

Consultation

Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

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Response deadline:	16 January 2026
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This statutory consultation sets out the proposed changes to the licence conditions required to implement the RIIO-3 settlement for the electricity transmission, gas transmission and gas distribution sectors.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential.

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1. Introduction

What are we consulting on

- 1.1 We are consulting on our proposed modifications to the licence conditions required to implement the RIIO-3 price control settlements for electricity transmission, gas transmission and gas distribution networks. These conditions would apply from 1 April 2026. This is the statutory consultation on the proposed licence modifications.
- 1.2 The licence amendments presented in this document reflect decisions set out in the Sector Specific Methodology Decision (SSMD)¹, our consultation position in Draft Determinations² and our decisions in the Final Determinations,³ unless otherwise indicated.
- 1.3 The modifications we are proposing to make are set out in annexes to this consultation.
- 1.4 Within this document, we set out the reasons why we propose to make these changes and their intended effect.
- 1.5 This four-week consultation is an opportunity for stakeholders to provide views on the proposed licence changes.
- 1.6 This consultation does not apply to Electricity Distribution (ED) licences. There will be a separate drafting process for the ED-3 Price Control.

Types of Licence Conditions

- 1.7 We are proposing changes for the following licences:⁴
- for RIIO-ET3 - the electricity transmission licences of:
 - (1) National Grid Electricity Transmission (NGET);
 - (2) Scottish Power Transmission (SPT);and

¹ [RIIO-3 Sector Specific Methodology Decision for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors | Ofgem](#)

² [RIIO-3 Draft Determinations for the electricity transmission, gas transmission and gas distribution sectors](#)

³ [RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#)

⁴ Note that Standard Licence Conditions may apply to licensees other than those listed.

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(3) Scottish Hydro Electricity Transmission (SHET)

- for RIIO-GT3 - the Gas Transporter Licence of National Gas Transmission plc (National Gas in this document)
- for RIIO-GD3 - the gas transporter licences of the following GDNs:

(1) Cadent;

(2) Northern Gas Networks Limited;

(3) Scotland Gas Networks plc;

(4) Southern Gas Networks plc; and

(5) Wales and West Utilities Limited

1.8 There are three types of licence conditions to which we are proposing changes. These are summarised below.

Standard Licence Conditions (SLCs)

1.9 SLCs set out the duties and obligations applicable to all holders of a particular type of licence. All transmission and gas distribution licences contain SLCs. The SLCs include some obligations related to RIIO that do not adjust allowed revenue.

1.10 The SLCs are grouped into different parts/sections that either apply or do not apply according to the activities carried out by the relevant licence holder.

Standard Special Conditions (SSCs)

1.11 SSCs are similar to SLCs but only apply to National Gas and to the GDNs. They are grouped into different parts that either apply, or do not apply, to National Gas or to the GDNs, according to the activities being carried out by that licensee.

Special Conditions (SpCs)

1.12 SpCs are conditions that apply to a particular licensee. However, the wording is often the same for all licensees of a particular type. Where this is the case, we will only present one draft condition in this consultation, although it will be added to the SpCs of each licensee. The majority of the proposed changes set out in this document relate to SpCs, as most of these relate to RIIO and many contribute to the calculation of allowed revenue.

Types of changes to Licence Conditions

1.13 The proposed licence modifications fall mainly into four categories:

- **Amendment:** this applies to current licence conditions where we are proposing changes to reflect RIIO-3 policy;
- **New Conditions:** These are proposed additions of new licence conditions to reflect new RIIO-3 policy;
- **No change:** This applies to RIIO-2 licence conditions that we are retaining in the RIIO-3 licences and there is no change to the wording; and
- **Removals:** Where conditions are no longer needed in RIIO-3 and are being taken out of the licence (e.g. because the RIIO-2 policy is no longer needed).

The use of best versus reasonable endeavours

Change to the consultation period of Self Modifications

Proposed change and reasons for that change

- 1.14 S.7(5) of the Electricity Act 1989 and s.7B(7) of the Gas Act 1986 provide that conditions in the licence may contain provision for the condition to be modified in the manner specified and at such times and in such circumstances as may be determined. This is commonly referred to as “self-modification”. The Acts do not specify any timescale for which the Authority must consult on self-modification. In RIIO-2, the licence generally provided that we would consult for not less than 28-days where we proposed to modify a condition in period by self-modification. For RIIO-3, we are proposing to modify this throughout the licence so that the conditions provide that we will consult for up to 28 days.
- 1.15 Stakeholders have expressed that they value quick decisions from Ofgem. This proposed change will facilitate that where appropriate. Although we acknowledge that there will be modifications where a consultation period of or close to 28-days is warranted, many in-period self-modifications are straightforward and non-controversial such that consulting for 28-days is disproportionate. This change will enable Ofgem to set a consultation period which best fits the proposed modification.

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Effect of this change

- 1.16 This effect of this change is to enable Ofgem to consult on self-modification for a period of up to 28-days and therefore, as above, set a consultation period that is proportionate to the particular circumstances.

Next Steps

- 1.17 This statutory consultation is an opportunity for stakeholders to feed back views on the proposed licence for the RIIO-3 Price Controls.
- 1.18 We have provided a template for responses as part of the supplementary documents published alongside this consultation on our website. All responses need to be sent back to us via the RIIO3@ofgem.gov.uk email.
- 1.19 We will publish a Notice of Modifications in February 2026.

Table 1: Remaining stages for the RIIO-3 Licence Modification Process

Stage	Date
Final Determinations	4 December 2025
28-Day Statutory Licence Consultation Published	16 December 2025
Licence Modification Decision Published	3 February 2026
Licence changes come into effect and RIIO-3 starts	1 April 2026

Consultation stages

Instructions: Outline the key stages the consultation will progress through to get to a final decision. Mention any events or workshops your team may be running as part of the process. Use headings for each stage and give dates in dd month yyyy, with month fully spelled out.

