

Decision

RIO-2 Re-opener Applications 2025 Final Determinations – Overview Document

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

In July 2025, we published our Draft Determinations, through which we consulted on our assessment of re-opener applications from nine network companies.

This overview document provides a summary of our Final Determinations, and alongside the overview document, we are publishing three sector specific annexes which provide more detail on our Final Determinations for the re-opener applications across the relevant sectors. As well as setting out our Final Determinations, these documents also provide summaries of our Draft Determinations and stakeholder responses to the consultation, explain our views on the responses we received and how we have factored consideration of the responses into our Final Determinations. They also outline how we determined final allowances for the re-opener application submissions.

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1. Introduction

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

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

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

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companies’ proposals robustly, once sufficiently accurate information is made available.

- 1.7 Re-openers are a type of UM that allow us to adjust a licensee’s allowances (in some cases up and in some cases down), outputs and delivery dates in response to changing circumstances during the price control period. For some re-openers we can do this by issuing a direction, provided certain requirements are met in line with the Gas Act 1986 and the Electricity Act 1989. For some re-openers, modifications (ie modifications of licence conditions) must be made under section 11A of the Electricity Act 1989 or under section 23 of the Gas Act 1986.
- 1.8 Please see Appendix 1 for a high level explanation of the purpose and benefits of the re-opener mechanisms relevant to these Final Determinations. The appendix contains references and links to the RIIO-2 Final Determination Documents where more detailed explanation can be found.
- 1.9 **Table 1** provides the full list of network companies we regulate and the abbreviations we use when referring to them throughout our suite of Final Determinations documents. Appendix 3 contains a glossary of terms and definitions used in these documents.

Table 1 – Regulated network companies

Sector	Company Group	Sector Group	Network	Network Short Name
ET	National Grid	National Grid Electricity Transmission	National Grid Electricity Transmission	NGET
ET	Scottish and Southern Energy	Scottish Hydro Electric Transmission	Scottish Hydro Electric Transmission	SHET
ET	ScottishPower	SP Transmission	SP Transmission	SPT
GT	National Gas	National Gas Transmission	National Gas Transmission	NGGT
ED	ScottishPower ³	Electricity North West	Electricity North West	ENWL
ED	Northern Powergrid	Northern Powergrid	Northern Powergrid - Northern	NPgN
ED	Northern Powergrid	Northern Powergrid	Northern Powergrid - Yorkshire	NPgGY
ED	National Grid	National Grid Electricity Distribution	National Grid Electricity Distribution - West Midlands	WMID

³ Following its acquisition by Iberdrola, Electricity North West Limited (ENWL) was integrated into the ScottishPower group, and in August 2025, it adopted the trading name SP Electricity North West. We have continued to refer to it as ENWL in our Final Determinations to maintain consistency with our Draft Determinations.

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

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

Investing for the future

- 1.11 We expect licensees to make investment decisions that benefit consumers in the long-term, and we make decisions on funding through the RIIO-2 re-opener mechanisms that enable anticipatory investments in cases where it is clear that they will deliver long-term value for consumers. Our Final Determinations aim to support delivery of a clean power system by 2030 and net zero by 2050, by enabling timely and efficient investment in network infrastructure.
- 1.12 The near-term investment supported by our price controls needs to be made with long term planning horizons in mind. This longer-term approach will help align network development with regional growth, housing, and decarbonisation plans. It will also support network companies in continuing to deliver core responsibilities such as ensuring timely connections, maintaining resilience, and responding to the evolving needs of a low-carbon economy.
- 1.13 For the remainder of RIIO-2 and looking ahead to RIIO-3, network companies will play a critical role in progressing further down the pathway to a clean power system. Our price controls enable the investment required to build the national and local energy network infrastructure for the decarbonisation of heat, transport, and industry, and to open up routes to net zero. They also support a resilient, secure, efficient, and affordable energy system.

