

Decision

RIIO-3 Final Determinations – Scottish Power Transmission (SPT)

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The next set of price controls for the Electricity Transmission (ET), Gas Distribution (GD) and Gas Transmission (GT) sectors will cover the five-year period from 1 April 2026 to 31 March 2031 (RIIO-3). In December 2024, the network companies in these sectors submitted their RIIO-3 Business Plans for this period to Ofgem. We assessed these plans and published our Draft Determinations for consultation on 1 July 2025. Following consideration of consultation responses, this document and others published alongside it set out our Final Determinations for the RIIO-3 price controls.

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Contents

RIIO-3 Final Determinations – Scottish Power Transmission (SPT)	1
1. Introduction	4
Purpose of this document.....	4
Navigating the RIIO-3 Final Determinations documents.....	4
An overview of SPT’s RIIO-ET3 price control.....	5
2. Outputs and incentives.....	8
Outputs we propose to accept.....	8
Network Asset Risk Metric (NARM).....	8
3. Business Plan Incentive (BPI).....	11
Stage A.....	11
Stage B.....	11
Stage C.....	14
4. Managing uncertainty.....	16
Generation connections Volume Driver	16
Net Zero Fund UIOLI	17
5. Cost of service.....	19
Baseline allowances	19
Engineering assessment of SPT’s Business Plan	19
6. Innovation	22
Background	22
Final Determinations decision and Draft Determinations responses	22
7. Data and Digitalisation	23
Introduction.....	23
Final Determinations decision and Draft Determinations responses	23
Appendix 1 – Summary of Engineering Review	25
Appendix 2 – Project Load Re-opener Tracks	25