Stage 1 Consultation open: 16 December 2025

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 16 January 2026

Stage 3 Responses reviewed and published: 3 February 2026

Stage 4 Consultation outcome (decision or policy statement)

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How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

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

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

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

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not

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link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Associated Documents for RIIO-3

What are associated documents

- 2.1 Associated Documents are documents created under the licence conditions that supplement those conditions and are subordinate to them.⁵ They are important for licensees participating within RIIO-3 schemes as they provide information, requirements and guidance that are not proportionate for inclusion in the licence conditions.
- 2.2 This section sets all the Associated Documents we expect to use in RIIO-3, giving a summary of their content, whether the document is amended or new and the level of change to existing documents. It also shows when we are planning on consulting on these documents. The levels of change and what they mean are:
- No change: This refers to an existing associated document that will be carried forward from RIIO-2 with no changes or amendments;
 - Minor change: This refers to an existing associated document that has a few small changes, this could be a change to dates or typographical changes ie. Changing RIIO-2 to RIIO-3;
 - Significant change: This refers to an existing associated document where there are a number of material changes such as for example updating re-opener windows or rewriting sections to update positions to support the RIIO-3 price control; and
 - New: These are new documents that are required for the RIIO-3 price control.

Associated documents – principles of uses

- 2.3 In RIIO-2 we set out the principles that we use to govern how and when we use the licence to create Associated Documents. We are retaining these principles in RIIO-3 for the GD&T sectors. The general principles are set out in Appendix 2.
- 2.4 Table 2 below sets out the full list of Associated documents that will support the RIIO-3 price control.

⁵ The Price Control Financial Models, Price Control Financial Handbooks and Network Asset Risk Workbook are not subordinate as they have the same status as the licence.

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Table 2: List of Associated Documents for RIIO-3

Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
ET	Advanced Procurement Mechanism (APM) Governance Document	Sets the rules and requirements associated with TOs accessing funds through the APM.	4 June 2025	4 June 2025	Minor change
GD/GT	Biomethane UIOLI Guidance Document	Sets out the arrangements for the Biomethane UIOLI allowance including scope and maximum spend available.	December 2025	1 April 2026	New document
ET	Closely Associated Indirects UIOLI Guidance	The Closely Associated Indirects Use-it-or-lose-it (CAI UIOLI) Governance Document sets out the process for how licensees must utilise, report, and apply for adjustments to their CAI UIOLI allowance, ensuring compliance with eligibility and reporting requirements.	December 2025	1 April 2026	New Document
GD	Collaborative Streetworks Governance Document	Sets out the eligibility criteria and requirements for a Local Authority to carry out the central coordinator role, and requirements for the GDN to be eligible for the incentive.	Early 2026	1 April 2026	New Document
ET	Community Funds for Electricity Transmission	This passthrough guidance explains how TOs can recover costs for delivering	December 2025	1 April 2026	New Document

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
	Infrastructure Pass-Through	community benefits under the RIIO-ET3 price control, including fund calculation, eligible spend, and reporting requirements. It applies to RIIO-ET3, ASTI, and LOTI projects, supporting licence implementation and aligning with DESNZ community benefit guidance.			
ET	Conflict Mitigation Methodology	This document sets out the Conflict Mitigation Methodology in accordance with Part D of Special Condition (SpC) 9.21 Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise. This document makes provision regarding the requirements and reporting framework of the Conflict Mitigation Statement as defined in SpC 9.21.	24 April 2025	24 April 2025	No Change
ET	CSNP Co-ordination Governance Document	Sets out further detail on how the TOs must comply with this licence condition.	December 2025	1 April 2026	New document

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
ET	CSNP-F Re-opener Guidance	Sets out obligations in relation to making applications, seeking approval and making submissions under this licence condition, which the licensee must comply with.	December 2025	1 April 2026	New Document
All	Data Assurance Guidance	Sets out the reporting obligations for DAG to reduce the risk to consumers for any inaccurate reporting and misreporting by licensees.	31 May 2022	1 April 2026	No Change
All	Data Best Practice Guidance	Sets out best practices for the capture and use of data, which the licensee must use best endeavours to comply with.	15 November 2021	1 April 2026	No Change
All	Digitalisation Strategy and Action Plan Guidance	Sets out obligations in relation to preparing and updating a Digitalisation Strategy and Digitalisation Action Plan, including the intervals for reviews, which the licensee must comply with.	15 November 2021	1 April 2026	No Change
GD/GT	ECP Guidance	Sets out the enhanced obligations in relation to the efficient allocation of NTS Exit Capacity, which the licensee must comply with.	December 2025	1 April 2026	Minor change

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
All	Environmental Reporting Guidance	Sets out obligations in relation to preparing an Annual Environmental Report, including the timing of those reports, which the licensee must comply with.	December 2025	1 April 2026	Minor change
ET	ET2/T3 Crossover Guidance	The purpose of this document is to set out the general principles, methodologies and processes that the Authority will use when assessing the need for, and the value of, any amendments to RIIO-ET2/RIIO-ET3 ('ET2/ET3') Crossover adjustments as set out in Special Condition 3.23 of the ETO licences.	December 2025	1 April 2026	New Document
GD	Fair Treatment Guidance	A guide to inform licensees' understanding of the principles-based Licence Obligation. Not intended to add new requirements	December 2025	1 April 2026	No change
GT	Funded Incremental Obligated Capacity Re-opener Guidance	Sets out obligations in relation to making a submission under this re- opener, which the licensee must comply with.	December 2025	1 April 2026	Significant change
ET	Independent Technical Advisor (ITA) Guidance/Governance Document	Sets out additional information on how the licensee can comply with this	December 2025	1 April 2026	New Document