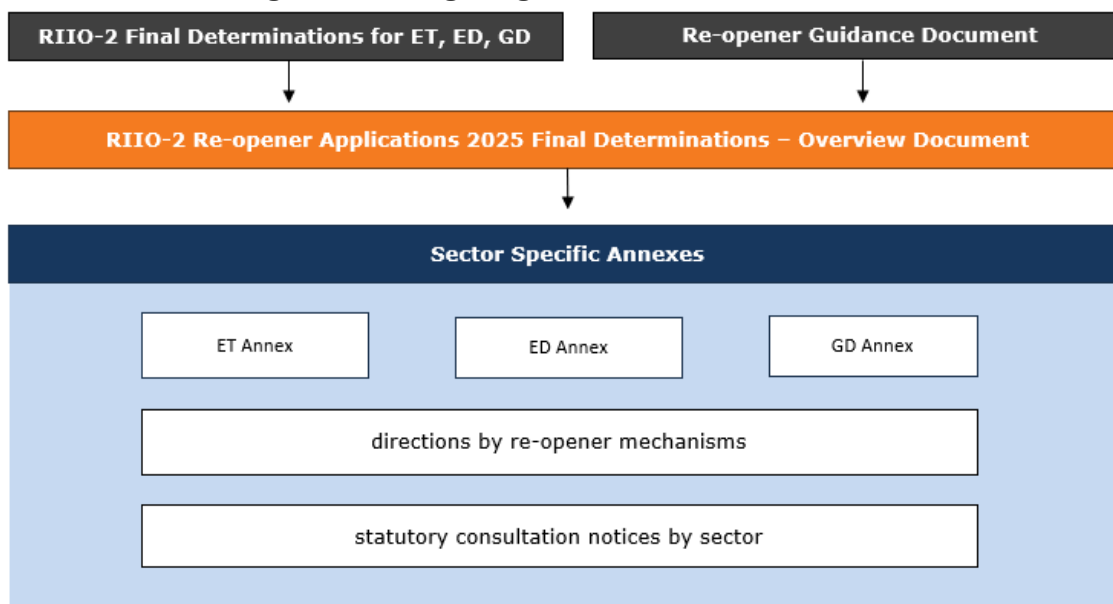
Navigating the Final Determinations

- 1.14 Our Final Determinations document suite is set out in **Figure 1**. This includes documents for the GD, ED and ET sectors. This document is the Overview Document, which sets out our approach to standard assessment of network companies' re-opener application submissions, our decision-making process and a summary on our Final Determinations and determined project allowances for each re-opener application that is part of this Final Determination publications. Where there are specific re-opener mechanism considerations, we have set these out in the relevant sector specific annexes. This document is intended to be read in conjunction with the:
- Sector specific annex (GD, ED and ET): these documents set out our Final Determinations of the re-opener applications by the applicable network company.
 - Directions: these documents set out our directions for implementing Authority's decision for the relevant licensee's re-opener application.
 - Statutory consultation: these documents set out the reasons and effect of our proposal to modify the relevant licensee's licence, where we have

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determined that such licence modification is required. These documents include the proposed text of our draft licence modification that would give effect to our decision for the relevant licensee’s re-opener applications.

Figure 1 - Navigating our Final Determinations



Related publications

1.15 Other previously published closely related documents are:

- [Draft Determinations on RIIO-2 Re-opener Applications 2025: Electricity Transmission, Electricity Distribution and Gas Distribution | Ofgem](#) – these documents set out Draft Determinations on the applicable RIIO-2 re-opener applications in 2025 for ET, ED and GD.
- [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#) - these documents sets out Final Determinations for company allowances under the RIIO-2 price control framework.
- [RIIO-ED2 Final Determinations | Ofgem](#) - these document sets out Final Determinations for Distribution Network Operators (DNO) allowances under the RIIO-ED2 price control framework, commencing on 1 April 2023 and covering the five-year period to 31 March 2028.
- [Re-opener Guidance and Application Requirements | Ofgem](#) - this document sets out how the licensees must prepare their re-opener applications in accordance with Special Condition (SpC) 9.4 (Re-opener Guidance and Application Requirements Document) of the GT, GD and ET

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licences (effective from 1st April 2021) and the ED licences (effective from 1st April 2023). This document also provides guidance on the style and structure for re-opener applications.

