid Electricity System Operator Limited with company number 11014226, which is now to be known as National Energy System Operator Limited.

Part D: Calculation of the community funds for transmission infrastructure adjustment (CF)

6.1.13 For the purposes of the Principal Formula, which establishes the calculation of Allowed Revenue, and subject to paragraph 6.1.6, the value of CF_t is derived in accordance with the following formula:

$$CF_t = OHL_t + SuS_t + SwS_t + CoS_t + CFD_t + CFRev_t$$

where:

CF_t means the community funds for transmission infrastructure introduced by the Department for Energy Security and Net Zero.

6.1.14 In the formula above for CF_t,

t represents the Regulatory Year;

<i>OHL</i>	is the allowance for the overhead lines for <i>i</i> , calculated as £195,320 per km of new overhead line (total length, to one decimal place);
<i>SuS</i>	is the allowance for the substations for <i>i</i> , calculated as £517,598 per substation;
<i>SwS</i>	is the allowance for the switching stations for <i>i</i> , calculated as £517,598 per switching station;
<i>CoS</i>	is the allowance for the converter stations for <i>i</i> , calculated as £517,598 per converter station; and
<i>CFD</i>	are the delivery costs for <i>i</i> (as set out in paragraph 6.1.10).
<i>CFRev</i>	is the adjustment relating to any Community Funds for Transmission Infrastructure Review (as set out in paragraphs 6.1.16 and 6.1.17)

- 6.1.15 In the Regulatory Years 20xx/x and 20x/xx CF_t will have the value of zero.
- 6.1.16 The licensee must submit to the Authority annually a breakdown of the delivery costs that the licensee has incurred or expects to incur, during the Price Control Period, to enable it to deliver Community Funds for Transmission Infrastructure. In 20xx/xx, the Authority may commence a review of those costs (the ‘CF review’).
- 6.1.17 The Authority, in undertaking a CF review, will determine whether the costs incurred or expected to be incurred constitute Community Funds Project Delivery Costs. Before making the determination referred to in paragraph 6.1.18 the Authority will consult with the licensee and any other party that the Authority considers appropriate.
- 6.1.18 A determination under this Part will:
- (a) set the value of $CFRev_t$ for any Regulatory Year, subject to paragraph 6.1.10; and
 - (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the CF_t term.
- 6.1.19 In the Regulatory Years before 20xx/xx, $CFRev_t$ will have the value of zero.
- 6.1.20 In this condition ‘Community Funds Project Delivery Costs’ includes capacity building, feasibility work, staff costs, engagement, marketing, PR costs, third-party administrator costs, and governance costs.

Part E: Tender Support Activities (TSA_t)

- 6.1.21 Costs properly incurred by the licensee for the purposes of calculating TSA_t when conducting Tender Support Activities during an Onshore Transmission Tender Exercise are limited to:
- (a) provision of information to ISOP in respect of an Onshore Transmission Tender Exercise; and

- (b) facilitation of site visits for Qualifying Bidders during an Onshore Transmission Tender Exercise.
- 6.1.22 The licensee can only recover costs under TSA_t that have been incurred during an Onshore Transmission Tender Exercise in the licensee's Transmission Area which were incurred in accordance with the Onshore Competition Information Exchange Guidance.
- 6.1.23 The licensee must report annual expenditure relating to its Tender Support Activities in accordance with the RIIIO-3 RIGs.

Special Condition 6.2 Independent Technical Adviser

Introduction

- 6.2.1 The purpose of this condition is to calculate the term ITA_t (the Independent Technical Adviser pass-through term). This contributes to the calculation of the PT_t (the allowed pass-through term), which in turn feeds into Special Condition 2.1 (Revenue Restriction).
- 6.2.2 The effect of this condition is to:
 - (a) adjust the licensee's revenue to reflect the costs incurred from the services provided by the Independent Technical Adviser; and
 - (b) establish the ITA Guidance Document.
- 6.2.3 This condition places obligations on the licensee with respect to the Independent Technical Adviser, in accordance with the ITA Scope.

Part A: The Independent Technical Adviser pass-through term

- 6.2.4 ITA_t means the cost of services provided by the Independent Technical Adviser in the delivery of the ITA Scope associated with the licensee.
- 6.2.5 The cost of services provided by the Independent Technical Adviser is determined by:
 - (a) the final cost billed to the licensee by the Independent Technical Adviser as set out in the pricing arrangements contained in the ITA Contract; and
 - (b) the processes set out in the ITA Guidance Document which determine the ITA Scope required in the Price Control Period.

Part B: The ITA Guidance Document

- 6.2.6 The licensee must comply with the ITA Guidance Document.
- 6.2.7 The Authority will issue and amend the ITA Guidance Document by direction.
- 6.2.8 The Authority will publish the ITA Guidance Document on the Authority's Website.

- (a) The ITA Guidance Document makes and will continue to make provision about the governance and administration of the Independent Technical Adviser, including:
 - (b) an outline of the ITA Scope and Terms of Reference, including the types of actions the Independent Technical Adviser may reasonably require or request of the licensee to fulfil its role;
 - (c) the eligibility considerations and consultation process applied by the Authority to determine the load-related projects of the licensee that will be eligible for the Independent Technical Adviser;
 - (d) the requirements upon the licensee for the sharing of data and information with the Independent Technical Adviser; and
 - (e) an outline of the process applied by the Authority to recruit the Independent Technical Adviser, including circumstance such as early termination and replacement of the party fulfilling the Independent Technical Adviser role before the agreed term length in the ITA Contract.
- 6.2.9 Before issuing the ITA Guidance Document the Authority will publish on the Authority's Website:
- (a) the text of the proposed ITA Guidance Document;
 - (b) the date on which the Authority intends the ITA Guidance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the ITA Guidance Document, which will not be less than 28 days.
- 6.2.10 Before directing amendment to the ITA Guidance Document, the Authority will publish on the Authority's website:
- (a) the amended ITA Guidance Document;
 - (b) the date in which the Authority intends the amended ITA Guidance Document will come into effect;
 - (c) the reasons for the amendments to the ITA Guidance Document; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part C: Principles and obligations on the licensee in relation to the Independent Technical Adviser

- 6.2.11 The licensee must use all reasonable endeavours to engage with the Independent Technical Adviser in a manner consistent with the following principles:
- (a) To act with integrity;
 - (b) To support efficient and effective performance of the Independent Technical Adviser; and
 - (c) To maximise the consumer benefit of all associated activities.

- 6.2.12 The licensee must use all reasonable endeavours to comply with the requirements of the Independent Technical Adviser to fulfil the ITA Scope.
- 6.2.13 Provisions in the ITA Scope will include requirements for the licensee to:
- (a) co-operate with the Independent Technical Adviser in relation to all matters in connection with the ITA Scope, including keeping it updated on developments regarding eligible projects;
 - (b) as soon as reasonably practicable provide data, information and other forms of assistance to the Independent Technical Adviser as it may require or request in fulfilling its role in accordance with the ITA Scope;
 - (c) make reasonable endeavour to ensure the truth and accuracy of all data and information which the Independent Adviser requires to fulfil the ITA Scope;
 - (d) provide reasonable access to all required personnel involved in the delivery of eligible projects;
 - (e) provide access and invitation to all required meetings, subject to the provision of reasonable prior notice; and
 - (f) physical site access for personnel to carry out any required activities, subject to the provision of reasonable prior notice.
- 6.2.14 Following the appointment of the Independent Technical Adviser, the licensee must respond as soon as reasonably possible to engagement from the Independent Technical Adviser and the Authority to onboard the Independent Technical Adviser to begin the ITA Scope.

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

- 7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

- 7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LADJ_t + LK_t$$

where:

- $LADJ_t$ is derived in accordance with Special Condition 7.2 (Legacy AIP Adjustment term)
- LK_t is derived in accordance with Special Condition 7.3 (Legacy K correction)

Special Condition 7.2 Legacy AIP Adjustment term ($LADJ_t$)

Introduction

- 7.2.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term $LADJ_t$ (the legacy AIP Adjustment term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to reflect the close out of the ET2 Price Control Financial Model.

Part A: Authority Assessment and direction

- 7.2.3 The value of $LADJ_t$ is derived in accordance with the following formula:

$$LADJ_t = \frac{ADJ_t}{5} \cdot CWACC_t$$

where:

- ADJ_t has the value determined by the Authority in accordance with Chapter 8 (Legacy) of the ET3 Price Control Financial Handbook and directed by the Authority in accordance with this condition;

CWACC_t means compound WACC and has the value derived in accordance with Part B;

7.2.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Part B: Compound WACC

7.2.5 For the Regulatory Year commencing on 1 April 2026, CWACC_t has the value of 1.

7.2.6 For Regulatory Years commencing on or after 1 April 2027, CWACC_t is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2026/27}^{t-1} (1 + nomWACC_t)$$

Where:

WACC_t means the nominal weighted average cost of capital, and is defined in Part F of Special Condition 2.1 (Revenue Restriction).

Special Condition 7.3 Legacy K correction (LK_t)

7.3.1 The purpose of this condition is to calculate the term LK_t (the legacy K correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.3.2 The effect of this condition is to close out the RIIO-ET2.