1.Introduction

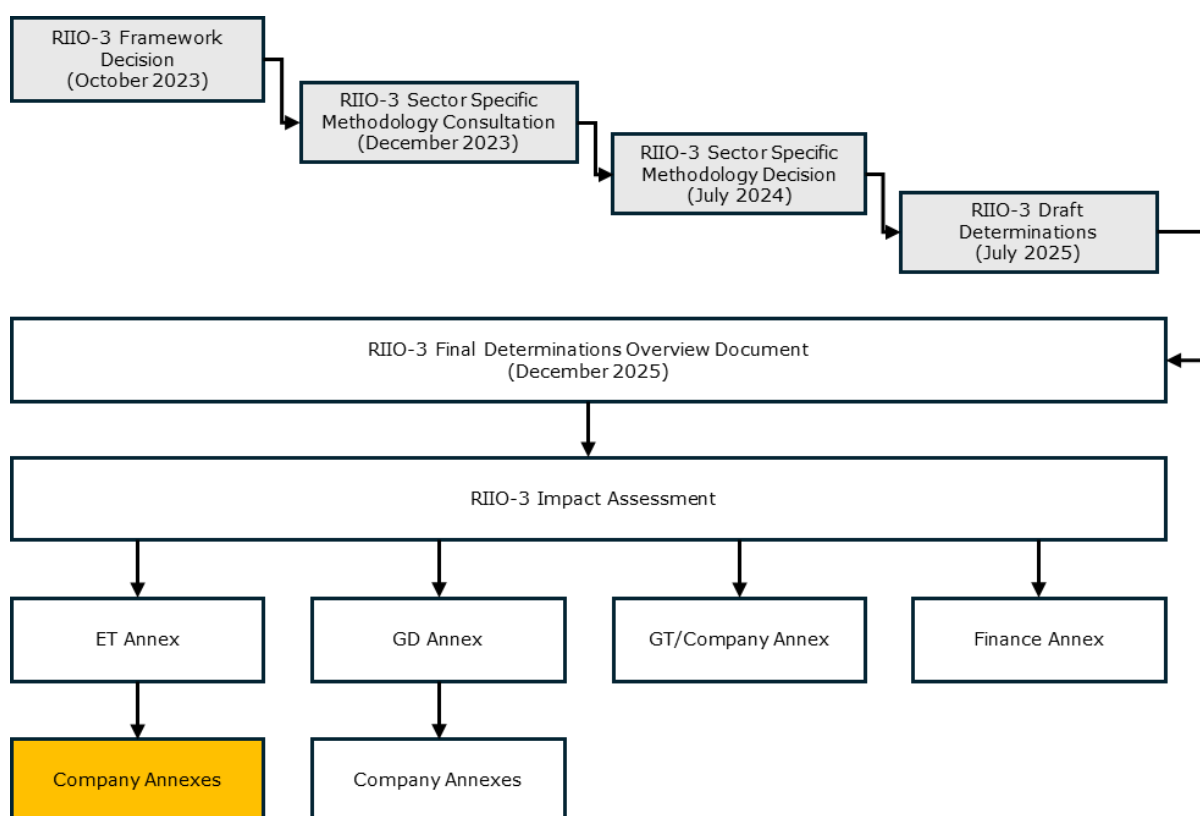
Purpose of this document

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

Navigating the RIIO-3 Final Determinations documents

- 1.2 The RIIO-3 Final Determinations are comprised of an Overview Document, a Finance Annex and sector annexes for ET, GD and GT. The sector annexes are underpinned by a RIIO-3 Impact Assessment, company annexes and, where relevant, technical annexes. This document is the SPT Annex. Figure 1 below maps all documents relevant to our suite of RIIO-3 Final Determinations, including the framework and methodology documents that have preceded it.

Figure 1: RIIO-3 Final Determination map



- 1.3 Our Final Determinations have considered all previous feedback from network companies and other stakeholders, including the reports from the Independent Stakeholder Groups (ISGs) that were established to challenge each of the network companies on their stakeholder engagement and business plans, and the

feedback received in response to our RIIO-3 Draft Determinations. Further details on our approach to embedding the consumer voice is set out in the RIIO-3 Overview Document.

An overview of SPT's RIIO-ET3 price control

- 1.4 This section summarises the key aspects of SPT's RIIO-ET3 Final Determinations, setting out its cost allowances, outputs, uncertainty mechanisms (UMs), Business Plan Incentive (BPI) outcome and financing parameters.

Table 1: Allowed baseline totex (£m, 2023/24 prices)

Cost area	SPT submitted (£m)	Ofgem FD (£m)	Difference (£m)	Difference (%)
Core baseline totex	2,224.2	1,996.6	-227.5	-10.2%
Pre-construction funding	-	120.4	-	-
Network Innovation Allowance (NIA)	22.5	22.5	0.0	-
Pass-throughs	-	484.5	-	-
Use-It-Or-Lose-It (UIOLI) allowances	-	778.5	-	-
Volume drivers	-	327.6	-	-
Ex ante allowances	-	3,730.2	-	-

Table 2: Outputs package

Output name	Output type	Sector(s)	Further detail
Network Asset Risk Metric	PCD, ODI-F and ODI-R ¹	ET, GD, GT	Overview Document
Physical Security	Re-opener and PCD	ET, GT	Overview Document
NIS-R Cyber Resilience	Re-opener and PCD	ET, GD, GT	Overview Document
Environmental Action Plan and Annual Environmental Report	ODI-R and LO	ET, GD, GT	Overview Document
Strategic Innovation Fund (SIF)	UIOLI	ET, GD, GT	Overview Document
Network Innovation Allowance (NIA)	UIOLI	ET, GD, GT	Overview Document
Totex Incentive Mechanism (TIM)	ODI-F	ET, GD, GT	ET Annex
Reducing carbon emissions from operational transport	PCD	ET, GD	Overview Document

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

Output name	Output type	Sector(s)	Further detail
Accelerated Strategic Transmission Investment	ODI-F	ET	December 2022 Decision
Major Projects	ODI-F	ET	ET Annex
Innovative Delivery	ODI-F	ET	ET Annex
Connections	ODI-F	ET	ET Annex
Insulation and Interruption Gas (IIG) emissions	ODI-F	ET	ET Annex
Energy Not Supplied (ENS)	ODI-F	ET	ET Annex
SO:TO Optimisation	ODI-F	ET	ET Annex
Network Access Policy (NAP)	LO	ET	ET Annex
Landscape Enhancement Initiative (LEI)	UIOLI	ET	ET Annex
CSNP Coordination	LO	ET	ET Annex
New Infrastructure Stakeholder Survey (NISES)	ODI-R	ET	ET Annex

Table 3: UMs package

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

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

Table 4: BPI outcome

BPI Stage	SPT outcome (Bps RoRE)	Further detail
Stage A	Pass	Overview Document and this document
Stage B	6.53	Overview Document, ET Annex and this document
Stage C	5.30 bps	Overview Document and this document

Table 5: Financing parameters

Area	SPT outcome	Further detail
Notional Gearing	55%	Finance Annex
Cost of equity	5.70%	Finance Annex
Cost of debt (semi-nominal)	5.58%	Finance Annex
Weighted average cost of capital (semi-nominal)	5.63%	Finance Annex
Illustrative RoRE ranges (post RAMs)	2.05%-9.61%	Finance Annex