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
		corresponding licence condition.			
ET	Innovative Delivery Incentive Governance Document		Early 2026	1 April 2026	New Document
ET	Load UIOLI Governance Document	Sets the rules and requirements associated with TOs accessing funds through the Load UIOLI.	December 2025	1 April 2026	New document
ET	Load Re-opener Guidance	Sets out obligations in relation to making applications, seeking approval and making submissions under this licence condition, which the licensee must comply with.	December 2025	1 April 2026	New document
ET	Major Projects ODI-F Governance Document	To provide information on how we will set the incentive parameters, and further information to TOs on what is required for a Delay Events submission	December 2025	1 April 2026	New document
All	NARM Handbook	Sets out obligations in relation to NARM funding mechanism, including the timing of those reports, which the licensee must comply with.	December 2025	1 April 2026	Significant change
GD/GT	NZARD Governance Document	Sets out the arrangements for the NZARD allowance, including scope and maximum spend available. Network	Early 2026	1 April 2026	Significant change

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
		Licensees are required to comply with this document under their NZARD licence condition.			
GD/GT	NZASP Governance Document	Sets out the arrangements for the NZASP re-opener – including details on the scope, process, and materiality thresholds. Network Licensees are required to comply with this document under their NZASP licence condition.	Early 2026	1 April 2026	Significant change
ET	Onshore Competition Information Exchange Guidance	This document sets out the process and guidance for information sharing between Transmission Owners (TOs) and the Delivery Body during an Onshore Transmission Tender Exercise.	24 April 2025	24 April 2025	No change
All	Price Control Deliverable Reporting Requirements and Methodology Document	Sets out obligations in relation to preparing annual PCD reports, which the licensee must comply with. Sets out the methodology the Authority will use to assess PCD delivery.	December 2025	1 April 2026	Significant change
All	Re-opener Guidance and Application Requirements Document	Sets out obligations in relation to applying for re-openers, which the	December 2025	1 April 2026	Significant change

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
		licensee has to comply with.			
All	RIIO-3 NIA Governance Document	Sets out eligible projects, reporting and other requirements companies must follow when undertaking projects, as well as process for recovering unrecoverable funds	December 2025	1 April 2026	Significant change
ET	SO:TO Guidance Document	Sets out the regulation, governance and administration of the RIIO SO:TO Optimisation ODI.	December 2025	1 April 2026	Significant change
All	Strategic Innovation Fund Governance Document (may be separate ones for gas and electricity)	Sets out the framework and process for running the RIIO-3 Strategic Innovation Fund, setting out what projects are eligible for funding, how Innovation Challenges will be set, how projects will be evaluated and how funding will be awarded, and obligations imposed in relation to projects after they are funded	December 2025	1 April 2026	Significant change
GD	VCMA Governance Document	Sets out eligibility criteria for projects and obligations on the licensee connected with vulnerability and CO safety projects,	December 2025	1 April 2026	Minor change

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Sector	Associated Document	Summary of Document	Date of Consultation	Date the document comes into force	Extent of change
		including reporting requirements and a requirement to host an annual showcase event.			

3. Cross Sector Special Conditions

Proposed changes to Cross Sector Special Conditions

Special Condition 1.1 Interpretation and definitions

Type of change: Amendment

Relevant to: GT, GD, ET

Associated Document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 3.1 Definitions in this clause help to give effect to other licence conditions. Because we are amending other licence conditions, it is necessary to amend related definitions in this clause to ensure the licence conditions operate correctly.

Effect of this change

- 3.2 This change will amend definitions in clause 1.1 to ensure that other licence conditions which use those definitions operate as intended.

Special Condition 2.1 Revenue restriction (AR_t) (GD/ET)

Type of change: Amendment

Relevant to: GD, ET

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 11 and Chapter 12

Proposed changes and reasons for changes

- 3.3 The reason for amending this condition is to improve the clarity of the condition and to bring into effect our decisions set out in Final Determinations, including to:
- require licensees to self-publish the Price Control Financial Model;
 - apply a single time value of money to all prior year adjustments using a consolidated correction term;
 - introduce a base revenue forecasting penalty mechanism; and

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- introduce a revenue profiling adjustment mechanism.

3.4 The effect of the changes on the various parts of this condition is set out below.

Effects of the proposed changes

Part A: Licensee's obligation when setting Network Charges

- 3.5 In GD, we propose to amend the drafting such that the licensee must use its best endeavours to ensure that Recovered Revenue equals Allowed Revenue, rather than ensuring that Recovered Revenue does not exceed Allowed Revenue. This reflects the reality that any under or over-collection of revenue is treated equally in that it is trued-up using the K correction factor. The existing licence language is asymmetrical in that it suggests licensees should aim to under-collect revenues when compared to Allowed Revenue, which is not the intention of this obligation and does not reflect the reality of the situation that licensees endeavour and the Authority expects them to endeavour to charge the correct amount.
- 3.6 In ET we propose to amend the drafting to align the obligation with actual practice, which is that Transmission Operators (TOs) do not set their own network charges. Instead, they notify the Independent System Operator and Planner (ISOP), which sets network charges on behalf of the TOs. The existing language of the licence condition does not reflect this and so we propose that the licensee must (when notifying the ISOP of its Allowed Revenue) use its best endeavours to ensure that Allowed Revenue is calculated in accordance with this special condition.
- 3.7 For ET and GD, we propose to add a new obligation for the licensee to calculate Allowed Revenue using the Price Control Financial Handbook (Handbook) and the Price Control Financial Model (PCFM).
- 3.8 For ET and GD, we propose to add a new obligation for the licensee to publish the PCFM containing the value of Allowed Revenue it used when setting network charges (or in the case of the TOs, when notifying the ISOP of the Allowed Revenue) they use on their website, at the point when charges are set/notified.

Part B: Recovered Revenue

- 3.9 We propose some minor drafting clarifications to the definition of Recovered Revenue.

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

- 3.10 The changes proposed in this part remove the Adjusted Revenue term which previously captured true-ups for prior year revisions to PCFM inputs. These adjustments will now be captured within the consolidated correction term, in Part F, as set out in our Final Determinations.

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

- 3.11 We propose the addition of the revenue profiling adjustment term (RPA_t) and associated definition, which enables revenue allowances to be profiled across the RIIO-3 price control as set out in our Final Determinations.
- 3.12 We propose some minor drafting clarifications to the definitions in this part to align the language used across sectors.