Part A: Formula for calculating the legacy correction term (LK_t)

7.3.3 The value of LK is derived in accordance with the following formula:

$$LK_t = K_t$$

K_t has the value determined by the Authority in accordance with Chapter 8 (Legacy) of the ET3 Price Control Financial Handbook and directed by the Authority in accordance with this condition;

7.3.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.4 Legacy net RAV additions and tax balances (LRAVt)

Introduction

- 7.4.1 The purpose of this condition is to explain the process the Authority will follow when directing opening balances for the legacy net RAV additions and tax pool and tax loss balances.
- 7.4.2 The effect is to reflect the close out of the ED2 Legacy Price Control Financial Model in respect of legacy net RAV additions and tax pool and tax loss balances.

Part A: The legacy net RAV additions term (LRAVt)

- 7.4.3 The Authority will determine the value of LRAVt in accordance with the General Financial Adjustment Methodology in Chapter 8 of the ET2 Price Control Financial Handbook and direct the value in accordance with this condition.

Part B: Carry over of tax balances

- 7.4.4 The Authority will determine the value of the terms OGPt, OSRPt, OSBPt, LOSBPt, ODRPt, LODRPt and OTLt in accordance with the General Financial Adjustment Methodology in Chapter 8 of the ET2 Price Control Financial Handbook and direct the values in accordance with this condition.

Part C: Procedure for making a direction

- 7.4.5 Before making a direction under this condition the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Chapter 8: Governance

Special Condition 8.1 Governance of the ET3 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ET3 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ET3 Price Control Financial Instruments:

Part A: The ET3 Price Control Financial Instruments

8.1.2 Each of the following ET3 Price Control Financial Instruments forms part of this condition:

- (a) the ET3 Price Control Financial Handbook; and
- (b) the ET3 Price Control Financial Model.

Part B: Modification of the ET3 Price Control Financial Instruments

8.1.3 The Authority may by direction make modifications to the ET3 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the ET3 Price Control Financial Instruments; and
- (b) the modification will have no impact on the licensee's Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue. This is without prejudice to the licensee's right to make representations to the Authority that a particular modification will have an impact on the licensee's Allowed Revenue.

8.1.5 The following categories of modification may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as the addition or removal of PCFM Variable Values; and

- (e) correction of manifest errors; such as discrepancies between the ET3 Price Control Financial Instruments and between the ET3 Price Control Financial Instruments and the other special conditions.
- 8.1.6 The following do not constitute a modification of the ET3 Price Control Financial Model:
 - (a) entering a PCFM Variable Value into the ET3 Price Control Financial Model;
 - (b) changing the filename of the spreadsheet containing the ET3 Price Control Financial Model; and
 - (c) changing the publication date on the Cover sheet of the ET3 Price Control Financial Model.
- 8.1.7 The Authority may agree that additional items do not constitute a modification of the ET3 Price Control Financial Model.

Part C: Procedure for making a direction

- 8.1.8 Before making a direction under paragraph 8.1.3, the Authority will:
 - (a) consider representations made by the ET3 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraph 8.1.5; and
 - (b) publish on the Authority's Website:
 - (c) the text of the proposed direction;
 - (d) the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5; and
 - (e) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 8.1.9 A direction under paragraph 8.1.3 will set out:
 - (a) the modifications to the ET3 Price Control Finance Instruments; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of ET3 Price Control Financial Instruments

- 8.1.10 The Authority will maintain on the Authority's Website an up-to- date copy of the ET3 Price Control Financial Instruments throughout the Price Control Period.
- 8.1.11 The Authority will ensure that any modifications of the ET3 Price Control Financial Instruments, whether under this condition Part B or otherwise, are promptly incorporated into a consolidated version maintained on the Authority's Website.

- 8.1.12 The Authority will publish on the Authority's Website a consolidated version of the ET3 Price Control Financial Model containing the updated value of ARt for all Transportation Owners following the licensee's annual publication of the ET3 Price Control Financial Model under paragraph 2.1.5 of Special Condition 2.1 (Revenue restriction).

Chapter 9: General Obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending the Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.
- 9.1.7 The licensee must submit all the data presented in the Annual Environmental Report to the Authority in a format prescribed in the Environmental Reporting Guidance. The submission date should align with the publication of the Annual Environmental Report.

Part B: Environmental Reporting Guidance

- 9.1.8 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.9 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.10 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
 - (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be

- used, as well as expectations about the level of explanatory text to be included;
- (c) the format for submitting information to the Authority as required under paragraph 9.1.5; and
 - (d) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
- 9.1.11 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
- 9.1.12 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months from the date of publication or by 1st August of the subsequent Regulatory Year, whichever is later;
 - (c) the reasons for the amendments to the Environmental Reporting Guidance;
 - (d) how the proposed reporting requirements provide an appropriate balance between the costs of reporting and benefit of the information created; and
 - (e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

- 9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
- 9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

- 9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.
- 9.2.4 The NARM Methodology in effect on 31 March 2026 is deemed to be the NARM Methodology in effect from 1 April 2026 until superseded.

Part B: The NARM Objectives

9.2.5 The NARM Objectives are:

- (a) to provide transparent, logical links between:
- (b) the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
- (c) the data that the licensee inputs into its Asset Management Systems;
- (d) the licensee's asset management decisions; and
- (e) where relevant, the licensee's whole system investment decisions;
- (f) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Outputs delivery;
- (g) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
- (h) each NARM Asset Category;
- (i) individual NARM Assets within each NARM Asset Category; and
- (j) the licensee's Transmission System;
- (k) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (l) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
- (m) the licensee's investment plans for managing and renewing its NARM Assets; and
- (n) the licensee's outturn delivery of investment options;
- (o) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (p) to enable the comparative analysis of Monetised Risk between:
- (q) different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
- (r) geographic areas of, and NARM Assets within, the licensee's Transmission System;
- (s) the licensee's Transmission System and other networks within the same sector;
- (t) the licensee's Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
- (u) the Transmission Systems and Distribution Systems within Great Britain; and

- (v) to enable the communication to the Authority and other interested parties of relevant information about the licensee's Transmission System in an accessible and transparent manner.

Part C: Modifications of the NARM Methodology that have a material impact on the Baseline Network Risk Output

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.7 Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:
 - (a) consult other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification;
 - (b) submit to the Authority a report containing:
 - (c) a statement explaining the proposed modification to the NARM Methodology; and
 - (d) an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - (e) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
 - (f) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
 - (g) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) above and not withdrawn;
 - (h) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
 - (i) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
 - (j) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and

- (k) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.
- 9.2.9 The Authority will by direction:
 - (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments; or
 - (c) reject the proposed modification.
- 9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).
- 9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.
- 9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 9.2.13 Modification of the NARM Methodology that have a material impact on the Baseline Network Risk Output

Part D: Modifications of the NARM Methodology that do not have a material impact on the Baseline Network Risk Output

- 9.2.14 The licensee may propose modifications under this Part of the type set out in paragraph 9.2.15 where:
 - (a) the modification would improve the clarity of the NARM Methodology;
 - (b) the modification will have no material impact on the licensee's:
 - (c) Baseline Network Risk Output; or
 - (d) delivery against its Baseline Network Risk Output.
- 9.2.15 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming, or re-ordering of sections or appendices;
 - (b) deleting irrelevant material such as transitional provisions that have expired;

- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions such as the addition, removal or modification of defined terms; and
 - (e) corrections of manifest errors.
- 9.2.16 Where the licensee proposes a modification under this Part, it must send to the Authority a statement that sets out:
 - (a) the proposed modification to the NARM Methodology;
 - (b) how, in the licensee's opinion, the proposed modification, if made, would improve the clarity of the NARM Methodology; and
 - (c) the materiality of the proposed modification on the licensee's Baseline Network Risk Output.
- 9.2.17 The Authority must by direction:
 - (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments;
 - (c) reject the proposed modification; or
 - (d) reject the proposed modification and direct the licensee to make a further submission under this Part or Part C.
- 9.2.18 A direction under paragraph 9.2.17 will likely be insufficiently significant to warrant publication or formal consultation, but the Authority will consider this on a case-by-case basis.

Special Condition 9.3 Process to establish the Electricity Transmission Common NARM Methodology, and associated asset and documents, Information Gathering Plan and Engineering Guidance Document

- 9.3.1 The purpose of this condition is to set out the licensee's obligations in relation to the development and implementation of an Electricity Transmission Common Methodology, including supporting systems, documentation, and data collection processes.
- 9.3.2 The effect is to ensure the establishment of:
 - (a) An Electricity Transmission Common Methodology, and associate systems and documents;
 - (b) Information Gathering Plans; and
 - (c) an Engineering Guidance Document.

Part A: Development of the Electricity Transmission Common NARM Methodology, and associated systems and documents

- 9.3.3 The licensee must cooperate with all other Transmission Owners to contribute to the full and timely development of:
- (a) an industry-consulted Electricity Transmission Common Methodology that complies with the requirements of the NARM Objective. The Electricity Transmission Common Methodology must be presented for regulatory approval in two versions:
 - (b) the first version by 1 April 2027; and
 - (c) the second version by the date set out in 9.3.4 (c);
 - (d) common list of assets to be used in the Electricity Transmission Common Methodology; and
 - (e) asset data systems and standardised templates that are compatible with the Electricity Transmission Common Methodology by 1 April 2028.
- 9.3.4 The licensee must begin using the systems and templates established under paragraph 9.3.3(c) to collect inspection data for each individual asset included within the Electricity Transmission Common Methodology. This data must be collected in a manner that enables its direct use in the licensee's Business Plan submissions for the subsequent Price Control Period.