Our decision-making process

Re-opener assessment and approval process

- 1.16 The purpose of our decision-making process for re-opener applications is to ensure efficient use of the consumers' money to fund projects. In doing so, it is imperative that we carry out robust assessments on network companies' request for additional funding. In line with the relevant licence condition requirements and the Re-opener Guidance and Application Requirements, our assessments cover a number of stages summarised in **Figure 2**. We consider the relevant licensee's project proposal and funding request in accordance with our principal objective⁴ to protect the interests of existing and future consumers and in accordance with our statutory duties.
- 1.17 The re-opener assessment and decision-making processes are as follows:
1. **Pre-engagement:** Before submissions are made, we engage with licencees in order to understand the materiality and complexity of the projects.
 2. **Submission:** Licensees are required to submit their re-opener applications in defined submission windows,⁵ at a point in time where they are satisfied that they can submit a sufficiently strong needs case, and when they have sufficient certainty over their cost forecasts. Licensees are required to also publish their submissions on their websites in accordance with the [Re-opener Guidance and Application Requirements Document](#). This document sets out both general and specific requirements that apply to re-opener applications as well as guidance on the form, style and structure of the submissions.
 3. **Assessment:** Project proposals and funding requests are assessed in accordance with the Re-opener Guidance and Application Requirements and the relevant licence requirements. Typically, submissions are assessed against three areas: needs case, optioneering, and costs. In carrying out our assessment, we take into

⁴ Under the Electricity Act 1989, and the Gas Act 1986

⁵ In accordance with re-opener licence conditions, relevant licensees are restricted to the re-opener submission window provided by the Authority. However, for many of the re-opener mechanisms, we have the discretion to create an additional window. In some instances, the Authority may also decide to trigger a re-opener. The re-opener licence conditions may provide either or both options.

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consideration the evidence presented in the submission itself, as well as evidence gathered in responses to any supplementary questions (SQs) which we may ask licensees to answer following our initial review of their submissions.

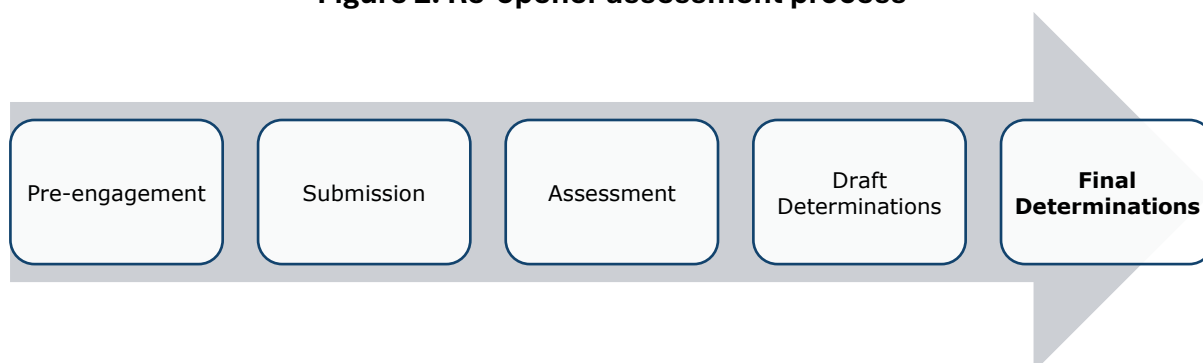
- SQ process: We may obtain further information from licensees through the SQ process to aid our understanding of the funding request. We expect licensees' applications to be fully comprehensive and for them to fully justify any proposals and additional allowances requested. There is no obligation on Ofgem to ask SQs, and where information is missing or lacking in justification then we may make reasonable assumptions. This is often necessary to enable us to make timely decisions. The SQ process (as well as any other engagement with the companies at assessment stage) is intended to be used for clarification purposes only, and not to provide a second chance to licensees to address any deficiencies in their original submissions.
4. **Draft Determination:** We consult on our Draft Determination which provides our minded-to position on the submission. This includes a summary of the proposed needs case, optioneering and costs from the licensee's submission along with our assessment of each one of them. The Draft Determination also includes the allowances we are proposing to award based on our view of the efficient cost of delivering work we consider to be justified. The consultation period runs for a minimum of 28 days, during which we welcome representations from interested stakeholders. We also typically publish for consultation, alongside our Draft Determination, drafts of the directions that will be required to give effect to the proposed decisions.⁶
5. **Final Determination:** Following consideration of consultation responses, the Final Determination finalises our position on our assessment of the re-opener application. This includes a summary of the Draft Determination, summaries of the responses received and our final decision on the project cost allowance. We issue a direction for implementing the Authority's decision for the relevant licensee's re-opener application. Where required under the relevant licence condition (eg requirement to modify the licence in accordance with section 11A of the Electricity Act 1989 or under section 23 of the Gas Act 1986), we will

⁶ As set out in the relevant licence condition for each re-opener mechanism, before making a decision, we publish on our website: the text of the proposed direction; the reasons for the proposed direction; a period during which representations may be made on the proposed direction, which will not be less than 28 days.