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

- 3.13 The change proposed in this part has the effect of removing the hybrid price index term that was required for RIIO-2 and replacing it with an updated price index based on CPIH.

Part F: Correction term (K_t) and the of the Adjusted Revenue term (ADJ_t)

- 3.14 The changes proposed in this part remove the Adjusted Revenue term from this condition and instead create a consolidated correction term, which applies a single time value of money adjustment to all true-ups.
- 3.15 We have also proposed to remove the penal rate adjustment from the K correction term and have included it within the Forecasting Penalty section of this condition to clarify that there will be two penal rate mechanisms. For ET there will only be one penal rate mechanism, see paragraph 3.16.

Part G: Forecasting Penalty (FP_t)

- 3.16 The change proposed in this part implements the forecasting penalties as set out in our Final Determinations Finance Annex. This includes the existing penal rate mechanism, which in RIIO-3 we refer to as the Recovered Revenue Forecasting Penalty and the new Base Revenue Forecasting Penalty, both of which may be fully or partially waived by direction of the Authority. For ET only the Base Revenue Forecasting Penalty will apply.

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Special Condition 2.1 Transportation Owner Revenue restriction (AR_t), Special Condition 2.3 System Operator Revenue restriction (SOAR_t) (GT)

Type of change: Amendment

Relevant to: GT

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 11 and Chapter 12

Proposed changes and reasons for change

3.17 The reason for amending this condition is to improve the clarity of the condition, to align the principal obligation with actual charge-setting practice and to bring into effect our decisions set out in Final Determinations, including to:

- require licensees to self-publish the Price Control Financial Model;
- apply a single time value of money to all prior year adjustments using a consolidated correction term;
- introduce a base revenue forecasting penalty mechanism; and
- introduce a revenue profiling adjustment mechanism.

3.18 The effect of the changes on the various parts of this condition is set out below.

Effects of the proposed changes

Part A: Licensee's obligation when setting Network Charges

3.19 We propose the following changes to this Part:

- to amend the drafting such that the licensee must use its best endeavours to ensure that Recovered Revenue equals Target Revenue, rather than Recovered Revenue not exceeding Target Revenue,
- to amend Allowed Revenue to Target Revenue, which reflects National Gas' actual practice of setting its charges to recover Target Revenue as defined in the charging methodology in the Uniform Network Code, rather than referring to Allowed Revenue. This is due to fundamental differences between the charging

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year and the gas year, which requires Allowed Revenue to be pro-rated, therefore resulting in the concept of a Target Revenue,

- To add a new obligation for the licensee to calculate Allowed Revenue using the Price Control Financial Handbook (Handbook) and the Price Control Financial Model (PCFM),
- to add a new obligation for the licensee to publish the PCFM containing the value of Allowed Revenue it used when calculating its Target Revenue used to set network charges on its website, at the point when charges are set/notified; and,
- to add a new obligation for the licensee to publish the value of Target Revenue used to set network charges and an obligation on the licensee to publish the calculation for that value on its website.

Part B: Recovered Revenue

3.20 We propose a minor drafting clarification to the formula for Recovered Revenue to reflect that the value must be net of Bad Debt, which aligns the formula with the provision in this part.

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

3.21 See paragraph 3.10 of this consultation.

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

3.22 See paragraphs 3.11-3.12 of this consultation.

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

3.23 See paragraph 3.13 of this consultation.

Part F: Correction term (K_t) and the removal of the Adjusted Revenue term (ADJ_t)

3.24 See paragraphs 3.14 -3.15 of this consultation.

Part G: Forecasting Penalty (FP_t)

3.25 See paragraph 3.16 of this consultation.

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Special Condition 2.2 Tax allowance adjustment (TAXA_t) (GD/ET), 2.2

Transportation owner tax allowance adjustment (TAXA_t) (GT), Special Condition

2.4 System operator tax allowance adjustment (SOTAXA_t) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 7

Proposed changes and reasons for change

- 3.26 We are making changes to these conditions to allow TAXA_t / SOTAXA_t adjustments to be made without necessitating the use of an Appropriately Qualified Independent Examiner. The reason for this is that there may be circumstances where it is clear that an adjustment is required, and appointing an expert to conduct a review would therefore be inefficient.
- 3.27 References to material unexplained differences have been moved to the PCFH for clarity.

Effect of this change

- 3.28 The effect of this change is to replace the term ‘must’ with ‘may’ at paragraph 2.2.5. This enables the Authority to direct a TAXA_t / SOTAXA_t adjustment without appointing an independent examiner, provided it has undertaken a preliminary review, and taken representations from the licensee into account. The previous wording required an independent examiner to be appointed in all circumstances before the Authority could direct a TAXA_t /SOTAXA_t adjustment. There may be circumstances where it is clear that an adjustment will be required and it may therefore be unnecessary to appoint an examiner, as this would delay the adjustment and create additional costs. An example might be where a licensee has notified the Authority that a TAXA_t/SOTAXA_t adjustment may be required.
- 3.29 References to material unexplained differences have been moved to the PCFH for clarity.

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Special Condition 2.3 Return Adjustment (RTNA_t) (GD/ET), Special Condition 2.5 Return Adjustment (RTNA_t) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 9

Proposed changes and reasons for change

3.30 The only items we are proposing to change are the references to RIIO-2, and the associated dates. We are carrying forward the same licence condition into RIIO-3, so the dates have been updated to reflect the RIIO-3 price control period.