Part B: Development of Information Gathering Plan (IGPs)

- 9.3.5 The licensee must provide the Authority with a plan (the "Information Gathering Plan") that sets out how the licensee gathers and records information required in respect of its own NARM Methodology by 1 April 2026.
- 9.3.6 The Information Gathering Plan must include the scope and form of the data that the licensee collects, and the frequency with which data is collected, such that the licensee is able to report on progress against its NARM Methodology, in accordance with the RIGs.
- 9.3.7 The licensee must provide the Authority with an Information Gathering Plan on 1 April 2028. The Information Gathering Plan must:
- (a) set out how the licensee will gather and record the information required for implementation of the Electricity Transmission Common Methodology; and
 - (b) include the scope and form of the data collection and the frequency with which data will be collected to enable use for the reporting in the Transmission Common Methodology and align to the development works set out in Part A and Part C .
- 9.3.8 The Authority, after reviewing the Information Gathering Plan submitted to it under 9.3.7, and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

- (a) approve the plan without modification if satisfied that it will enable the licensee to report accurately on its progress against the Electricity Transmission Common Methodology; or
 - (b) direct the licensee to modify the Information Gathering Plan, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, having considered any representations received, enable the licensee to so report.
- 9.3.9 The licensee must:
- (a) keep the Information Gathering Plan under review and in particular must conduct a review when directed to do so by the Authority; and
 - (b) modify the Information Gathering Plan, where necessary to ensure that it complies with the requirements of Part A and Part C.

Part C: Engineering Guidance Document

- 9.3.10 The licensee must work in co-operation with other Electricity Transmission Owners to produce a common Engineering Guidance Document on data input to the Electricity Transmission Common Methodology by 1 April 2028.
- 9.3.11 The Engineering Guidance Document must establish a common approach for describing asset condition points for all asset classes in the Electricity Transmission Common Methodology and achieve consistency in the subjective elements of asset condition measurement.
- 9.3.12 The Authority, after reviewing the Engineering Guidance Document submitted to it under 9.3.2, and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:
- (a) approve the Engineering Guidance Document without modification if satisfied that it will enable the licensee to report accurately on its progress against the Electricity Transmission Common Methodology; or
 - (b) direct the licensees to modify the Engineering Guidance Document, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, having considered any representations received, enable the licensee to so report.

Special Condition 9.4 Price Control Deliverable assessment and reporting requirements

Introduction

- 9.4.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction.

- 9.4.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Evaluative PCD assessment principles

- 9.4.3 In deciding whether to make a direction in accordance with paragraph 9.4.1 and in deciding the contents of such a direction, the Authority will apply the following assessment principles:
- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances is attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance except as provided for by paragraph 9.4.3 (b);
 - (b) where an output is Fully Delivered With An Alternative Specification, and:
 - i. the licensee demonstrates that any overspend against the associated allowances was efficiently incurred; and
 - ii. the licensee provides a justified estimate of the proportion of increased Consumer Outcome associated with the work delivered,
- 9.4.4 the Authority may direct an upwards adjustment to the associated allowance. The Authority may direct an adjustment of any value between 0 and the Authority's view of efficiently incurred overspend;
- (a) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;
 - (b) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;
 - (c) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:
 - i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and
 - ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered,
- 9.4.5 the Authority may direct a downwards adjustment to the associated allowances only in accordance with the following formula:

Adjustment to allowances = ((1 – proportion of output or Consumer Outcome delivered) associated allowance)*

- (a) where none of the circumstances described in sub-paragraphs (a) to (e) apply, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
- i. have due regard to the particular characteristics of the output;
 - ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
 - iii. establish efficient costs using the following methods:
 - (A) where these are available, using benchmarking against historical cost data; or
 - (B) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
 - (C) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
 - (D) the split between fast money and the RAV for any adjustments will be as set out in the ET3 Price Control Financial Model.

Part B: Reporting requirement

- 9.4.6 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.
- 9.4.7 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.
- 9.4.8 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.4.9 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.4.10 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part C: PCD Reporting Requirements and Methodology Document

- 9.4.11 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.4.12 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.4.13 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.4.14 The PCD Reporting Requirements and Methodology Document will set out:
 - (a) how the licensee must prepare the reports required by Part B; and
 - (b) further guidance about, and worked examples of, the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.4.15 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.
- 9.4.16 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
 - (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
 - (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.5 Re-opener Guidance and Application Requirements Document

Introduction

- 9.5.1 This purpose of this condition is to require the licensee to prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.5.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.5.3 The licensee must prepare any applications for Re-openers in accordance with the applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.5.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.5.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.5.6 The Re-opener Guidance and Application Requirements Document may:
 - (a) provide guidance on the process to be followed by the licensee and the Authority in relation to:
 - i. establishing a Re-opener application pipeline log for prospective applications;
 - ii. pre-application engagement between the licensee and the Authority;
 - iii. pre-acceptance screening of applications;
 - iv. a process for supplementary questions;
 - v. a proportionate approach to using assessment tiers with differing levels of scrutiny for individual applications; and
 - vi. how the Authority would instigate a Re-opener; and
 - (b) set out how the licensee must prepare its applications for Re-openers, including the following:
 - i. the Re-openers to which the document applies;
 - ii. the level of detail required in the application;
 - iii. any requirement to publish the application; and
 - iv. when it is appropriate to make redactions in published applications.

- 9.5.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
- 9.5.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

Special Condition 9.6 Digitalisation

Introduction

- 9.6.1 The purpose of this condition is to set out the licensee's obligations to:
- (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with DSAP Guidance; and
 - (e) comply with Data Best Practice Guidance.
- 9.6.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.6.3 [The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.]
- 9.6.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy at intervals specified in the DSAP Guidance.

- 9.6.5 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

- 9.6.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.
- 9.6.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at intervals specified in the DSAP Guidance.
- 9.6.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

- 9.6.9 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.6.10 The Authority will issue and amend the DSAP Guidance by direction.
- 9.6.11 The Authority will publish the DSAP Guidance on the Authority's Website.
- 9.6.12 The DSAP Guidance will make provision about:
- (a) how the licensee should work towards digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
 - (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - (d) the structure, content and level of detail of each;
 - (e) the types of activities that should be covered in each;
 - (f) any required information associated with those activities; and

- (g) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.6.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.6.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.6.15 The Authority will publish Data Best Practice Guidance on the Authority's Website.
- 9.6.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.6.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed guidance;
 - (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
- 9.6.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and
- 9.6.19 a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

Special Condition 9.7 Disapplication of Relevant Special Conditions

Introduction

- 9.7.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant Special Conditions (in whole or in part)

and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.7.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.7.3 A Disapplication Request must:
- (a) specify to which of the Relevant Special Conditions (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).
- 9.7.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.7.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
- (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis.
- 9.7.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

- 9.7.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.
- 9.7.8 If paragraph 9.7.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.7.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

- 9.7.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

- (a) in the circumstances described in Part D; or
 - (b) in the circumstances described in Part E.
- 9.7.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

- 9.7.11 The circumstances referred to in paragraph 9.7.9(a) are that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act to modify:
- (a) the Relevant Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
 - (b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition and Markets Authority

- 9.7.12 The circumstances referred to in paragraph 9.7.9(b) are that the Authority has published a decision as described in paragraph 9.7.11(a) or 9.7.11(b) and:
- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
 - (b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates:
 - (c) quashed the Authority's decision, and
 - (d) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and
 - (e) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.7.12(b)(i).

Special Condition 9.8 Directly Remunerated Services

Introduction

- 9.8.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.

- 9.8.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.8.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.8.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.8.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.8.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.8.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.8.8.
- 9.8.8 The charges referred to in paragraph 9.8.7 are:
- (a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and
 - (b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RIIO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

- 9.8.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.8.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.8.10 Directly Remunerated Services will include the following services:

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.8.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transmission System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the ISOP.

DRS6. Emergency Services: (Not applicable to Electricity Transmission)

DRS7. PARCA Activities: (Not applicable to Electricity Transmission)

DRS8. Independent System Operation: (Not applicable to Electricity Transmission)

DRS9. Network Innovation Funding: Payments made by the ISOP to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).

DRS10. Value Added Services: (Not applicable to Electricity Transmission)

DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)

DRS12. Revenue protection services: (Not applicable to Electricity Transmission)

DRS13. Metering Services: (Not applicable to Electricity Transmission)

DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)

DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:

- (a) is for the specific benefit of any third party who requests it; and
- (b) is not made available by the licensee as a normal part of the activities of its Transmission Owner Activity.

Part D: Procedure for issuing directions

- 9.8.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.
- 9.8.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.
- 9.8.13 Before issuing a direction under Part A, the Authority will publish on the Authority's website:
 - (a) The text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.9 Tax Reconciliation assurance statement

Introduction

- 9.9.1 This condition requires the licensee to submit to the Authority an annual Tax Reconciliation assurance statement and sets out the form of that statement.