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undertake a statutory consultation on proposed licence modifications to give effect to the Authority's decision.

Figure 2: Re-opener assessment process



Decision-making stages

1.18 The decision-making stages are detailed below:

Stage 1 Consultation open: 18 July 2025

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 27 August 2025

Stage 3 Responses reviewed and published: 12 December 2025

Stage 4 Consultation outcome (decision or policy statement): 12 December 2025

Send us your feedback

1.19 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

2. Final Determinations at a Glance

What did we consult on?

Re-opener applications

- 2.1 On 18 July 2025, we consulted on our assessment of nine network companies' re-opener applications. These applications were submitted under the following re-opener mechanisms as provided for by the conditions of the network companies' licences:

Electricity Transmission

- Medium Sized Investment Projects (MSIP)⁷
- Large Onshore Transmission Investment (LOTI)⁸

Electricity Distribution

- Hebrides and Orkney Whole System Uncertainty Mechanism (HOWSUM)⁹ – (SSEH only)
- Load Related Expenditure Re-opener¹⁰

Gas Distribution

- Health and Safety Executive (HSE) Policy Re-opener¹¹
- Specified Streetworks Costs Re-opener¹²
- Net Zero Pre-Construction Work and Small Net Zero Projects (NZASP) Re-opener¹³

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

- 2.3 We did not receive any re-opener application submissions from the Gas Transmission network company and from the National Energy System Operator (NESO).

⁷ Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)

⁸ Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIAt and LOTIREt)

⁹ Special Condition 3.2 (Hebrides and Orkney Re-opener) Part N

¹⁰ Special Condition 3.2 (Load Related Expenditure Re-opener (LREt)) Part K

¹¹ Special Condition 3.17 (HSE policy Re-opener (REPt))

¹² Special Condition 3.24 (Specified Streetworks Costs Re-opener (STWt))

¹³ Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt))

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- 2.4 We considered each proposal and relevant justification for funding requested in accordance with our principal objective and statutory duties and in line with the Re-opener Guidance and Application Requirement Document.
- 2.5 We consulted on our Draft Determination and associated draft directions that would be used to implement the Authority’s decision for the relevant licensee’s re-opener application.
- 2.6 We received re-opener applications for 48 projects out of which 43 were approved or partially approved in our Draft Determination. **Table 2** below summarises our Draft Determinations, including the value of the additional funding that the network companies have requested for and our proposed project allowances. For more details on our assessment and our Draft Determination of the re-opener application submissions, please see sector specific annexes published on our website.¹⁴

Table 2 – Summary of Draft Determinations¹⁵

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

* Including partial approval

¹⁴ [Draft Determinations on RIIO-2 Re-opener Applications 2025: Electricity Transmission, Electricity Distribution and Gas Distribution | Ofgem](#)

¹⁵ DD denotes Draft Determination

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

Changes to Draft Determinations figures

- 2.8 As part of their responses some licencees provided revised cost estimates, which affect the forecast cost and Draft Determinations figures that we give in these Final Determinations. In addition, we are also including the Final Determinations on Cadent's Diversions and Loss of Development Claims Re-opener, see below.
- 2.9 Table 1 above reflects the originally submitted estimates, i.e. those given in our Draft Determinations documents. Table 2 below, and all subsequent tables have been updated to reflect the revised submissions and Cadent's Diversions and Loss of Development Claims application.

Cadent's 2024 Diversions and Loss of Development Claims Re-opener application

- 2.10 In our [Final Determinations on RIIO-2 re-opener applications 2024\[1\]](#), although we assessed Cadent's application under the re-opener, we did not make a final determination on allowances, stating that we would "delay publishing the direction for Cadent under this re-opener until such time as we have sufficient confidence over the full value of Loss of Development Claims in RIIO-GD2." Cadent has now provided additional cost information needed to determine its allowances for Loss of Development Claims. Our decision is to award an additional £1.694m for forecast Loss of Development Claims expected to be settled in years four and five of RIIO-2, giving a total allowance of £65.100m for Cadent's Diversions and Loss of Development Claims Re-opener in RIIO-2 (£63.046m decided on in 2024 FDs and £1.694m decided on in 2025 FDs). Further information can be found in the GD Annex.