2. Outputs and incentives

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

Outputs we propose to accept

Network Asset Risk Metric (NARM)

- 2.2 As in Draft Determinations, our decisions on network companies' Baseline Network Risk Outputs (BNRO) are based on its Business Plan proposals and reflect any adjustments to asset intervention volumes to align with baseline funding allowances.
- 2.3 As we set out at Draft Determination, to ensure that BNRO, Baseline Allowances and ONRO and Outturn Allowances are comparable, we require network companies to recalculate their BNRO to reflect their Final Determination volumes. More detail on this process can be found in the NARM section in the Overview Document.
- 2.4 We continue to use the NARM funding categories set out in the NARM Handbook, which provides the scope of the NARM Funding Adjustment and Penalty Mechanism and its interaction with other mechanisms.
- 2.5 Since Draft Determinations, we have engaged with SPT to determine the appropriate treatment of two RIIIO-ET2 schemes as set out in SPT's Draft Determination. One of these two schemes has been delivered since SPT's Business Plan submission. This means we have removed it from SPT's BNRO for RIIIO-3, and the project will be assessed as part of RIIIO-ET2 closeout as originally intended.
- 2.6 For the other scheme, we now have full understanding of the reasons this scheme is being forecast as delivery in RIIIO-ET3 and have decided should be delivered under SPT's RIIIO-ET3 BNRO and has been allocated to the A1 Funding Category. The non-delivery of this scheme in RIIIO-ET2 will be managed through the RIIIO-ET2 closeout process.
- 2.7 Table 2 below summarises our Final Determination of the BNRO, associated Baseline Allowances inclusive of OEs, and the Unit Cost of Risk. The BNRO relate only to the A1 Funding Category.

Table 6: Baseline Network Risk Outputs, Baseline Allowance and Unit Cost of Risk per NARM Risk Sub-Category

Risk Sub-Category	Risk Sub-Category	Baseline Network Risk Output (R£M)	Baseline Allowance (£m)	Unit Cost of Risk Benefit UCR (£/R£)
Circuit Breaker	CB	177.1	45.6	0.3
Overhead Line Conductor	OC	7,798.1	19.8	0.0
Overhead Line Fittings	OF	923.2	59.9	0.1
Overhead Line Tower	OT	2,557.6	67.6	0.0
Reactor	RX		-	-
Transformer	TX	1,139.6	71.7	0.1
Underground Cable	UC	1,711.1	57.3	0.0
Total		14,306.8	321.8	

2.8 Table 7 below summarises the results of our assessment of the BNRO per NARM asset category at Draft Determination and Final Determination. We acknowledge that there was error in the BNRO in both the overview document and company annex at Draft Determinations. As explained in our response to SPTs SQ raising this, the error was due to missing a project in our calculations and that we would ensure that this is corrected and reflect the Draft Determination BNRO in our Final Determination.

Table 7: Baseline Network Risk Output (R£m) per NARM asset category

Asset Category	Draft Determination	Change from DD to FD	Final Determination
132kV Circuit Breaker	19.4	-	19.4
132kV Transformer	622.5	-	622.5
132kV Reactor		-	
132kV Underground Cable	1,861.1	-	1,861.1
132kV OHL Conductor	775.1	416.4	1,191.4
132kV OHL Fittings	972.5	2,897.2	3,869.6
132kV OHL Tower	3,108.8	538.2	3,647.0
275kV Circuit Breaker	114.4	-	114.4
275kV Transformer	418.7	-	418.7
275kV Reactor		-	

Decision – RIIIO-3 Final Determinations – Scottish Power Transmission (SPT)

Asset Category	Draft Determination	Change from DD to FD	Final Determination
275kV Underground Cable		-	
275kV OHL Conductor	526.1	-	526.1
275kV OHL Fittings		-	
275kV OHL Tower	1,344.1	-	1,344.1
400kV Circuit Breaker	38.0	-	38.0
400kV Transformer	98.4	-	98.4
400kV Reactor		-	
400kV Underground Cable		-	
400kV OHL Conductor		-	
400kV OHL Fittings		-	
400kV OHL Tower	556.0	-	556.0
Total	10,455.0	3,851.8	14,306.8

3. Business Plan Incentive (BPI)

3.1 This chapter sets out SPT's Final Determinations BPI results, including some of the key points raised by stakeholders, and our responses to these points. Where the results have changed from that published in the Draft Determinations, we have set out our reasoning for this change. For information on the overall results for the BPI for all companies, see the Overview Document.