Part A: Assurance Statement

- 9.9.2 The licensee must by 30 September of each Regulatory Year submit to the Authority a Tax Reconciliation assurance statement relating to Regulatory Year t-2 that:
 - (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in subparagraph (a); and,
 - (c) is set out in the form prescribed in paragraph 9.9.3 or, where paragraph 9.9.4 applies, in the form prescribed in paragraph 9.9.5.
- 9.9.3 Where this paragraph applies, the prescribed form for the Tax Reconciliation assurance statement is as follows:
 - (a) "In accordance with the requirements of paragraph 9.9.2 of Special Condition 9.9 (Tax Reconciliation assurance statement), the directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2]:
 - (b) In their opinion, the values reported in the Tax Reconciliation have not resulted in a material, unexplained variance in the reconciliation of the

licensee's Actual Corporation Tax Liability (as shown in the licensee's Company Tax Return (CT600)) to the calculated Tax Allowance;

- (c) the Tax Reconciliation will, by 30 September [Regulatory Year t], be submitted to the Authority along with a copy of the following documents:
 - i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];
 - ii. the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the same accounting period as 9.9.3 (b) (i);
 - iii. the licensee's previously published Tax Strategy which covers the same accounting period as 9.9.3 (b) (i); and
 - iv. Any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the same accounting period as 9.9.3 (b) (i).
 - (d) where appropriate, further information has been provided to support and explain reconciling items in accordance with the [RIIO-3] Regulatory Financial Performance Reporting RIGS;
 - (e) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
 - (f) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate."
- 9.9.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET3 Price Control Financial Handbook, the prescribed form for the Tax Reconciliation assurance statement is set out in paragraph 9.9.5.
- 9.9.5 Where this paragraph applies, the prescribed form of the Tax Reconciliation assurance statement is as follows:
- "In accordance with the requirements of paragraph 9.9.2 of Special Condition 9.9 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2]:
- (a) In their opinion, the values reported in the Tax Reconciliation have resulted in a material, unexplained variance in the reconciliation of the licensee's Actual Corporation Tax Liability as shown in the Company Tax Return (CT600) to the Calculated Tax Allowance;
 - (b) the Tax Reconciliation will, by 30 September [Regulatory Year t], be submitted to the Authority along with a copy of the following documents:
 - (c) the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];

- (d) the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the same accounting period as 9.9.5 (b) (i);
- (e) the licensee's previously published Tax Strategy which covers the same accounting period as 9.9.5 (b) (i); and
- (f) Any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the same accounting period as 9.9.5 (b) (i).
- (g) where appropriate, further information has been provided to support and explain reconciling items in accordance with the [RIIO-3 Regulatory Financial Performance Reporting RIGs];
- (h) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and
- (i) a notification has been given in writing to the Authority under Chapter 6 of the ET3 Price Control Financial Handbook."

Special Condition 9.10 Activities Restrictions

Introduction

- 9.10.1 The purpose of this condition is to set out, in accordance with section 7(2A)(a) of the Act, activity restrictions on the licensee.

Part A: Activity Restrictions

- 9.10.2 Subject to the provisions of paragraph 9.10.3 (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
- 9.10.3 The licensee must not, outside its Transmission Area, obtain or obtain access to any assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying electricity except:
- (a) from another Transmission Licensee; or
 - (b) where the Authority has issued a direction to the licensee pursuant to paragraph 2 of Standard Condition B18 (Offshore Transmission Owner of Last Resort) insofar as it relates to the transmission system specified in that direction.

Special Condition 9.11 Network Access Policy

Introduction

- 9.11.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective

liaison between the ISOP and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

Part A: Network Access Policy

- 9.11.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
- 9.11.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.
- 9.11.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
- 9.11.5 The Network Access Policy must include:
 - (a) details of the actions that the licensee will take to coordinate with the ISOP and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;
 - (b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
 - (c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.11.5(a) and (b); and
 - (d) a description of the licensee's communication and coordination strategy for interacting with the ISOP, other Transmission Owners, and Users.

Part B: Revisions to the Network Access Policy

- 9.11.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the information contained in the policy continues to be accurate and consistent with this condition.
- 9.11.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the ISOP and, if appropriate, to any other relevant Transmission Licensees:
 - (a) a copy of the proposed revisions;
 - (b) an explanation of the reasons for the proposed revisions; and
 - (c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.

9.11.8 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

9.11.9 Before taking any action under paragraph 9.11.8, the Authority will consult the Transmission Owners, the ISOP and such other interested parties as it considers appropriate.

Part C: Availability of the Network Access Policy

9.11.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.

9.11.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.11.10 is updated during the period of ten Working Days beginning with the date of the approval.

Special Condition 9.12 Provision of information to the ISOP

Introduction

9.12.1 The purpose of this condition is to require the licensee to notify the ISOP of the revenue to be collected via Network Charges.

Part A: Statement of the $TNGET_t$ value

9.12.2 On or before the 5th business day in October and 7 January of the Regulatory Year $t-1$, the licensee must notify the ISOP of its best estimate for the $TNGET_t$ term.

9.12.3 $TNGET_t$ means an amount no more than ART as calculated in accordance with Special Condition 2.1 (Revenue restriction).

9.12.4 The licensee must keep under review the estimates notified to the ISOP pursuant to paragraph 9.12.2 and, if at any time, the licensee reasonably considers that the value of $TNGET_t$, notified to the ISOP will be significantly different to the estimates previously notified to the ISOP, the licensee must notify the ISOP of the updated value for $TNGET_t$ as soon as reasonably practicable.

9.12.5 By 30 April of each Regulatory Year t , the licensee must provide the Authority with a statement showing the following:

- (a) the value of $TNGET_t$ notified to the System Operator in the Regulatory Year $t-1$;

- (b) the aggregate amount of the licensee's connection charges in Regulatory Year t-1 which are not remunerated under Special Condition 2.1 (Revenue restriction); and
- (c) the aggregate amount of the licensee's charges in Regulatory Year t-1 in respect of Outage Changes.

Special Condition 9.13 Basis of Transmission Owner Charges

Introduction

- 9.13.1 The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

Part A: Statement of Transmission Owner Charges

- 9.13.2 The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.

- 9.13.3 The Statement of Transmission Owner Charges must include:

- (a) a schedule listing:
 - i. items of significant cost required for connection (at entry or exit points) to the licensee's Transmission System,
 - ii. items for which site specific charges may be made or levied, and
 - iii. indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;
- (b) the methods by which and the principles in accordance with which:
 - i. site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;
 - ii. any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's Transmission System; and
 - iii. any charges will be made for disconnection from the licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
- (c) such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.

- 9.13.4 The licensee must set site specific charges for those items referred to in paragraph 9.13.3 at a level that will enable the licensee to recover:

- (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Transmission System or the provision and installation, maintenance,

replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and

(b) a reasonable rate of return on the capital represented by such costs.

Part B: Revisions to the Statement of Transmission Owner Charges

- 9.13.5 The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.
- 9.13.6 The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.
- 9.13.7 Before revising the Statement of Transmission Owner Charges, under paragraph 9.13.5, the licensee must provide a copy of the proposed revisions to the Authority.
- 9.13.8 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.13.9 The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.
- 9.13.10 The licensee may make a charge for any statement given or sent pursuant to paragraph 9.13.9 of an amount reflecting the licensee's reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

Special Condition 9.14 Allowances in respect of a Security Period

Introduction

- 9.14.1 The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

Part A: Process for the recovery of Security Costs

- 9.14.2 At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant Special Conditions specified in the notice, for the remaining duration of the Security Period.
- 9.14.3 At any time during a Security Period, the Authority may by direction, enable the licensee to recover by means of an appropriate equitable increase on all of the

charges made in the course of the licensee's Transmission Business an amount estimated as being equal to the licensee's Allowed Security Costs during the Security Period.

- 9.14.4 The direction will set out for the remaining duration of the Security Period any:
- (a) Relevant Special Conditions which are suspended or modified; or
 - (b) new special conditions.
- 9.14.5 Subject to paragraphs 9.14.6 and 9.14.8, the licensee may in any Regulatory Year recover an aggregate amount equal to its Allowed Security Costs in that year or (in so far as not previously recovered) in any previous year, by means of appropriate equitable increases on all of the charges made by the licensee in the course of the Transmission Business.
- 9.14.6 Paragraph 9.14.5 does not apply in so far as such Allowed Security Costs were:
- (a) otherwise recovered by the licensee; or
 - (b) taken into account by the Authority in setting the special conditions by means of a direction issued under paragraph 9.14.3 of this condition.
- 9.14.7 Following the end of each Regulatory Year the licensee must provide the Authority with details in respect of that Regulatory Year of:
- (a) the licensee's estimate of Allowed Security Costs;
 - (b) the aggregate amounts charged under paragraph 9.14.5 of this condition on account of the licensees Allowed Security Costs; and
 - (c) the basis and calculations underlying the increases in charges made by the licensee in the course of its Transmission Business.
- 9.14.8 Where the Authority is satisfied that the licensee has recovered amounts in excess of the Allowed Security Costs, the Authority may direct the licensee to take such steps as may be specified to reimburse its customers for excess amounts charged.
- 9.14.9 No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) will be taken into account for the purpose of applying the provisions of Special Condition 2.1 (Revenue restriction).

Special Condition 9.15 Restriction on the use of certain information [SPTL and SHETL]

Introduction

- 9.15.1 This condition sets out restrictions on the use of Confidential Information.

Part A: Requirements for treatment of Confidential Information

9.15.2 The licensee (including its Affiliates and Related Undertakings) must not disclose or authorise access to Confidential Information except as provided for in Part B.