Effect of this change

3.31 The effect of this change is that the RIIO-2 Return Adjustment mechanism will be carried forward into RIIO-3.

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP_t and PSUPRE_t)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Proposed changes and reasons for change

3.32 We are proposing to remove this condition as it is not applicable to RIIO-3.

Effect of this change

3.33 The effect of this change is to remove this condition and insert it into the broader Resilience Re-opener.

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t) (GD/ET), Special Condition 3.1 Baseline Network Risk Outputs (NARM_t and NARMAH_t) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: The NARM Handbook

Final Determinations Reference: Overview Document; Chapter 4 'Outputs and Incentives', Network Asset Risk Metric (NARM) - Table 4

Proposed changes and reasons for change

3.34 We are proposing to:

- update the Baseline Network Risk Outputs and Baseline Allowed NARM Expenditure in Appendix 1. The reason for this is give effect to our Final Determinations and set out the requirements on the licensee in respect of its RIIO-3 Baseline Network Risk Outputs and the Baseline Allowed NARM Expenditure associated with these outputs.
- change the references from RIIO-2 to RIIO-3, the references to associated dates and to update the regulatory years in this condition and the associated documents. The reason for this is to ensure the wording and dates in this condition and in the associated documents refer to RIIO-3.

3.35 We are also proposing to update the NARM Handbook which is an associated document to this condition, to give effect to our Final Determinations in respect of the NARM Funding Adjustment and Penalty Mechanism to adopt a Hybrid Approach to the Clearly Identifiable Mechanism. The key changes being proposed are:

- Funding adjustments for projects which are selected as Clearly Identifiable Over or Under deliveries to be based on a combination of risk or volume-based adjustments and a bespoke assessments for complex and/or high value projects;
- The introduction of reasonability tests for projects/programmes of work which are adjusted based on risk or volume; and
- The introduction of a mid-period review point to assess complex/high-value projects before RIIO-3 close-out.

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- 3.36 More detail of the proposed changes can be found in the Final Determination and the NARM Handbook.
- 3.37 The reason for the proposed changes is to amend the Handbook to reflect the decisions in Final Determination with respect to the NARM Funding Adjustment and Penalty Mechanism. Tailoring funding adjustments to the nature of the projects ensures cost reflectivity and proportionality and reduces reliance on bespoke reviews at closeout.

Effect of this change

- 3.38 The effect of the proposed amendments is to:
- set out the requirements on the licensee in respect of the Baseline Network Risk Output and to specify the Baseline Allowed NARM Expenditure associated with those outputs for RIIO-3
 - improve the predictability in funding adjustments ahead of RIIO-3 closeout by setting out how the Funding Adjustment and Penalty will operate in RIIO-3 to adjust a licensee's NARM allowance the end of the price control period based on its delivery of Network Risk Outputs.

Special Condition 3.2 Cyber resilience Re-opener, Price Control Deliverable, and Use it or Lose it (UIOLI) allowance (CYt, CYREt, CYUt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 11

Proposed changes and reasons for change

- 3.39 The proposal is for the licence to be updated so that licensee submissions are no longer separated into Information Technology (IT) and Operational Technology (OT). We propose that these elements are now combined and treated singularly as Cyber Resilience. The consultation position is that Special Condition 3.3 has therefore been removed, with the IT components now aggregated into Special Condition 3.2. This change is being introduced to reflect the revised regulatory approach under

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RIIO-3 that treats IT and OT collectively as cyber resilience activities, ensuring consistency, reducing duplication, and simplifying the licence structure.

- 3.40 The proposal is that these conditions are amended to reflect that UIOLI allowances are not assessed as PCDs and are only awarded for years 1-3.

This change is being introduced to clarify the status of UIOLI allowances within the RIIO-3 framework, with no provision for the licensee to request additional UIOLI allowances in addition to the UIOLI allowances awarded at final determinations, and to ensure the licence text accurately reflects their scope, timing, and non-PCD nature.

- 3.41 A new Part F is being introduced within the licence condition to set out the specific assessment arrangements for UIOLI allowances. Previously, UIOLI was assessed as a PCD in accordance with Special Licence Condition 9.3.

This change is being introduced to provide a dedicated and clearer assessment route for UIOLI allowances that is distinct from the PCD assessment process, improving transparency and alignment with the intended regulatory policy for UIOLI within RIIO-3.

- 3.42 The appendices to the licence condition are updated to include separate tables for Cyber Resilience Allowances Table (Appendix 1), Cyber Resilience PCD Table (Appendix 2), Cyber Resilience Re-opener Allowances Table (Appendix 3) and Cyber Resilience UIOLI Allowances Table (Appendix 4).

This change is being introduced to distinguish more clearly between allowances for PCDs and those awarded for UIOLI.

- 3.43 A new appendix 5 has been added to set out the reporting periods associated with Cyber Resilience Price Control Deliverables (PCD).

This change is being introduced to provide a clearer and more transparent definition of the reporting periods for PCDs and to ensure alignment between the licence text and the timelines by which PCD reports must be submitted.

Effect of this change

- 3.44 Special Condition 3.2 becomes the single licence condition governing Cyber Resilience, replacing the previous separate IT and OT conditions. Licensees will

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now operate under one combined Cyber Resilience condition for all relevant cyber activities.

- 3.45 Licensees can submit a single re-opener submission that combines IT and OT Cyber Resilience activities between 1 and 8 April 2028 . This replaces the previous requirement to produce separate IT and OT re-opener submissions, simplifying the re-opener process.
- 3.46 The licence will use a single re-opener for Cyber Resilience Re-opener allowances and the previous adjustment mechanisms linked to allowances awarded at Final Determination no longer exists, with no subsequent mechanism allowances at the next Re-opener for allowances awarded at Final Determination.
- 3.47 Unspent UIOLI allowances awarded at the Final Determination may be subject to an adjustment downwards in accordance with the dedicated assessment mechanism.
- 3.48 Licensees will follow the reporting timetable specified in Appendix 5 when preparing and submitting PCD reports. This provides a single, defined schedule for reporting across the price control period and removes any ambiguity about the periods covered.

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRITt and CRITREt) (GD/GT/ET)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 3.49 The effect of this change is to reflect that Licensee submissions are not separated into IT or OT, which are now referred singularly as Cyber Resilience. See Special Condition 3.2 above.