Table 8: Final Determinations BPI results

BPI Stage	Draft Determinations result	Final Determinations result	Further detail
A	Pass	Pass	This chapter for specific views on the Final Determinations result.
B	0.6 bps	6.5 bps	This chapter for specific views on the Final Determinations result.
C	4.0 bps	5.3 bps	This chapter for specific views on the Final Determinations result.
Total bps	4.6 bps	11.8 bps	
Total 5-year monetary equivalent, £m	4.4	12.4	

Stage A

3.2 Through the consultation we received no information to alter our position and therefore we have decided to implement our Draft Determinations position that SPT met all the minimum requirements, as set out in the Business Plan Guidance, and has passed Stage A of the BPI.

Stage B

3.3 The overall Final Determinations result for SPT is 6.5 bps, which corresponds to the weighted average of the outcomes from comparative (0.1 bps) and bespoke (6.4 bps) assessment, rounded to two decimal points. The following provides details on the Final Determinations result for each cost category including the rationale for change from the Draft Determinations results.

Comparatively assessed costs

3.4 Table 9 below, sets out the comparatively assessed costs and their weightings within the overall Stage B BPI assessment score.

Table 9: Final Determination BPI scoring for comparatively assessed costs by network

Comparatively assessed cost category	Weighting	Efficiency benchmark	Efficiency Score	BPI reward/penalty (bps)
Insurance - onshore	0.0%	1.1	0.4	0.1
Total	0.0%	1.1	0.4	0.1

Final Determinations Rationale and Draft Determinations responses

- 3.5 In our Draft Determinations, Closely Associated Indirects (CAI), Business Support Costs (BSC) and Insurance offshore costs categories were assessed on a comparative basis, for our Final Determinations they are now assessed as bespoke costs. We received one response on the stage B assessment results for SPT, and this was from SPT. In its response, SPT did not agree with the outcome of the comparative assessment at our Draft Determinations. It argued the assessment relied on a weak econometric modelling approach and arbitrary weighting between the historic and forward-looking analyses. It added this approach failed to account for the scale of future investment needs and it was unfairly penalised. SPT called for an alternative approach to the CAI and BSC assessments to reflect anticipated network growth and added that the significant reward for bespoke costs indicates SPT are deemed efficient when a qualitative assessment is undertaken.
- 3.6 We note SPTs concerns regarding the comparative assessment for indirects at Draft Determinations. The indirects modelling approach has been updated to place greater weight on the TO-specific analyses which recognises the varying growth and indirect cost requirements for RIIO-ET3, as outlined in Chapter 5 of the ET Annex. To be consistent with the approach to setting allowances, we have removed the comparative assessment of CAI, BSC and Insurance of offshore assets and these will be assessed on their own merit under a bespoke assessment.

Bespoke costs

- 3.7 The table below sets out bespoke costs assessed along with the Final Determinations rationale and the Draft Determinations responses.

Table 10: Final Determinations BPI scoring for bespoke cost activities

Bespoke Cost	Weighting	BPI reward/penalty (bps)
Closely Associated Indirects: Operational Training	1.8%	0.4
Load Related Capex: Local Enabling (Entry)	1.2%	0.1

Bespoke Cost	Weighting	BPI reward/ penalty (bps)
Load Related Capex: LRE - sole-use Local Enabling (Exit - Sole Use)	0.5%	0.1
Non-Load Related Capex: Replacement	16.0%	2.1
Non-Load Related Capex: Refurb Major	6.1%	0.8
Non-Load Related Capex: Refurb Minor	0.7%	0.1
Non-Load Related Capex: Decommissioning	0.0%	0.0
Non-Load Related Capex: Spares	1.3%	0.1
Network Operating Costs	11.1%	0.7
Non-operational Capex	1.1%	0.0
Other costs	1.8%	0.1
Business Support: IT & Telecoms	4.1%	-0.8
Non-operational Capex: IT & Telecoms	0.6%	0.0
Network Operating Costs: Operational Technology	5.9%	-0.4
Other costs: Cyber Security	3.1%	-0.6
Network Operating Costs: Data & Digitalisation	0.1%	0.0
Non-operational Capex: Data & Digitalisation	3.8%	0.8
Insurance - offshore: Business Support Costs	1.5%	0.3
Closely Associated Indirects	26.50%	1.8
Business Support Costs	12.4%	0.8
Total	99.7%	6.4