Part B: Circumstances under which the licensee can disclose Confidential Information

9.15.3 The licensee (including its Affiliates and Related Undertakings) may disclose or authorise access to Confidential Information insofar as is necessary or appropriate in the circumstances where:

- (a) paragraphs 9.17.9 to 9.17.12 of Special Condition 9.17 (Independence of and appointment of managing director of the Transmission Business) apply;
- (b) the information is only used for the purpose of the Transmission Business or any External Transmission Activities of the licensees, and effective arrangements are in place at all times for ensuring no further disclosure occurs;
- (c) disclosure of the information is required or permitted by:
 - i. any requirement of a Competent Authority;
 - ii. the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
 - iii. any court or tribunal order;
 - iv. the performance of a statutory function; or
 - v. under the rules of the Electricity Arbitration Association or another arbitral body;
- (d) the licensee has been notified by the person who provided the information or by all persons to whom it relates that the information need not be treated as confidential;
- (e) the licensee makes public information which:
 - i. is not provided by another person;
 - ii. does not relate to another person; or
 - iii. disclosure or use of, or access to, the information is required or permitted by Special Condition 9.22 (Tender Support Activities in Onshore Electricity Transmission) or Special Condition 9.23 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).

Special Condition 9.16 Appointment of a Compliance Officer [SPTL and SHETL]

Introduction

9.16.1 The purpose of this condition is to set out requirements on the licensee to:

- (a) prepare a Compliance Statement;
- (b) appoint a Compliance Officer; and
- (c) prepare a Compliance Report.

Part A: Compliance Statement

9.16.2 The licensee must prepare a Compliance Statement that:

- (a) is in a form approved by the Authority; and
- (b) sets out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the Relevant Duties.

9.16.3 The licensee:

- (a) must review the Compliance Statement at least once in each Regulatory Year to ensure that it continues to be accurate, and
- (b) may, with the approval of the Authority, modify the Compliance Statement.

9.16.4 The licensee must send a copy of the Compliance Statement, and of each modification under paragraph 9.16.3(b), to the Authority.

Part B: Appointment of the Compliance Officer

9.16.5 The licensee must appoint a Compliance Officer, who must be approved by the Authority before appointment.

9.16.6 The licensee must arrange for the Compliance Officer to perform such functions as the licensee considers appropriate for the purposes of compliance with the Relevant Duties, including the functions set out at paragraph 9.16.9.

9.16.7 The licensee must, provide the Compliance Officer with the resources reasonably required for the fulfilment of the functions, including:

- (a) staff, premises, equipment, facilities and other resources; and
- (b) access to the licensee's premises, systems, information and documentation.

9.16.8 The licensee must make available to the Compliance Officer a copy of any complaint or representation received in relation to any of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement.

9.16.9 The functions assigned to the Compliance Officer must include:

- (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;
- (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement;
- (c) investigating any complaint or representation made available in accordance with paragraph 9.16.8;
- (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
- (e) providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of:
 - i. the practices, procedures and systems adopted in accordance with the Compliance Statement; and
 - ii. any remedial action recommended in accordance with sub-paragraph (d); and
- (f) reporting annually to the directors of the licensee - in respect of each Regulatory Year - as to their activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to them by the licensee.

Part C: Compliance Report

9.16.10 As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee must produce a Compliance Report:

- (a) as to its compliance during the Regulatory Year with the Relevant Duties; and
- (b) as to its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.

9.16.11 The Compliance Report produced in accordance with paragraph 9.16.10 must:

- (a) detail the activities of the Compliance Officer during the Regulatory Year;
- (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement; and
- (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - i. the number, type and source of the complaints or representations on which such investigations were based;
 - ii. the outcome of such investigations; and
 - iii. any remedial action taken by the licensee following such investigations.

9.16.12 The licensee must submit to the Authority a copy of the Compliance Report and must provide a copy of the Compliance Report to any person on request.

Special Condition 9.17 Independence of and appointment of managing director of the Transmission Business [SPTL and SHETL]

Introduction

- 9.17.1 The purpose of this condition is to set out requirements on the licensee to establish and maintain operational and managerial independence of the Transmission Business and any External Transmission Activities, or of any Affiliate or Related Undertaking of the licensee.
- 9.17.2 This condition also requires the licensee to appoint a Managing Director Of Transmission to be responsible for the conduct of the Transmission Business and any External Transmission Activities.

Part A: Requirements of the Managing Director Of Transmission

- 9.17.3 The licensee must at all times ensure that the Transmission Business and any External Transmission Activities are conducted with managerial and operational independence from any other business operated by the licensee, and of its Affiliates and Related Undertakings.
- 9.17.4 The licensee must appoint a Managing Director Of Transmission.
- 9.17.5 The Managing Director Of Transmission may be a director:
- (a) of the Transmission Licensee; and
 - (b) in the circumstances set out in paragraph 9.17.17 also of:
 - (c) an Affiliate or Related Undertaking which holds a Distribution Licence, or
 - (d) a holding company only engaged in ownership or management of Distribution Licence or Transmission Businesses or both.
- 9.17.6 The licensee must ensure that the Managing Director Of Transmission is not engaged by the licensee in any other capacity other than as Managing Director of Transmission.
- 9.17.7 The licensee must arrange for the Managing Director Of Transmission to be provided with such resources as are necessary to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and this licence.
- 9.17.8 The Managing Director Of Transmission must be given sole discretion (subject to compliance with relevant UK employment legislation) to oversee and manage their personnel.
- 9.17.9 The licensee must direct the Managing Director Of Transmission:
- (a) to inform the directors of the licensee, in writing, if, at any time, the Managing Director Of Transmission is of the opinion that the provision of

resources under paragraph 9.17.7 is not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and this licence; and

- (b) as soon as is reasonably practicable after the end of 2021 and of each Regulatory Year, to provide the directors of the licensee with:
 - i. a report on the provision of the resources necessary in respect of that year; and
 - ii. a statement as to the resources required by the Managing Director Of Transmission to ensure that the licensee complies with its duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.

9.17.10 On receipt of any information or report under paragraph 9.17.9, the licensee must, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:

- (a) give the information or report to the Authority as soon as is reasonably practicable; and
- (b) publish any report, in such form and manner as the Authority may direct, as soon as is reasonably practicable.

9.17.11 Except where the Authority otherwise directs, the licensee may give instructions to the Managing Director Of Transmission as to the discharge of their responsibilities under paragraph 9.17.3 only:

- (a) where such instructions are required:
- (b) in the bona fide and reasonable opinion of the licensee to ensure compliance with the statutory, licence and contractual obligations of the licensee; or
- (c) in the bona fide opinion of the directors, to ensure compliance with their duties; or
- (d) to ensure compliance with paragraph 9.17.9.

9.17.12 The licensee must give instructions under sub-paragraph 9.17.11(a) in writing, specifying the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give instructions, and must send a copy of the instructions to the Authority.

9.17.13 Except as the Authority otherwise directs, the licensee must, subject to paragraph 9.17.14, ensure that:

- (a) no business of the licensee (or of any Affiliate or Related Undertaking of the licensee), other than the Transmission Business or any External Transmission Activities, may use or have access to:

- (b) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
- (c) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;
- (d) equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
- (e) the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and
- (f) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee) until the expiry of an Appropriate Time from the date on which the person ceased to be engaged by the Transmission Business.

9.17.14 The Authority may, upon the written request of the licensee, by direction relieve the licensee of some or all of its obligations under Special Condition 9.15 (Restriction on the use of certain information) and under paragraphs 9.17.3, 9.17.4 and 9.17.13, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
- (b) in the case of paragraphs 2 to 4 of Special Condition 9.15, a failure to comply with any aspect of those obligations would be of a trivial nature; or
- (c) in the case of paragraph 9.17.3 and 9.17.13, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee):
- (d) do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
- (e) obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
- (f) do not restrict, distort or prevent competition in the generation or supply of electricity;
- (g) provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 2009/72/EC as modified by the Act.

- 9.17.15 Where, subsequent to the issue of a direction pursuant to paragraph 9.17.14, the criteria set out at 9.17.14(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify its terms.
- 9.17.16 For the purposes of paragraphs 9.17.14 and 9.17.15 of this condition the Authority may, following consultation with the licensee, direct whether the criteria set out at sub-paragraphs 9.17.14 (a), (b) or (c) are or continue to be satisfied.
- 9.17.17 If the Authority is requested to issue any direction pursuant to 9.17.14 relating to the Transmission Business being managed or operated by the licensee together with any Distribution Licence then that direction may provide:
- (a) that for the purposes of this condition and of Special Condition 9.15 the Transmission Business must be taken to include any such distribution business; and
 - (b) for the Managing Director Of Transmission to take part in the management of or to be a director of any company carrying on any such distribution business.

Special Condition 9.18 Prohibited activities and conduct of the Transmission Business [NGET]

Introduction

- 9.18.1 The purpose of this condition is to set out the prohibited activities of the licensee and conduct of the Transmission Business.

Part A: Prohibited Activities

- 9.18.2 Unless the Authority otherwise directs, the licensee, and any subsidiary of the licensee, must not hold, or seek to hold, a Transmission Licence that has Section E (Offshore Transmission Owner Standard Conditions) in effect.
- 9.18.3 Conduct of the Transmission Business
- 9.18.4 The licensee, and the relevant parties listed in paragraph 9.18.5, must not obtain an Unfair Commercial Advantage.
- 9.18.5 Not used.
- 9.18.6 The relevant parties are:
- (a) any Affiliate or Related Undertaking of the licensee that is a subsidiary of, or is controlled by an ultimate controller of, the licensee, including those:
 - (b) intending to participate in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted; or
 - (c) participating in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted;
 - (d) any User of the National Electricity Transmission System; and

(e) any other Transmission Licensee.