Summary of our Final Determinations

- 2.11 We received responses to our consultation from nine network companies that submitted re-opener applications that we consulted on, as part of our RIIO-2 Re-opener Applications 2025 Draft Determinations. We also received responses from four non-network company stakeholders. Having carefully considered all views set out in the responses, we have decided to proceed with making our Final Determinations as set out below.
- 2.12 We have decided to approve the relevant licensees' re-opener applications for ET, ED and GD listed in the **Table 3** below. The total company forecasted costs of the submitted projects for all sectors combined are approx. £1,056m in 2018/19 prices, or approx. £1,096m in 2020/21 prices. The total additional

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allowances awarded for all sectors combined are approx. £785m in 2018/19 prices, or approx. £814m in 2020/21 prices.

2.13 We have decided to not approve funding for some proposed projects under the following mechanisms:

- **GD Specified Streetworks Costs Re-opener** (SpC 3.24 of the GD licence) – we have updated our assessment to include any new requirements over RIIO-2, regardless of whether they apply to new or existing schemes. Costs must also fall within the definition of Specified Streetworks Costs. We do not consider general cost increases, to permits or schemes, to be a new requirement and have therefore disallowed the associated costs.
- **MSIP Re-opener** (SpC 3.14 of the ET licence): We have not approved additional funding for NGET’s Norwich project as it does not meet the relevant eligibility threshold specified in SpC 3.14.6 of NGET’s licence. While we have accepted the needs case for NGET’s Marston Vale connection project, we have rejected the optioneering for the project as NGET did not sufficiently demonstrate that its preferred option was in the best interest of consumers.
- **Load Related Expenditure Re-opener** (SpC 3.2: Part K of the ED licence): We have disallowed ENWL’s proposal for electric vehicle charging points at motorway service areas, as ENWL did not sufficiently demonstrate that its preferred option would be in the best interest of consumers. We have also disallowed the secondary reinforcement programmes on opportunistic upsizing of transformers and splitting High Voltage feeder networks as this will be considered in a broader context of the ED2 Year 3 review of volume driver mechanisms.
- **Hebrides and Orkney Whole System Uncertainty Mechanism (HOWSUM)** (SpC 3.2: Part O of SHEPD’s ED licence): We have decided to approve allowances for an alternative to SHEPD’s preferred solution for the Islay-Jura project as we consider it to be a more efficient and economical solution. On Orkney, although we approved the preferred solution, we have decided to not approve allowances for the second phase at this point in time. This is due to uncertainty around the construction of a second transmission link to Shetland and how it affects the optimal solution for replacing two existing subsea cables.
- **Efficiency and other adjustments**: we have also made a number of adjustments to the licensees’ costs to reflect e.g. our assessment of the efficient cost of delivering approved proposals, or to remove elements of costs that are out of scope of the re-opener mechanism.

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Table 3 – Summary of Final Determinations on project allowances

Sector	Sector Group	Company requested - Number of Projects	Forecast costs (£m)	Cost adjustment (£m)	Ofgem's DD Allowances (£m)	Ofgem's Adjustment from DD to FD (£m)	Ofgem's FD allowances (£m)
ET	National Grid Electricity Transmission	13	208.468	-87.390	121.078	+29.866	150.944
ET	Scottish Hydro Electric Transmission	5	112.528	-27.519	85.009	+15.592	100.601
ET	SP Transmission	7	79.654	-5.391	74.263	+3.977	78.240
ET	Total	25	400.650	-120.300	280.351	+49.435	329.785
GT	National Gas Transmission	-	-	-	-	-	-
GT	Total	-	-	-	-	-	-
ED	Electricity North West	1	201.600	-108.495	93.105	+57.642	150.747
ED	Northern Powergrid	-	-	-	-	-	-
ED	National Grid Electricity Distribution	-	-	-	-	-	-
ED	SP Energy Networks	-	-	-	-	-	-
ED	Scottish and Southern Energy	6	158.590	-150.700	7.890	+69.262	77.152
ED	UK Power Networks	-	-	-	-	-	-
ED	Total	7	360.190	-259.195	100.995	+126.905	227.900
GD	Cadent	48	158.907	-67.986	90.921	+25.329	116.249
GD	Northern Gas Networks	2	33.690	-18.566	15.124	+7.900	23.024
GD	Scotia Gas Networks	3	65.617	-25.276	40.341	+6.778	47.118
GD	Wales & West Utilities	2	50.063	-23.485	26.578	+22.371	48.948
GD	Total	55	308.276	-135.313	172.964	+62.376	235.340