Final Determinations Rationale and Draft Determinations responses

- 3.8 We have amended the bespoke assessment and added three cost categories; CAI, BSC and Insurance costs related to offshore. The CAI and BSC Stage B assessment was comparative at our Draft Determinations. However, the baseline modelling approach has been amended and places a higher weighting on the company-specific analyses, therefore we consider it appropriate to assess these costs based on their own merit. Following feedback to our Draft Determinations on the cost assessment of Insurance costs, we have agreed that onshore and offshore Insurance costs differ and should be treated differently and we conducted a qualitative review of offshore insurance costs. For Insurance offshore, SPT has received a reward against all three bespoke assessment criteria as costs have been allowed in full. For CAI and BSC, SPT was rewarded on the justification of efficient volumes criteria as no costs were disallowed based on volumes and supporting evidence was provided to justify the level of headcount growth. We found the quality of cost evidence and justification of efficient unit costs to be adequate as the evidence of efficiency provided was limited to a top-down ratio analysis of CAI to capex and totex.

- 3.9 In its response, SPT was supportive of the use of a qualitative assessment as this produces more accurate and fair outcomes. It highlighted the difference in assessment based on the approach where SPT had significant rewards under a bespoke assessment but penalties under a comparative assessment. We have conducted a bespoke assessment for indirect costs to reflect TO-specific circumstances and the reduced reliance on the comparative assessment in the modelling approach.
- 3.10 There were no changes to scores against the criteria compared with our assessment in our Draft Determinations. The variation in overall scores is due to adjustments to the cost weights resulting primarily from changes to exclusions.

Stage C

- 3.11 The below section sets out the Final Determinations result and rationale for the Clarity and Business Plan Commitments assessments for Stage C of the BPI.

Clarity

Final Determinations assessment result: 1.40 bps

- 3.12 SPT expressed its concern that the qualitative assessment lacks a holistic view of the plan, instead relying on selective examples that may have disproportionately influenced the overall scoring.
- 3.13 Our reasoning for the nature of the BPI is well-established and plays an important role in allowing us to overcome the asymmetries between us and the network companies.
- 3.14 SPT's plan was marked as 'acceptable' in all areas of clarity, apart from its layout and structure being marked as 'outstanding'. It was limited in scoring a greater reward due to the excessive length of some aspects, namely the Environmental Action Plan (EAP), which made it difficult to extract relevant information. The lack of detail around numerous Engineering Justification Papers was such that a number of supplementary questions were required.
- 3.15 Therefore we have decided to implement our Draft Determinations position that SPT scored 1.4 bps for the BPI Stage C Clarity assessment. The rationale for this result is set out in our Draft Determinations - SPT.

Business Plan Commitments

Final Determinations overall assessment result: 3.9 bps

Outcome: Infrastructure fit for a low-cost energy transition

Final Determinations assessment result: 0 bps

- 3.16 In our Draft Determinations, we penalised all TOs for the 'infrastructure fit for a low-cost energy transition' commitment outcome.
- 3.17 In their responses to our Draft Determinations, all TOs raised the high level of uncertainty going into RIIO-ET3. In particular, SPT strongly disagree with our decision to penalise it in this area, suggesting that our rationale did not reflect the regulatory framework, the context of RIIO-ET3, or the evidence we ourselves had reviewed. Although we maintain a degree of concern over the long-term consideration of the solutions, the optioneering for such solutions is technically sound and we agree that SPT managed the uncertainty appropriately. Therefore, we have decided that all TOs be assigned an 'acceptable', and therefore financially neutral, score against this outcome.

Outcome: Secure and resilient supplies

Final Determinations assessment result: 3.9 bps

- 3.18 At Draft Determinations, SPT was rated as 'outstanding' under all criteria in this outcome apart from in when considering the consumer value and additionality criterion, which was rated as 'acceptable', leading to a reward in this area.
- 3.19 We did not receive any responses or comments on this aspect of SPT's BPI score.
- 3.20 As such, we maintain our position at Draft Determinations which produced an 'outstanding' rating for secure and resilient supplies commitments.