Special Condition 9.19 Business separation requirements and compliance obligations [NGET]

Introduction

- 9.19.1 The purpose of this condition is to set out the business separation requirements between the licensee and the Relevant Other Competitive Businesses, and the process the licensee must follow to comply with these requirements.
- 9.19.2 Part A sets out the business separation requirements between the licensee and the Relevant Other Competitive Businesses.
- 9.19.3 Part B sets out the Compliance Statement the licensee must publish to describe how it is meeting its Specified Duties.
- 9.19.4 Part C sets out requirements on the licensee to appoint an independent compliance officer and annually report on compliance against the licensee's duties.

Part A: Legal and functional separation of the licensee and the Relevant Other Competitive Businesses

- 9.19.5 The licensee must, in carrying out its Licensed Activities, put in place and at all times maintain such systems of control and other governance arrangements as are necessary to ensure that the licensee complies with the obligations contained in Standard Condition B5 (Prohibition of cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.18 (Prohibited activities and conduct of the Transmission Business).
- 9.19.6 Without prejudice to paragraph 9.19.5 the licensee must at all times conduct its Licensed Activities separately from the Relevant Other Competitive Businesses, provided that nothing in Part A prevents the licensee from complying with any Section E (Offshore Transmission Owner of Last Resort) Direction made pursuant to Standard Condition B18 (Offshore Transmission Owner of Last Resort).
- 9.19.7 The licensee must ensure that the Relevant Other Competitive Businesses are conducted entirely by corporate entities each of which is separate from the licensee and that the licensee does not, directly or indirectly, hold any shares or other investments:
 - (a) in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or

- (b) which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Businesses or of any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses.
- 9.19.8 The licensee must ensure that its accounts are maintained and to the extent required by law audited and reported separately from those of any corporate entity which conducts Relevant Other Competitive Business.
- 9.19.9 The licensee must ensure that persons engaged in the management or operation of the licensee (up to and including the members of the licensee's board of directors) are not simultaneously engaged, either full or part time, in the management or operation of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute De Minimis Business to the extent that the provision of those services by the licensee complies with the requirements of standard conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness).
- 9.19.10 The licensee must ensure that arrangements are in place which are effective in restricting access by persons engaged in the management or operation of any of the Relevant Other Competitive Businesses to:
 - (a) any part of any premises which is occupied by persons engaged in the management or operation of the licensee; or
 - (b) any equipment, facilities or property employed for the management or operation of the licensee.
- 9.19.11 The licensee must ensure that the systems for the recording, processing or storage of data to which persons engaged in the management or operation of the licensee have access cannot be accessed by persons engaged in the management or operation of the Relevant Other Competitive Businesses.

Part B: Compliance Statement and compliance documents

- 9.19.12 The licensee must:
 - (a) unless the Authority otherwise consents or directs, at all times comply with the terms of the approved Compliance Statement; and
 - (b) at least once every 12 months, or at such other interval as the Authority may direct, review the Compliance Statement, the form of the Compliance Report and the form of the Compliance Certificate and revise them as necessary, including when circumstances change so that the documents no longer secure compliance with the Specified Duties, to ensure that the documents continue to be complete and accurate in all material respects.
- 9.19.13 The licensee must submit any proposed revisions to the documents specified in paragraph 9.19.12(b) to the Authority.

- 9.19.14 Any revisions of the documents specified in paragraph 9.19.12(b) will only become effective once the Authority has approved them, in accordance with paragraph 9.19.15.
- 9.19.15 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.19.16 The licensee must publish a copy of the approved Compliance Statement and each revision of it on its website during the period of 15 Working Days beginning with the date of approval by the Authority.
- 9.19.17 The Compliance Statement must set out how the licensee is to meet:
- (a) the business separation requirements provided for in Part A, with specific reference to:
 - (b) the arrangements for managerial separation, as required in paragraph 9.19.9;
 - (c) the treatment of Shared Services across the licensee and the Relevant Other Competitive Businesses, together with a list of those services which fall under the definition of Shared Services;
 - (d) the arrangements to manage the transfer of employees between the licensee and the Relevant Other Competitive Businesses;
 - (e) the appointment of a compliance officer and compliance reporting, provided for in Part C.

Part C: Appointment of a Compliance Officer and compliance reporting

- 9.19.18 The licensee must ensure, following consultation with the Authority, that a Compliance Officer is appointed. The person appointed as the Compliance Officer pursuant to this paragraph may also hold other compliance officer roles for the licensee or its Associates licensed under the Gas Act 1986.
- 9.19.19 The licensee must appoint a Single Appointed Director to report to the board of the licensee in relation to the obligations set out in this condition.
- 9.19.20 The licensee must establish a Compliance Committee to report to the board of the licensee.
- 9.19.21 The licensee must secure that the Compliance Committee includes among its members the Single Appointed Director and such persons from within the licensee's business as are responsible for the management of regulatory issues relating to the licence.

9.19.22 The licensee must ensure that, as might be reasonably required for the fulfilment of the duties and tasks assigned pursuant to this condition, the Compliance Officer:

- (a) is provided with such employees, premises, equipment, facilities and other resources it requires; and
- (b) has such access to the licensee's premises, systems, information and documentation it requires,

9.19.23 Except to the extent provided for in paragraph 9.19.20, the licensee must ensure that the Compliance Officer is not engaged in the management or operation of the Transmission Business, any Associate of the licensee or any Relevant Other Competitive Businesses.

9.19.24 The licensee must make available to the Compliance Officer details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the Specified Duties.

9.19.25 The duties and tasks of the Compliance Officer must include:

- (a) providing advice and information to the licensee (including individual directors of the licensee) and the Single Appointed Director for the purpose of ensuring the licensee's compliance with the Specified Duties;
- (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Specified Duties and described in the Compliance Statement;
- (c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;
- (d) investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph 9.19.24;
- (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable; and
- (f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the Compliance Committee established under paragraph 9.19.20, for the purpose of ensuring its implementation of:
 - i. the practices, procedures and systems adopted in accordance with the Compliance Statement; and
 - ii. any remedial action recommended in accordance with sub-paragraph (e);
 - iii. reporting to the Compliance Committee any instances which come to the Compliance Officer's attention, relating to a member of any of the managerial boards of the licensee, taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established; and

- iv. reporting annually to the Compliance Committee as to the Compliance Officer's activities in respect of the Specified Duties during the period covered by the annual report.

9.19.26 As soon as is reasonably practicable and in any event before the end of the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer, the licensee must produce, in a form approved by the Authority in accordance with paragraph 9.19.15, a Compliance Report.

9.19.27 The Compliance Report produced in accordance with paragraph 9.19.28 must in particular:

- (a) detail the activities of the Compliance Officer during the relevant period covered by the Compliance Report;
- (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems described in the Compliance Statement;
- (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - i. the number, type and source of the complaints or representations on which such investigations were based;
 - ii. the outcome of such investigations; and
 - iii. any remedial action taken by the licensee following such investigations; and
 - iv. be accompanied by a Compliance Certificate, in a form approved by the Authority in accordance with paragraph 9.19.15, approved by a resolution of the board of the licensee and signed in good faith by the Single Appointed Director pursuant to that resolution, on the licensee's compliance with the Specified Duties.

9.19.28 The licensee must, as soon as reasonably practicable, following the approval of the Compliance Certificate by the board of the licensee, and in any event before the end of the period of 120 days beginning with the date of issue of each annual report of the Compliance Officer, submit to the Authority a copy of the Compliance Report and Compliance Certificate produced in accordance with paragraphs 9.19.26 and 9.19.27, and ensure copies are readily accessible to the public from the licensee's website.

9.19.29 The licensee must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:

- (a) reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
- (b) assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee's obligations under this condition; and

- (c) reporting on the licensee's compliance with the requirements of this condition.
- 9.19.30 The Independent Examiner's report must be provided to the Authority during the period of three Working Days beginning with the date on which the licensee receives the report from the Independent Examiner.
- 9.19.31 The Independent Examiner's report must be commissioned at such intervals as the Authority may direct.

Special Condition 9.20 The strategic innovation fund (SIF_t) (NGET and SHETL)

Introduction

- 9.20.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.
- 9.20.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the ISOP (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 9.20.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIF_t term

- 9.20.4 The SIF_t term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the ISOP, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of condition F2 (Innovation funding) in the Electricity System Operator Licence.
- 9.20.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the Electricity System Operator Licence the Authority will calculate and then, by direction given to the licensee specify :
- (a) the value of the SIF_t term;
 - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
 - (c) the manner in which and the timescale over which the ISOP is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

- 9.20.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

9.20.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:

- (a) the amount of any SIF Funding Return that the licensee must pay to the ISOP; and
- (b) the manner in which and the timescale over which that amount is to be paid.

9.20.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.20.7.

Part C: The SIF Governance Document

9.20.9 The licensee must comply with the SIF Governance Document.

9.20.10 The Authority will issue and amend the SIF Governance Document by direction.

9.20.11 The Authority will publish the SIF Governance Document on the Authority's Website.

9.20.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:

- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
- (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
- (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
- (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission Licensees and the ISOP;
- (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
- (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

9.20.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed SIF Governance Document;

- (b) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.
- 9.20.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:
 - (a) the text of the amended SIF Governance Document;
 - (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
 - (c) the reasons for the amendment to the SIF Governance Document; and
 - (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.
- 9.20.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Special Condition 9.21 The strategic innovation fund (SIF_t) (SPTL)

Introduction

- 9.21.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.
- 9.21.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the ISOP (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.
- 9.21.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIF_t term

- 9.21.4 The SIF_t term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by NESO, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of condition F2 (Innovation Funding) in the Electricity System Operator Licence.
- 9.21.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the Electricity System Operator Licence the Authority will calculate and then, by direction given to the licensee specify:
 - (a) the value of the SIF_t term;
 - (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and

- (c) the manner in which and the timescale over which the ISOP is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

- 9.21.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 9.21.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:
 - (a) the amount of any SIF Funding Return that the licensee must pay to the ISOP; and
 - (b) the manner in which and the timescale over which that amount is to be paid.
- 9.21.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.21.7.