Effect of this change

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3.50 This removes a redundant condition from the RIIO-3 licence.

Special Condition 3.4 Small Decarbonisation Projects (SDP) Re-opener (SDPt)

Type of change: Amendment

Relevant to: GD, GT

Associated document: SDP Governance Document

Final Determinations Reference: Overview Document, Chapter 6

Proposed changes and reasons for change

- 3.51 We have decided to rename the NZASP Re-opener, as it was referred to in RIIO-2, into the Small Decarbonisation Projects Re-opener. We consider this name better reflects the scope of the re-opener, emphasising that it can fund projects supporting both nearer-term and long-term decarbonisation goals. For example, initiatives such as shrinkage reduction, rollout of the Digital Platform for Data Analytics (DPLA) in GD, and biomethane support are not limited to net zero objectives. By focusing on “decarbonisation”, the name signals a broader, adaptable approach that underpins both immediate and future climate ambitions. Additionally, a simpler name helps external stakeholders - such as environmental groups, local authorities, and consumer advocates - better understand its purpose and relevance to decarbonisation goals. This clarity will support engagement. Lastly, aligning terminology with other decarbonisation initiatives (eg with the DEP Re-opener) ensures consistency across our framework, helping stakeholders navigate our policies more easily.
- 3.52 We have also added an additional criterion to Part A of the licence condition to ensure that any application’s activities are tied to the RIIO-3 period and are separated from the RIIO-2 period. This additional guardrail ensures that any retrospective claims during a new price control are ineligible, and avoids double counting across periods.

Effect of this change

- 3.53 To change the name of the NZASP Re-opener to the Small Decarbonisation Projects (SDP Re-opener).

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- 3.54 To tie the eligibility of any activities submitted for SDP Re-opener funding to the RIIO-3 price control period.

Special Condition 3.5 Decarbonisation Project Development (DPD) use it or lose it (UIOLI) allowance (DPDt)

Type of change: Amendment

Relevant to: GD, GT

Associated document: DPD Governance Document

Final Determinations Reference: Overview Document, Chapter 6

Proposed change and reasons for proposed change

- 3.55 We have decided to rename the NZARD UIOLI, as it was referred to in RIIO-2, into the Decarbonisation Project Development UIOLI. We consider that this name better reflects the new scope of the UIOLI, which now includes shrinkage. Shrinkage is not limited to net zero objectives; it also addresses nearer-term decarbonisation ambitions, making the new name more accurate. By focusing on “decarbonisation”, the name signals a broader, adaptable approach that supports both immediate and long-term climate goals. Additionally, a simpler name helps external stakeholders - such as environmental groups, local authorities, and consumer advocates - better understand its purpose and relevance to decarbonisation goals. This clarity will support engagement. Lastly, aligning terminology with other decarbonisation initiatives (eg with the DEP Re-opener) ensures consistency across our framework, helping stakeholders navigate our policies more easily.
- 3.56 In our Final Determinations, we decided to increase the DPD UIOLI allowance for the GDNs and National Gas to 0.5% of their base revenues. To reflect this, we propose to update the allowances in Appendix 1. We also propose to update the reference to regulatory years within Appendix 1.

Effect of this proposed change

- 3.57 The effect of the proposed modification for this licence condition is to:

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- change the name of the NZARD UIOLI to the Decarbonisation Project Development (DPD) UIOLI.
- update the allowance for the DPD UIOLI to 0.5% of base revenue for the GDNs and for National Gas.

Special Condition 3.6 Decarbonisation and Environmental Policy Re-opener and Price Control Deliverable (DEPt) (GD/GT/ET)

Type of change: Minor change

Relevant to: GT, GD, ET

Associated document:

Final Determinations Reference: Overview document; Chapter 6

Proposed changes and reasons for change

3.58 The reason for amending this licence condition is to give effect to our decisions in Final Determinations. These include:

- renaming the licence condition from the Net Zero Re-opener to the Decarbonisation and Environmental Policy Re-opener;
- updating the scope of the condition to include Environmental Development; and
- stating in Part C of the licence condition that the application must relate to costs incurred or expected to be incurred on or after 1st April 2026.

3.59 The reason for these changes is to ensure the licence accurately reflects the scope of the re-opener and to clarify the workings of the re-opener. By expanding the scope there is more possibility of the re-opener being utilised, making the re-opener more accessible in RIIO-3 than it was in RIIO-2.

3.60 We have added the additional criterion to Part C of the licence condition to ensure that any application's activities are tied to the RIIO-3 period and are separated from the RIIO-2 period. This additional guardrail ensures that any retrospective claims during a new price control are ineligible, and avoids double counting across periods.

Effect of this change

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3.61 This allows the condition to apply in RIIO-3.

3.62 To tie the eligibility of any activities submitted for DEP Re-opener funding to the RIIO-3 price control period.

Special Condition 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITREt) (GD/GT/ET)

Type of change: Removal

Relevant to: GD, GT, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 12

Proposed changes and reasons for changes

3.63 We propose to replace the RIIO-2 Non-operational IT Capex Re-opener with a common Digitalisation Re-opener. The reason for this change is to encourage digitalisation by allowing network companies to seek funding for data and digital related projects with a broader scope than just IT hardware or software upgrades and to align with RIIO-ED2.

Effect of this change

3.64 The effect of this change is to remove this condition, which will be replaced with a common Digitalisation Re-opener for GD, GT and ET, similar to the mechanism currently operating in RIIO-ED2.

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAMt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GD, GT, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Proposed changes and reasons for change

3.65 The reason for amending this licence condition is to give effect to our decisions in Final Determinations. The proposed changes for this condition are:

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- To enable the Authority to trigger a re-opener;
- To remove the annual window for submissions to be made to allow these submissions to be made on an ad hoc basis instead; and
- To allow a single network company to unilaterally submit an application subject to the CAM proposal being verified and supported by the NESO.

Effect of this change

3.66 The changes will increase the flexibility of the licence condition and encourage further use of the mechanism in RIIO-3.