Total amount that consumers will pay through their bills

2.14 Any allowances we award to network companies in RIIO-2, including through re-opener mechanisms, are for the specific regulatory years in which the work is expected to be carried out. Although consumers pay out a portion of the allowances (between 15% and 30% for re-openers)¹⁶ to the licensee in the year to which they relate, the majority is paid over the next 45 years. Consumers also pay additional amounts to network companies over 45-years which cover the

¹⁶ Capitalisation and gearing rates, and the Cost of Debt and Equity values for each licensee are as per the Finance Annexes of our RIIO-2 final determinations. Cost of Debt is updated annually. However, for our estimations we have kept the individual licensees' Cost of Debt values constant.

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

2.15 We have estimated how much the funding decisions in our Final Determinations, will cost consumers in total over the full 45-year periods in which consumers will pay through their energy bills.¹⁷ The total amount that consumers will pay to each network company is summarised in **Table 4** below. The main headlines from this analysis are below (please note all amounts are in the 2024/25 prices, which is the most recent completed regulatory year). It should be noted that the allowance figures are for all price control periods, i.e. they include RIIO-2 allowances, as well as any allowances that will be awarded through subsequent price controls:

- For the total £1,356m re-opener allowances approved, consumers will pay an estimated £2,316m (i.e. an additional £960m) to the network companies. The present value¹⁸ of the £1,396m total amount to be paid by consumers to the network companies is £1,351m.
- The electricity transmission and distribution companies will receive automatic additional allowances of approximately £95m. This amount is to fund their indirect activities and are set automatically through the Opex Escalator and Indirect Scalar mechanisms. This brings the total allowance for all sectors to £1,450m.
- The remaining £866m additional amount paid by consumers is to cover the companies' debt interest payments and shareholder returns. This breaks down as follows:
 - £350m (+24% of total re-opener allowances) additional will be paid over 45 years by consumers to cover the network companies' debt interest payments, and
 - £516m (+36% of total re-opener allowances) additional will be paid by consumers over 45 years to the network companies as a return on their shareholders' investments.

¹⁷ For the purpose of estimating the total cost to consumers we have assumed that the Cost of Debt, Cost of Equity, and other financing parameters remain constant at the company rates set at RIIO-2 FD (range of 1.59% to 3.01% for Cost of Debt, and 4.02% and 5.23% for Cost of Equity). In fact the Cost of Debt is indexed and changes annually and our RIIO-3 DD published on 1 July 2025 also proposes to revise the parameter rates for the RIIO-3 period for the ET, GT, and GD sectors.

¹⁸ The present value is an adjusted value to allow us to account for of the time value of money. The present value figures reflect that £1 paid in future years will in effect cost less than £1 paid today. We use the Government Green Book social time preference rate (STPR) for the purpose of calculating this estimate.

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

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

Sector	Company	Price Base	Paid by Consumers: Reopener Allowances (£m)	Paid by Consumers: Additional Allowances (£m)	Paid by Consumers: Company Debt Repayments	Paid by Consumers: Company Shareholder Return	Total Paid by Consumers	Present Value of Total Paid by Consumers
ET	National Grid Electricity Transmission	2018/19	241	41	55	100	437	254
ET	Scottish Hydro Electric Transmission	2018/19	106	1	18	38	163	97
ET	SP Transmission	2018/19	119	16	26	48	209	120
ET	Sector Total	2018/19	466	58	100	185	809	471
GT	National Gas Transmission	2018/19	-	-	-	-	-	-
GT	Sector Total	2018/19	0	0	0	0	0	0
ED	Electricity North West	2020/21	151	16	59	68	294	168
ED	Northern Powergrid	2020/21	-	-	-	-	-	-
ED	National Grid Electricity Distribution	2020/21	-	-	-	-	-	-
ED	SP Energy Networks	2020/21	-	-	-	-	-	-
ED	Scottish and Southern Energy	2020/21	216	-	76	88	381	204
ED	UK Power Networks	2020/21	-	-	-	-	-	-
ED	Sector Total	2020/21	367	16	135	157	675	372
GD	Cadent	2018/19	116	-	20	32	169	109
GD	Northern Gas Networks	2018/19	23	-	4	6	34	22
GD	Scotia Gas Network	2018/19	47	-	8	13	69	44
GD	Wales & West Utilities	2018/19	49	-	9	14	71	47
GD	Sector Total	2020/21	235	-	42	65	342	222