Part C: The SIF Governance Document

- 9.21.9 The licensee must comply with the SIF Governance Document.
- 9.21.10 The Authority will issue and amend the SIF Governance Document by direction.
- 9.21.11 The Authority will publish the SIF Governance Document on the Authority's Website.
- 9.21.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:
 - (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
 - (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission Licensees and the ISOP;
 - (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

- (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

- 9.21.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:
- (a) the text of the proposed SIF Governance Document;
 - (b) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.
- 9.21.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SIF Governance Document;
 - (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
 - (c) the reasons for the amendment to the SIF Governance Document; and
 - (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.
- 9.21.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Special Condition 9.22 Tender Support Activities in Onshore Electricity Transmission

Introduction

- 9.22.1 The purpose of this condition is to place an obligation on the licensee to provide such information and assistance as is reasonably required to the Delivery Body in relation to an Onshore Transmission Tender Exercise.
- 9.22.2 Part A sets out obligations on the licensee in respect of supporting the Delivery Body in an Onshore Transmission Tender Exercise. Part B sets out the scope, contents, and governance arrangements for the Onshore Competition Information Exchange Guidance.

Part A: Provision of information and assistance to the Delivery Body

- 9.22.3 The licensee must support the Delivery Body through participation in the Onshore Competition Information Exchange Process in accordance with the Onshore Competition Information Exchange Guidance.

- 9.22.4 Subject to paragraph 9.22.6 and upon request from the Delivery Body, in accordance with the Onshore Competition Information Exchange Guidance, the licensee must:
- (a) provide such information relating to the licensee's Transmission Area as is reasonably required by the Delivery Body to prepare the tender documentation for an Onshore Transmission Tender Exercise;
 - (b) respond to scheduled requests for information from the Delivery Body during the Invitation to Tender Stage; and
 - (c) respond to reasonable requests for information from the Delivery Body outside of those requested in accordance with paragraph 9.22.4(a) and (b).
- 9.22.5 For the avoidance of doubt, nothing in this condition requires, the licensee to:
- (a) respond to any query it receives directly from a Bidder during an Onshore Transmission Tender Exercise;
 - (b) disclose any information directly to any Bidder during an Onshore Transmission Tender Exercise; or
 - (c) produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
- 9.22.6 If the licensee wishes to dispute a request for information from the Delivery Body under paragraph 9.22.4 the licensee must follow the dispute process as set out in the Onshore Competition Information Exchange Guidance.
- 9.22.7 The licensee shall assist the Delivery Body, where appropriate, through the facilitation of a site visit for Qualifying Bidders in accordance with the Onshore Competition Information Exchange Guidance.
- 9.22.8 If the licensee determines that the requested site visits by the Delivery Body cannot be fulfilled, the licensee must as soon as reasonably practicable notify the Delivery Body and the Authority.

Part B: Onshore Competition Information Exchange Guidance

- 9.22.9 The licensee must comply with the Onshore Competition Information Exchange Guidance.
- 9.22.10 The Authority will issue and amend the Onshore Competition Information Exchange Guidance by direction.
- 9.22.11 The Authority will publish the Onshore Competition Information Exchange Guidance on the Authority's Website.
- 9.22.12 The Onshore Competition Information Exchange Guidance will include, or make provision for, the following matters:
- (a) details of information related to the licensees' Transmission Area required to be provided in accordance with paragraph 9.22.4(a);

- (b) the format (including templates) for responding to requests for information in accordance with paragraphs 9.22.4(a) and 9.22.4(b);
 - (c) timescales for responding to scheduled information requests from the Delivery Body in accordance with paragraph 9.22.4(b);
 - (d) the frequency with which and the expected timescales in an Onshore Transmission Tender Exercise within which the licensee is required to carry out the activities specified in Part A of this condition;
 - (e) the process for managing additional information requests from the Delivery Body in accordance with paragraph 9.22.4(c);
 - (f) the process for managing information request disputes in accordance with paragraph 9.22.6;
 - (g) the process for facilitating site visits in accordance with paragraph 9.22.7; and
 - (h) processes in respect to the protection of Confidential Information.
- 9.22.13 Before issuing the Onshore Competition Information Exchange Guidance, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Onshore Competition Information Exchange Guidance;
 - (b) the reasons for the proposed Onshore Competition Information Exchange Guidance; and
 - (c) a period during which representations on the proposed Onshore Competition Information Exchange Guidance may be made, which will not be less than 28 days.
- 9.22.14 Before directing an amendment to the Onshore Competition Information Exchange Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Onshore Competition Exchange Guidance;
 - (b) the date on which the Authority intends the amended Onshore Competition Information Exchange Guidance will take effect;
 - (c) the reasons for the amendments to the Onshore Competition Information Exchange Guidance; and
 - (d) a period during which representations on the amendments to the Onshore Competition Information Exchange Guidance may be made, which will not be less than 28 days.

Special Condition 9.23 Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise

Introduction

- 9.23.1 The purpose of this condition is to require the licensee to put in place arrangements to manage, and where applicable, mitigate potential conflicts of interest in respect of an Onshore Transmission Tender Exercise.
- 9.23.2 Part A sets out the overarching obligations on the licensee when undertaking Tender Support Activities. Part B sets out the employee restrictions and separation requirements between the licensee and any Bidding Unit that will apply when a licensee has established a Bidding Unit. Part C sets out the obligations on the licensee to restrict the use of information that the licensee has access to through its Tender Support Activities. Part D sets out the Conflict Mitigation Statement the licensee must publish if it has established a Bidding Unit, which (amongst other things) must comply with the Conflict Mitigation Methodology issued by the Authority. Part E sets out requirements on the licensee to conduct an external independent audit.

Part A: Conduct of the licensee when undertaking its Tender Support Activities

- 9.23.3 In performing its Tender Support Activities and at all times when the licensee has established a Bidding Unit, the licensee must act in a manner intended to ensure that neither the Bidding Unit, nor any Bidder, obtains an Unfair Commercial Advantage.

Part B: Separation of the licensee and any Bidding Unit

- 9.23.4 [SHETP and SPTL] Without prejudice to the licensee's obligations under Standard Conditions B5 (Prohibition of cross-subsidies) and B6 (Restriction on Activity and Financial Ring Fencing) and Special Conditions 9.16 (Appointment of a Compliance Officer) and 9.17 (Independence of and appointment of managing director of the Transmission Business), the licensee must conduct its Tender Support Activities separately from any Bidding Unit in accordance with the requirements set out in Part B of this condition.

[NGET] Without prejudice to the licensee's obligations under Standard Conditions B5 (Prohibition of cross-subsidies) and B6 (Restriction on Activity and Financial Ring Fencing) and Special Conditions 9.18 (Prohibited Activities and Conduct of the Transmission Business) and 9.19 (Business separation requirements and compliance obligations), the licensee must conduct its Tender Support Activities separately from any Bidding Unit in accordance with the requirements set out in Part B of this condition.

- 9.23.5 The licensee must ensure the separation of management structures between the licensee and any Bidding Unit up to, but not necessarily including, the board of directors of an immediate parent company of the licensee.

- 9.23.6 The licensee must ensure that arrangements are in place which are effective in restricting the access of:
- (a) persons engaged in the management or operation of any Bidding Unit to any parts of premises occupied by the network planning or project development operations of the licensee; and
 - (b) persons engaged in the network planning or project development operations of the licensee to any parts of premises occupied by any Bidding Unit.
- 9.23.7 The licensee must ensure that the systems used for the recording, processing and storage of information relating to, or derived from, the licensee performing its Tender Support Activities, to which persons engaged in the management or operation of the licensee have access, cannot be accessed by persons engaged in the management or operation of any Bidding Unit.
- 9.23.8 The licensee must ensure that during the initial 14 weeks of the Invitation to Tender Stage of an Onshore Transmission Tender Exercise:
- (a) all persons involved in the activities within any Bidding Unit are prohibited from transferring to the licensee; and
 - (b) all persons involved in the network planning or project development operations of the licensee are prohibited from transferring to any Bidding Unit.
- 9.23.9 With respect to Standard Conditions B5 (prohibition of cross-subsidies) and B6 (Restriction on Activity and Financial Ring Fencing), the licensee must ensure that any assets related to an Onshore Transmission Tender Exercise are separable from any other asset of the licensee.
- 9.23.10 The licensee must not use any Allowed Revenue to establish any Bidding Unit or for any Bidding Unit activities in respect of an Onshore Transmission Tender Exercise.

Part C: Restrictions on the use of information in connection with Tender Support Activities

- 9.23.11 Any information held by the licensee relating to or deriving from its Tender Support Activities is to be treated as Confidential Information for the purpose of this condition and Special Condition 9.22 (Tender Support Activities in Onshore Electricity Transmission).
- 9.23.12 Except as provided for in paragraph 9.22.13, the licensee must not disclose, authorise access to, or authorise use of Confidential Information to:
- (a) any Bidder; and
 - (b) any Bidding Unit, including any employees, agents, contractors, consultants, and advisers of the Bidding Unit.