Outcome: High quality of service from regulated firms

Final Determinations assessment result: 0 bps

- 3.21 At Draft Determinations, SPT was rated as 'acceptable' under all criteria.
- 3.22 SPT disagreed with this assessment and urged us to apply a reward in this area, to reflect what it says is step-change in its delivery. It disagreed with our comments on a general lack of ambition.
- 3.23 It highlighted SO:TO incentive as a place where it has gone beyond BAU, including the establishment of its Transmission Constraint Optimisation Group (TCOG). Although we recognise the contribution by SPT in this area, we maintain our position that these behaviours are what is expected of a responsible owner of the transmission network. Having collaboration with the system operator and working towards generous rewards under the SO:TO incentive do not strike us as going beyond business-as-usual behaviour.
- 3.24 As such, we maintain our position at Draft Determinations which produced an 'acceptable' rating for high quality of service from regulated firms commitments.

4.Managing uncertainty

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

Generation connections Volume Driver

Purpose: To deliver network capacity to accommodate the changing volumes of connection of generation customers.

Benefits: Providing flexible funding for the network companies to invest in the transmission network in response to the uncertain need of new generation customers to connect.

- 4.2 TOs are required to provide connection offers within specific timeframes and ensure the transmission network meets technical standards. Customers connecting to the network are either generators or demand users. Generation connections often necessitate substation upgrades and network reinforcements, while demand connections may involve new infrastructure at Grid Supply Points (GSPs). Given the customer-driven nature of these projects, future investment needs are uncertain.
- 4.3 To manage this, we have decided to retain and update the RIIO-ET2 volume driver mechanisms. These will apply to projects with uncertain needs but predictable, repeatable, and measurable work, allowing revenue to adjustment with volumes. Table 11 sets out the volume drivers, unit rates and fixed allowances for SPT for RIIO-ET3.
- 4.4 The atypical threshold, which determines whether a project is funded through the volume driver mechanism or the Load UIOLI or Load Re-opener, is set at $\pm£6.868m$. If the difference between expected expenditure and allowances of the project is outside these thresholds, it will be funded through one of the other mechanisms mentioned.
- 4.5 Allowances are spread across a four-year period leading up to and including the year of completed project connection following the profile set out in Table 12.
- 4.6 Demand connection projects are to be funded through the Load UIOLI or Load Re-opener uncertainty mechanisms if the forecast project capital expenditure is less than or equal to £40m or greater than £40m, respectively.
- 4.7 All Draft Determination responses and decisions are provided in the ET Annex.
-

Table 11: Generation Connections Volume Driver modelled unit costs (£m/#, 2023/24 prices)

Volume driver	Unit of measurement	Unit rate (£m)	Fixed allowance (£m)
Substation generation	MW/MVA	[REDACTED]	[REDACTED]
OHL new 132	km	[REDACTED]	
OHL new 275/400	Number	[REDACTED]	
OHL reconductor 132	km	[REDACTED]	
OHL reconductor 275/400	km	[REDACTED]	
Cable short 132	km	[REDACTED]	[REDACTED]
Cable short 275/400	km	[REDACTED]	[REDACTED]
Cable long 132	km	[REDACTED]	[REDACTED]
Cable long 275/400	km	[REDACTED]	[REDACTED]

Table 12: Generation Connections Volume Driver allowances profile

Licence term	Year 1 allowance	Year 2 allowance	Year 3 allowance	Year 4 allowance
GCeT	25%	25%	25%	25%

Net Zero Fund UIOLI

Final Determination rationale and Draft Determination responses

- 4.8 We have decided not to retain the Net Zero Fund, changing our Draft Determination position. This is because, following consideration of stakeholders' feedback, we think its benefits are both hard to measure and difficult to quantify. We do not think its retention provides a clear net benefit to GB consumers.
- 4.9 Our Draft Determinations proposed that the scope of the UIOLI should remain broadly unchanged from RIIO-ET2. However, all nine stakeholders that responded suggested that its scope would need to expand to enable SPT directly to fund community projects. SPT also noted that it considered that direct projects are in scope now for RIIO-ET2 and should remain so for RIIO-ET3. We disagree; as stated at Draft Determinations, we remain of the view (since RIIO-ET2 Final Determinations) that it is inappropriate for SPT to use this allowance provided for through the price control directly to fund consumer-proposed projects.
- 4.10 SPT's and SPT's INZAC's responses noted that without the provision of direct funding, calculating social return on investment may be difficult or impossible. We agree with this view. Given the challenges associated with measuring the consumer value provided by the Net Zero Fund, we now think that under the scope set out in the Draft Determinations, deciding not to retain the fund is in the consumer-interest. Instead, we will support communities and how they engage

with the network across the whole Price Control (such as through Community Benefits funding and the Landscape Enhancement Initiative). We encourage SPT to leverage its role in its communities and to perform similar community engagement within RIIO-ET3, outside of the unretained Net Zero Fund.