Special Condition 3.9 (previously 3.21) Operational Transport Emissions Reduction Price Control Deliverable (OTCt)

Type of change: Amendment (new for SPT)

Relevant to: All TOs (except SHET) and GDNs

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 4

Proposed changes and reasons for change

- 3.67 We propose replacing the RIIO-2 Gas Distribution (GD) Commercial Fleet Price Control Deliverable (PCD) and the bespoke National Grid Electricity Transmission (NGET) Operational Transport Carbon Reduction PCD licence conditions with a single, cross-sector licence condition establishing a mechanistic PCD.
- 3.68 This change reflects our decision, set out in our Final Determinations, to implement a mechanistic PCD across ET (excluding SHET) and GD to support the delivery of zero-emission vehicles (ZEVs) in RIIO-3. We consider this work to be broadly comparable across sectors, which underpins our proposal for a common PCD. Since our Draft Determinations, we have removed charging infrastructure from the PCD due to the absence of common costs and outputs, as well as its overall low materiality. This adjustment is reflected in the revised licence condition.
- 3.69 For ET, where the condition currently applies only to NGET under RIIO-2, we propose modifying the condition to reflect the transition from an evaluative to a mechanistic PCD design. We also propose extending its application to all TOs

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except for SHET. For GD, the mechanistic design will remain consistent with RIIO-2, subject to adjustments in outputs and costs to align with RIIO-3 requirements. By using the lowest observed costs as the benchmark for all GDNs and all TOs except for SHET, we are encouraging the networks to aim for the most efficient procurement practices. This sets a clear expectation that costs should reflect best-in-class performance rather than average or inflated figures. SHET is excluded due to a lack of applicable outputs.

Effect of this change

- 3.70 The effect of the condition is to specify the outputs, associated allowances, and unit rates for in-scope activities for the Operational Transport Emissions Reduction PCD.

Special Condition 5.2 RIIO-3 network innovation allowance (NIAt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: RIIO-3 NIA Governance Document

Final Determinations Reference: Overview Document; Chapter 10

Proposed changes and reasons for change

- 3.71 The licence condition and definitions relating to the Network Innovation Allowance (NIA) have been updated with RIIO-3 terminology, and references to RIIO-2 as well as RIIO-1 were removed.
- 3.72 For GT and GD companies, we have removed provisions relating to hydrogen innovation funding, reflecting policy decisions made in SSMD and our position in FDs not to include this type of work under NIA funding in RIIO-3. This decision was made due to there still being significant uncertainty regarding how much (and which parts) of the gas network will potentially be repurposed for hydrogen in the future.

Effect of this change

- 3.73 The effect of removing provisions relating to hydrogen innovation funding is that GT and GD companies will no longer receive funding for these projects as part of the NIA during RIIO-3.

Special Condition 6.1 Pass-through items (PTt)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

- 3.74 We are proposing to add two additional paragraphs (6.1.7 and 6.1.8) to Part B: Review of Prescribed Rates pass-through term (RBt).
- 3.75 The reason for this change is to provide additional clarity around the process the Authority will follow when directing a value for Prescribed Rates and to align our wording across sectors.
- 3.76 See the sector specific sections of this document for any sector specific amendments to Special Condition 6.1.

Effect of this change

- 3.77 The effect of this change is to clarify the direction process the Authority will follow.

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIAt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: RIIO-2 NIA Governance Document

Final Determinations Reference: Overview Document; Chapter 10

Proposed changes and reasons for change

- 3.78 The licence condition and definitions relating to the Carry-Over Network Innovation Allowance (CNIA) have been updated with RIIO-3 or RIIO-2 terminology where applicable, and references to RIIO-1 have been removed.
- 3.79 We propose to amend the licence condition regarding the CNIA to implement our SSMD decision to re-introduce this carry-over mechanism in RIIO-3. The CNIA timeframe will be extended from 12 to 18 months to ensure that companies can

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start projects towards the end of the price control if they still have NIA funds available.

- 3.80 To reflect this new timeframe, we have added a new formula under Part A of SpC 5.3 and amended the related definitions. We have also removed Part B of SpC 5.3 which contained the formula for calculating the CNIA Value term (CNIIV), as this term is no longer required for under the new CNIA calculation method.

Effect of this change

- 3.81 The effect of amending the licence condition is that companies will be able to use unspent NIA funding to progress projects started in RIIO-2, and will be expected to complete those projects by 30 September 2027.
- 3.82 The effect of removing the CNIIV formula is that calculations will no longer include NIC bid preparation costs.

Special Condition 7.11 RIIO-ET1 network innovation competition (GD/GT/ET)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: Gas Network Innovation Competition Governance Document / Electricity Network Innovation Competition Governance Document

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 3.83 We propose to remove the current licence condition on the Network Innovation Competition (NIC), and associated definitions, as this funding mechanism will no longer be relevant to ET, GT, and GD companies during RIIO-3. The NIC was replaced by the Strategic Innovation Fund (SIF) at the start of RIIO-2. Following engagement with companies on the proposed removal of this licence condition, it was made clear to us that all remaining NIC projects run by ET, GT and GD companies will have received their funding by the end of RIIO-2.
- 3.84 We have removed other references to the NIC across the licence, including formula for calculating CNIIV (Part B of SpC 5.3), as the term applies to NIC Bid Preparation Costs.

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Effect of this change

3.85 The effect of removing the condition and related provisions is that no Network Innovation Competition funding will be available in RIIO-3 for ET, GT and GD companies.

Special Condition 7.1 Legacy adjustments to revenue (LARt) (GT/ET), Special Condition 7.1 Transportation owner legacy adjustments (LARt) (GT), Special Condition 7.10 System operator legacy adjustments (SOLARt)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout” and “RAV opening balances”

Proposed changes and reasons for change

3.86 We are proposing to amend this condition to remove redundant RIIO-2 licence terms and to include the relevant RIIO-3 licence terms.