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Sector	Company	Price Base	Paid by Consumers: Reopener Allowances (£m)	Paid by Consumers: Additional Allowances (£m)	Paid by Consumers: Company Debt Repayments	Paid by Consumers: Company Shareholder Return	Total Paid by Consumers	Present Value of Total Paid by Consumers
All	All Sectors Total	2018/19	1,055	74	272	401	1,801	1,051
All	All Sectors Total	2020/21	1,095	76	282	417	1,871	1,091
All	All Sectors Total	2024/25	1,356	95	350	516	2,316	1,351

Next steps

- 2.17 **Table 5** summarises how we are implementing our decisions for the relevant Final Determinations. For certain re-opener mechanisms listed in this table, directions have been issued by Ofgem, setting out relevant outputs and allowance adjustments. These allowances have been adjusted by changing the value of the re-opener terms listed within the licence and for the Regulatory Years to which that adjustment relates. We have included directions in the appendices of the sector specific annexes.
- 2.18 We also intend to issue statutory consultations on our proposals to modify the applicable licensees' licence to implement our decision on project funding requests made under the following re-opener mechanisms:
- ET: MSIP Re-opener (SpC 3.14 of the ET licences);
 - ET: Large onshore transmission investment Re-opener (SpC 3.13 of the ET licences); and
 - ED: Load Related Expenditure Re-opener (SpC 3.2 of the ED licences).
- 2.19 We will include the draft text for the proposed licence amendments in the relevant statutory consultation document. Please note, this may be revised following consultation on the proposed licence drafting. The statutory consultation documents will be published in early 2026.

Table 5 – Decision implementation overview

Sector	Network company	Licence condition /Reopener applications subject to this decision	Direction/ licence modification
ET	NGET	SpC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ET	SPT	SpC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ET	SHET	SpC: 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPREt)	Licence modification
ET	SHET	SpC: 3.13 Large onshore transmission investment Re-opener (LOTIAt and LOTIREt)	Licence modification & Direction
ET	SHET	SpC: 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCFt and PCFREt)	Direction
ED	SSEH	SpC: 3.2 (Hebrides and Orkney Re-opener) Part O	Direction
ED	ENWL	SpC: 3.2 (Load Related Expenditure Re-opener (LREt)) Part K	Licence modification
GD	Cadent	SpC: 3.17 (HSE policy Re-opener (REPt))	Direction

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Sector	Network company	Licence condition /Reopener applications subject to this decision	Direction/ licence modification
GD	Cadent	SpC: 3.24 (Specified Streetworks Costs Re-opener (STWt))	Direction
GD	Northern Gas Networks	SpC: 3.17 (HSE policy Re-opener (REPt))	Direction
GD	Northern Gas Networks	SpC: 3.24 (Specified Streetworks Costs Re-opener (STWt))	Direction
GD	SGN (Scotland Gas Network)	SpC: 3.17 (HSE policy Re-opener (REPt))	Direction
GD	SGN (Scotland Gas Network)	SpC: 3.24 (Specified Streetworks Costs Re-opener (STWt))	Direction
GD	Southern Gas Networks	SpC: 3.17 (HSE policy Re-opener (REPt))	Direction
GD	Southern Gas Networks	SpC: 3.24 (Specified Streetworks Costs Re-opener (STWt))	Direction
GD	WWU	SpC: 3.17 (HSE policy Re-opener (REPt))	Direction
GD	WWU	SpC: 3.24 (Specified Streetworks Costs Re-opener (STWt))	Direction
GD	Cadent	SpC: 3.9 (Net Zero Pre-construction work and Small Net Zero Projects Re-opener) Part C	Direction
GD	Cadent	SpC: 3.20 (Diversion and Loss of Development Claims Re-opener) Part C ¹⁹	Direction

¹⁹ This direction is to implement award allowances for Cadent’s application that we assessed as part of our [Final Determinations on RIIO-2 re-opener applications 2024](#).