5. Cost of service

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

Baseline allowances

5.2 Baseline totex referenced in this chapter comprises forecast controllable costs and is inclusive of our ongoing efficiency challenge. The figures presented in this chapter do not include Real Price Effects (RPEs) to allow comparisons with TOs' submissions which were exclusive of RPEs. Allowed baseline totex in this chapter directly compares with SPT's baseline submission (after exclusions), but does not reflect the entirety of the available funding upfront, as it does not include ex ante funding such as PCF and UIOLI allowances, volume drivers, pass-throughs or NIA. For SPT's overall ex ante funding, see Table 1.

5.3 Table 13 compares SPT's submitted baseline totex with our Draft Determinations and Final Determinations position at a disaggregated cost activity level.

Table 13: Submitted versus allowed baseline totex (£m, 2023/24 prices)

Cost area	SPT submitted	Ofgem DD ²	Ofgem FD	Difference	Difference (%)
Load related capex	84.3	29.2	78.6	-5.7	-6.8%
Non-load related capex	561.9	459.4	531.9	-30.0	-5.3%
Non-operational capex	116.8	104.7	107.2	-9.6	-8.2%
Network operating costs	353.4	265.2	299.0	-54.4	-15.4%
Business support costs	385.4	236.9	319.8	-65.6	-17.0%
Closely associated indirects	619.7	395.5	566.2	-53.5	-8.6%
Other costs ³	102.7	67.5	94.0	-8.7	-8.4%
Core baseline totex	2,224.2	1,558.4	1,996.6	-227.5	-10.2%

Engineering assessment of SPT's Business Plan

Consultation Response Summary

5.4 SPT has confirmed its agreement with the findings of our engineering review as presented in our Draft Determinations. However, it did not support our proposed use of PASE (Pre-Agreed Solutions by Engineering) for the Load Re-opener. SPT

² These values are corrected Draft Determinations values.

³ Other costs comprise physical and cyber security costs.

expressed concerns over the contents of PASE in relation to perceived conflict with their obligations under the Electricity Act (section 9) for the provision of the most economical, efficient or coordinated solutions. SPT also highlighted the potential for PASE to introduce perverse incentives and generate poor consumer outcomes. SPT stated a preference for an alternative approach which promoted the use of the Engineering Transmission Design Principles (ETDP) currently in development by NESO and industry stakeholders.

Plan Quality

5.5 We continue to consider that SPT's EJPs are all of a high quality and clarity.

Thematic Issues

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

5.7 Increasing Use of Gas Insulated Switchgear (GIS):

- As set out in our Draft Determinations,⁴ we continue to have concerns over SPT's proposed use of GIS switchgear in locations at which it may not be the most optimal whole life solution. If or when these projects are submitted for our review through the Load Re-opener or others UMs we will consider our previous feedback to SPT on these matters.
- We do not intend to revise the outcome of any EJP reviews as a result of the proposed use of GIS equipment given some uncertainty over their need. The use of GIS does not materially affect the conclusions previously reached during the review process on these projects.

5.8 Generally, SPT's atypical EJPs are of a similar standard to the other EJPs in its Business Plan submission. The funding requests are also broadly in line with expectations in relation to compliance with the Atypical Template and Business Plan Guidance. Through engagement with SPT and site visits, our view is that atypical projects can be approved for need and optioneering.

5.9 Use of Pre-Approval of Solutions by Engineering (PASE):

- SPT does not agree with our proposed use of PASE, signalling that instead we should consider the use of the ETDPs. At present the ETDPs are in draft format and in our view are not yet in a sufficiently detailed position for us to use to inform our reviews.

⁴ [Draft-Determinations-SPT.pdf](#) Section 5.6 and Appendix 1

- SPT also noted a range of limitations in the categories proposed including highlighting scenarios where customers may have been willing to pay more for specific solutions which would not have been in accordance with PASE. We recognise this issue and will consider if it is something which PASE can facilitate.
- We note that SPT appeared to suggest concern that works which were not in accordance with PASE may be rejected. This is not the case, these projects would require an additional submission, similar to existing processes, to justify the optioneering proposed.