9.23.13 The licensee may disclose or authorise access to or authorise the use of Confidential Information as far as is necessary or appropriate in the circumstances where:

- (a) the disclosure of, access to, or use of the Confidential Information is required or permitted by:
 - i. any requirement of a Competent Authority;
 - ii. the conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
 - iii. paragraph 9.22.4 of Special Condition 9.22 (Tender Support Activities in onshore electricity transmission);
 - iv. the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025;
 - v. any court or tribunal order;
 - vi. the performance of a statutory function;
 - vii. under the rules of the Electricity Arbitration Association or another arbitral body; or
- (b) the disclosure of, access to, or use of the Confidential Information is to persons engaged in the provision of Shared Services, but only to the extent necessary to allow those persons to perform their functions to support the licensee in performing its Tender Support Activities.

Part D: Conflict Mitigation Statement and Conflict Mitigation Methodology

9.21.1 Where the licensee intends to participate in an Onshore Transmission Tender Exercise as a Bidder through a Bidding Unit, before the Pre-Qualification Stage commences, the licensee must:

- (a) notify the Authority of its intention to bid; and
- (b) prepare and submit a Conflict Mitigation Statement to the Authority for approval.

9.23.14 A Conflict Mitigation Statement must:

- (a) comply with the Conflict Mitigation Methodology published under paragraph 9.23.20;
- (b) address the following matters as described in the Conflict Mitigation Methodology:
 - i. separation of the licensee and the Bidding Unit;
 - ii. employee transfer restrictions;
 - iii. managerial separation;
 - iv. information sharing restrictions;
 - v. financial separation; and

- vi. monitoring and reporting compliance including a Conflicts Management Officer; and
- vii. be approved and signed by a director of the licensee's board of directors.

9.23.15 Following receipt of a Conflict Mitigation Statement, or an updated Conflict Mitigation Statement in accordance with paragraph 9.23.17(c), the Authority will either:

- (a) approve the Conflict Mitigation Statement and notify the licensee of its approval; or
- (b) give a direction to the licensee on any parts of the Conflict Mitigation Statement that require further development and provide a date by which the licensee is required to submit a revision to the Authority for approval.

9.23.16 Following the Authority's approval of the Conflict Mitigation Statement under paragraph 9.23.16(a), the licensee must:

- (a) unless the Authority otherwise consents or directs, comply with the approved Conflict Mitigation Statement at all times during the Onshore Transmission Tender Exercise;
- (b) keep the Conflict Mitigation Statement under review and update it as necessary, including when circumstances change such that the document no longer secures compliance with this condition or when the Authority directs, to ensure that it continues to be complete and accurate in all material respects;
- (c) where the licensee has updated the approved Conflict Mitigation Statement, submit the updated Conflict Mitigation Statement to the Authority for approval; and
- (d) where the licensee notifies the Authority under paragraph 9.23.14(a) that it intends to participate in an Onshore Transmission Tender Exercise as a Bidder, implement the procedures and systems by which the licensee will secure compliance with Part B of this condition, according to the timescales set out in the approved Conflict Mitigation Statement.

9.23.17 The licensee must publish a copy of the approved Conflict Mitigation Statement and, if applicable, each revision of it within 15 working days of the date of approval by the Authority.

9.23.18 The Authority will issue and amend the Conflict Mitigation Methodology by direction.

9.23.19 The Authority will publish the Conflict Mitigation Methodology on the Authority's Website.

9.23.20 The Conflict Mitigation Methodology will make provision about the requirements and reporting framework of the Conflict Mitigation Statement.

- 9.23.21 Before directing that the Conflict Mitigation Methodology comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Conflict Mitigation Methodology;
 - (b) the reasons for the proposed date on which the Authority intends the Conflict Mitigation Methodology to come into effect; and
 - (c) a period during which representations on the text of the proposed Conflict Mitigation Methodology may be made, which will not be less than 28 days.
- 9.23.22 Before directing an amendment to the Conflict Mitigation Methodology, the Authority will publish on the Authority's Website:
- (a) the text of the amended Conflict Mitigation Methodology;
 - (b) the date on which the Authority intends the amended Conflict Mitigation Methodology to come into effect;
 - (c) the reasons for the amendments to the Conflict Mitigation Methodology; and
 - (d) a period during which representations on the amendments to the Conflict Mitigation Methodology may be made, which will not be less than 28 days.

Part E: External Audit

- 9.23.23 The licensee must procure an external audit in the manner specified in the Conflict Management Audit Terms of Reference to assess the licensee's level of compliance with the requirements in paragraph 9.23.15.
- 9.23.24 The licensee must ensure that, in respect to an external audit:
- (a) the external audit is conducted by an independent person who is not affiliated with the Bidding Unit or the licensee (which has the meaning given in paragraph 1.8 of the Conflict Management Audit Terms of Reference); and
 - (b) the licensee has complied with any requirements that have been specified in respect to the appointment of that person in accordance with paragraphs 1.9-1.12 of the Conflict Management Audit Terms of Reference.
- 9.23.25 The licensee must ensure any external audit procured in accordance with paragraph 9.23.24 complies with the Conflict Management Audit Terms of Reference.
- 9.23.26 The Authority will issue and amend the Conflict Management Audit Terms of Reference by direction.
- 9.23.27 The Authority will publish the Conflict Management Audit Terms of Reference on the Authority's Website.
- 9.23.28 The Conflict Management Audit Terms of Reference will include:
- (a) the scope, objective and methodology of an external audit;

- (b) findings, evidence to support findings, and impact of findings; and
 - (c) conclusions, recommendations, and actionable suggestions.
- 9.23.29 Before directing that the Conflict Management Audit Terms of Reference come into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Conflict Management Audit Terms of Reference;
 - (b) the date on which the Authority intends the Conflict Management Audit Terms of Reference to come into effect; and
 - (c) a period during which representations on the text of the proposed Conflict Management Audit Terms of Reference may be made, which will not be less than 28 days.
- 9.23.30 Before directing an amendment to the Conflict Management Audit Terms of Reference, the Authority will publish on the Authority's Website:
- (a) the text of the amended Conflict Management Audit Terms of Reference;
 - (b) the date on which the Authority intends the amended Conflict Management Audit Terms of Reference to come into effect;
 - (c) the reasons for the amendments to the Conflict Management Audit Terms of Reference; and
 - (d) a period during which representations on the amendments to the Conflict Management Audit Terms of Reference may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.24 Termination of the Operational Services Agreement

Introduction

- 9.24.1 The purpose of this condition is to set out the requirements on the licensee in respect of termination of the Operational Services Agreement.

Part A: Termination of the Operational Services Agreement

- 9.24.2 Prior to the licensee exercising any termination right in respect of the Operational Services Agreement, the licensee must first consult with the Authority and comply with any direction given by the Authority as to whether or not to exercise such termination right.
- 9.24.3 The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any change to the duration, term, termination rights or the Authority's role as set out in the Operational Services Agreement (in whole or in part).

Special Condition 9.25 CSNP-TO engagement/data exchange

Introduction

- 9.25.1 The purpose of this condition is to place an obligation on the licensee to use all reasonable endeavours to provide information and assistance to the ISOP in relation to the development and implementation of the Central Strategic Network Plan (CSNP).
- 9.25.2 This condition sets out obligations on the licensee in respect of supporting the ISOP in the CSNP process. Part B sets out the scope, contents, and governance arrangements for the CSNP Information Exchange Guidance.
- 9.25.3 This condition explains the process the Authority will follow in issuing and amending the CSNP Information Exchange Guidance, which the licensee must comply with.

Part A: Provision of Information and Assistance to ISOP

- 9.25.4 In accordance with the CSNP Information Exchange Guidance, the licensee must use all reasonable endeavours to provide all relevant information and data that is reasonably required by the ISOP to support the effective development, assessment, and implementation of the CSNP, including but not limited to technical, economic, and planning-related inputs.

Part B: CSNP Information Exchange Guidance

- 9.25.5 The licensee must comply with the CSNP Information Exchange Guidance.
- 9.25.6 The Authority will issue and amend the CSNP Information Exchange Guidance by direction.
- 9.25.7 The Authority will publish the CSNP Information Exchange Guidance on the Authority's Website.
- 9.25.8 The CSNP Information Exchange Guidance will include the following:
 - (a) details of information related to the licensee's Transmission Area required to be provided to the ISOP;
 - (b) the format (including templates) for responding to requests for information from the ISOP;
 - (c) timescales for responding to scheduled information requests from the ISOP;
 - (d) the frequency and expected timescales within which the licensee is required to carry out the activities specified in Part A; and
 - (e) the process for responding to additional information requests from the ISOP.
- 9.25.9 Before issuing the CSNP Information Exchange Guidance, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed CSNP Information Exchange Guidance;

- (b) the reasons for the proposed CSNP Information Exchange Guidance; and
- (c) a period during which representations on the proposed CSNP Information Exchange Guidance may be made, which will not be less than 28 days.

9.25.10 Before directing an amendment to the CSNP Information Exchange Guidance, the Authority will publish on the Authority's Website:

- (a) the text of the amended CSNP Information Exchange Guidance;
- (b) the date on which the Authority intends the amended CSNP Information Exchange Guidance to take effect;
- (c) the reasons for the amendments; and
- (d) a period during which representations on the amendments may be made.