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Appendices

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Appendix 1 : Re-opener mechanisms overview

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

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

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Appendix 2 : Network companies published re-opener applications

Sector	Company	Re-opener Mechanism	Link to relevant publications
ET	NGET	Medium Sized Investment Projects (MSIP)	Our RIIO-2 business plan National Grid
ET	SHET	Medium Sized Investment Projects (MSIP)	Medium Sized Investment Projects (MSIP) - SSEN Transmission
ET	SPT	Medium Sized Investment Projects (MSIP)	MSIP Reopeners - SP Energy Networks
ET	SHET	Large Onshore Transmission Investment (LOTI) mechanism	Gremista GSP (Grid Supply Point) and 132kV Connection - SSEN Transmission
ED	SSEN	Hebrides and Orkney Whole System Uncertainty Mechanism (HWSUM)	Whole system energy solutions for the Scottish Islands - SSEN
ED	ENWL	Load Related Expenditure Re-opener (LREt)	Public information - Load Related Expenditure Re-opener
GD	Cadent	Health and Safety Executive (HSE) Policy Re-opener	Fatigue-Re-opener-Submission-September-2024.pdf
GD	NGN	Health and Safety Executive (HSE) Policy Re-opener	NGN-RIIO-GD2-HSE-Policy-Special-Condition-3.17-Re-opener-Submission-300924-redactedv2.0-2.pdf
GD	SGN	Health and Safety Executive (HSE) Policy Re-opener	SGN HSE Re-opener_30 September 2024_Redacted_0.pdf
GD	WWU	Health and Safety Executive (HSE) Policy Re-opener	Microsoft Word - WWU re-opener - Fatigue Final_03.10.2024 redacted revised
GD	Cadent	Net Zero Pre-Construction Work and Small Net Zero Projects (NZASP) Re-opener	Net-Zero-Pre-construction-Work-and-Small-Net-Zero-Projects-Re-opener-Cadent-Vehicle-Based-Advanc.pdf
GD	Cadent	Specified Streetworks Costs Re-opener	Streetworks-Re-opener-Submission-September-2024.pdf
GD	NGN	Specified Streetworks Costs Re-opener	NGN-RIIO-GD2-Specified-Streetworks-Special-Condition-3.24-Re-opener-Submission-300924-1.pdf
GD	SGN	Specified Streetworks Costs Re-opener	SGN Streetworks Re-opener_30 September 2024_Redacted_0.pdf
GD	WWU	Specified Streetworks Costs Re-opener	Microsoft Word - WWU Streetworks re-opener paper redacted revised
GD	Cadent	Diversions and Loss of Development Claims Re-opener (2024)	Diversions-and-Loss-of-Land-Development-Claims-Re-opener-Submission-January-2024.pdf

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Appendix 3 : Glossary

A

Allowed revenue

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

Associated Document

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

The Authority/Ofgem/GEMA

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

B

Base revenue

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

Baseline Allowed Return

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

Benchmarking

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

C

Capital expenditure (capex)

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

Closely Associated Indirects

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

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Consumer

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

D

Distributed generation (DG)

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

Distribution Network Operators (DNOs)

A DNO is a company that operates the electricity distribution network, which includes all parts of the network from 132kV down to 230V in England and Wales. In Scotland 132kV is considered to be a part of transmission rather than distribution so their operation is not included in the DNOs' activities. There are 14 DNO licensees that are subject to RII0 price controls. These are owned by six different groups.

Distribution System

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

Distribution System Operation

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

E

Electricity System Operator (ESO)

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

Engineering Justification Paper

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

G

Gas Distribution Networks (GDNs)

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

L

Licence conditions

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

Licence obligations (LO)

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

Load Related Expenditure

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

N

Net Zero Target

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

Network Company

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

Network Options Assessment (NOA)

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

Non-op Capex

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

O

Ongoing Efficiency

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

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Opex Escalator

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

Operating Expenditure (opex)

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

Outputs

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

P

Price control

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

Price Control Deliverables (PCDs)

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

R

Regulatory Instructions and Guidance (RIGs)

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

Re-openers

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

RIIO (Revenue = Incentives + Innovation + Outputs)

Ofgem's regulatory framework, stemming from the conclusions of the RPI-X@20 project. It builds on the success of the previous RPI-X regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to

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drive the innovation needed to deliver a sustainable energy network at value for money to existing and future consumers.

S

System Operator (SO)

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

T

Third party

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

Total expenditure (totex)

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

Total Market Return (TMR)

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

Totex Benchmarking

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

Transmission Owner (TO)

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

Transmission system

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

U

Uncertainty Mechanisms (UMs)

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

V

Volume driver

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

W

Worst served customer

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