Final Determination Changes

5.10 There are no changes from the Draft to the Final Determination.

Assessment

- 5.11 In the ET sector, due to the different types of EJP used we do not refer to EJPs as our standard terminology, instead we refer to Ofgem Scheme References (OSRs) which makes the integration of our engineering assessment into the cost assessment process more transparent. This means that our assessment is on a per OSR basis as opposed to per EJP basis.
- 5.12 We reviewed all of 114 SPT OSRs totalling approximately £1.8bn of planned investment for RIIIO-ET3.
- 5.13 Following our technical review and analysis, we consider the need case of 110 OSRs to be fully justified. For the remaining OSRs, these were not reviewed by engineering due to them being below the minimum funding requirements or candidates for future price controls.
- 5.14 The funding outcomes of our engineering assessments can be found in the PAM models issued to TOs.

6. Innovation

Background

- 6.1 The SSMD, Business Plan Guidance (BPG), Draft Determinations and Overview Document identify the criteria and process that we have used to assess NIA funding requests. The Overview Document includes details of decisions for NIA oversight, the SIF, increasing third party involvement and innovation deployment.
- 6.2 We set out below our Final Determinations on SPT's RIIO-3 NIA funding.

Final Determinations decision and Draft Determinations responses

- 6.3 We have decided to allow SPT £22.45m of NIA funding, as requested.
- 6.4 In our Draft Determinations, we proposed allowing SPT £20.65m of NIA. We had reduced SPT's funding by 9% to reflect shortcomings in its Business Plan submission against the criteria set out in the BPG. In its response, SPT provided sufficient further evidence against the areas we had identified, leading us to allow it its full NIA request.

Summary of Final Determinations decision

Level of Network Innovation Allowance (NIA) funding: In its Business Plan, SPT requested £22.45m of NIA funding. Following our assessment, we have decided to allow its full request.

7.Data and Digitalisation

Introduction

- 7.1 The SSMD, BPG and Overview Document identify the criteria and process that we have used to assess the funding of proposed Data and Digitalisation investments. The Overview Document also details our decisions for further digitalisation of the sector through the existing Digitalisation licence condition and a Digitalisation Re-opener.
- 7.2 We have set out below our Final Determinations position on SPT's RIIIO-3 Data and Digitalisation funding.

Final Determinations decision and Draft Determinations responses

- 7.3 We have decided to allow SPT £82.5m in Data and Digitalisation funding. In its Business Plan, SPT requested £88.5m of Data and Digitalisation funding. SPT's digitalisation investments are underpinned by a digitalisation strategy that focuses on stakeholder/customer engagement, network growth, smart network and asset management. Its business plan shows its intention to foster a culture change within the organisation to become more data driven. SPT states that its digitalisation investments enable more efficient and effective planning and investment in the network to drive consumer benefits. SPT's digitalisation strategy also signposts clear improvements to compliance with the Data Best Practice (DBP) principles.
- 7.4 In the BPG we noted that all licensees should signpost investments that would allow them to connect and utilise the DSI effectively. We are confident that the proposed investments being made by SPT will allow them to effectively connect to and utilise the DSI and support innovation by making data more accessible. SPT's EJP titled 'Data Sharing Infrastructure', will support deployment of the cloud infrastructure and Data Preparation Node (DPN) needed for DSI integration.
- 7.5 In Draft Determinations, we initially proposed to reject an investment of £1.74m towards Customer Relationship Management (CRM). The investment project description lacked sufficient detail as it did not include specific, measurable or time-bound goals. In response to Draft Determinations, SPT provided feedback that it was satisfied with the level of funding that had been provided overall and agreed that further clarity was needed for the CRM project. SPT provided further information for the CRM project that adequately addressed our concerns. Following review of the further information we have decided to allow funding for the CRM project.

7.6 At Draft Determinations we identified a £6.04m investment that was miscategorised as Data and Digitalisation. SPT's Document Management Tool and Move to Cloud activities involved enhancements of SPT's existing, foundational IT infrastructure. It was considered better suited as IT & Telecoms (IT&T). We have decided to retain our Draft Determination position.

Summary of Final Determinations decision

Level of data and digitalisation funding: In its Business Plan, SPT requested £88.54m in funding. We identified £6.04m of investments as miscategorised, which should have been categorised as IT&T. This left £82.5m in Data and Digitalisation funding requested. We proposed to fund £80.8m at Draft Determinations. Following further assessment, we are allowing £82.5m, or 100% of the total Data and Digitalisation funding requested.

Appendix 1 – Summary of Engineering Review

A1.1 No changes from our Draft Determinations.

Appendix 2 – Project Load Re-opener Tracks

A2.1 The following projects are eligible for Load Re-opener Track 1:

i) [REDACTED]