Effect of this change

3.87 The effect of this change is to correctly calculate legacy allowed revenue to ensure it flows into RIIO-3 allowed revenue.

Special Condition 7.12 Legacy net RAV additions (LRAVt) (ET), Special Condition 7.14 Legacy net RAV additions (LRAVt) (GD), Special Condition 7.9 Legacy net RAV additions (LRAVt) (GT), Special Condition 7.17 System operator legacy net RAV additions (SOLRAVt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout” and “RAV opening balances”

Proposed changes and reasons for change

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- 3.88 We are proposing to amend this condition to explain for RIIO-3 the process the Authority will follow when directing opening balances for LRAV as well as tax pool and tax loss balances.

Effect of this change

- 3.89 The effect of this change is to ensure the wording in this condition is applicable to RIIO-3, and to ensure clarity around the process the Authority will follow when directing opening balances for LRAV, tax pools and tax loss balances.

Special Condition 7.2 Legacy pass-through items (LPTt) (GD/ET), Special Condition 7.2 Transportation owner legacy pass-through (LPTt) (GT)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 3.90 We are proposing to remove this condition as it is not applicable to RIIO-3.

Effect of this change

- 3.91 The effect of this change is to remove this condition.

Special Condition 7.3 Legacy MOD (LMODt) (GD/ET), Special Condition 7.3 Transportation owner legacy MOD (LMODt) (GT), Special Condition 7.11 System operator legacy MOD (SOLMODt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; "RIIO-2 closeout"

Proposed changes and reasons for change

- 3.92 We are proposing to modify this condition to provide for the calculation of the legacy AIP adjustment term (LADJt) and to provide for the process that the Authority

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will follow when directing LADJt. We have removed reference to LMODt as it is no longer relevant to RIIO-3. The condition contributes to the calculation of allowed revenue. We are proposing that LADJt is either spread across the 5 years of the RIIO-3 price control and that a compound WACC is applied accordingly, or it is recovered in the first year of the RIIO-3 price control, whichever is the licensees' preference.

Effect of this change

- 3.93 The effect of this change is to allow for the closeout of the RIIO-2 Price Control Financial model to be reflected in allowed revenue in the RIIO-3 Price Control Financial model.

Special Condition 7.4 Legacy K correction (LKt) (ET/GD), Special Condition 7.4 Transportation owner legacy K correction (LKt) (GT), Special Condition 7.12 System operator legacy K correction (SOLKt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; "RIIO-2 closeout"

Proposed changes and reasons for change

- 3.94 We are proposing to modify this condition to provide for the calculation of the legacy K correction term (LKt) and to provide for the process that the Authority will follow when directing LKt. The condition contributes to the calculation of allowed revenue.

Effect of this change

- 3.95 The effect of this change is to allow for any under or over-collection of revenue in RIIO-2 to be accurately reflected in the allowed revenue in the RIIO-3 Price Control Financial model.. We are proposing that LKt is either spread across the 5 years of the RIIO-3 price control and that a compound WACC is applied accordingly, or that it is recovered in the first year of the RIIO-3 price control, whichever is the licensees' preference.

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Special Condition 7.5 Legacy TRU Term (LTRUt) (ET/GD), Special Condition 7.5 Transportation owner legacy TRU term (LTRUt) (GT), Special Condition 7.13 System operator legacy TRU term (SOLTRUt) (GT)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

3.96 We are proposing to remove this condition as it is not applicable to RIIO-3.

Effect of this change

3.97 The effect of this change is to remove this condition.

Special Condition 8.1 Governance of the ET/GD/GT2 Price Control Financial Instruments

Type of change: Amendment

Relevant to: GT, GD, ET

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

3.98 The reason for the proposed amendments to this condition is to improve the clarity of the SpC and to align the language with the corresponding condition applicable to the ED sector.

Effect of this change

3.99 The effect of the amendments is to:

- clarify what constitutes a modification to the Price Control Financial Model
- clarify the process the Authority will follow regarding availability and update of the Price Control Financial Instruments.

Special Condition 8.2 Annual Iteration Process for the ET/GD/GT2 Price Control Financial Model

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12; “Annual Iteration Process and Modelling Issues”

Proposed changes and reasons for change

- 3.100 The AIP is the formal process of updating the PCFM Variable Values to calculate the annual incremental change to Base Revenues as they were set in Final Determinations. For RIIO-3, we are proposing to remove this condition from the licence and to instead include a section within the Price Control Financial Handbook and within the PCFM Guidance, describing the steps of the AIP.
- 3.101 We propose to require licensees to update and publish the Price Control Financial Model themselves in RIIO-3, in accordance with the Price Control Financial Handbook and in accordance with the PCFM Guidance. With a self-publication requirement, licensees will be responsible for calculating their own Allowed Revenue values and publishing the Price Control Financial Model on their websites at the point of charge setting. This process would not require any Authority direction, instead the Authority will simply publish a consolidated version of the licensee published Price Control Financial Models used for charge-setting.
- 3.102 The reason for this change is to move towards a process that can run with less intervention from the regulator. This will enable licensees to more easily reflect changes to their variable values where those are subject to volatile fluctuations and this would make the price control more cost reflective. Also, with changes to the licence, PCFM guidance and Price Control Financial Handbook improving the transparency as to how the AIP should be completed, there is no need for the Authority to direct the outcome of the AIP. In the RIIO-2 price control we took a step in this direction, with the Authority still conducting the AIP but publishing it rather

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than directing it. This goes a step further as we have further grown in confidence about the clarity provided on how to conduct the AIP. This also aligns with the Electricity Distribution sector. PCFM Variable values will be calculable based on a clearly defined calculation or separate process set out in either the licence, Price Control Financial Handbook or PCFM Guidance. In some cases, individual variable values may be adjusted by an Authority direction and the process for this will be set out in the individual licence conditions.

Effect of this change

3.103 The effect of this change is the removal of the licence condition encompassing the Annual Iteration Process and the PCFM publication. This text will be inserted into the PCFM guidance that will be provided to licensees for how to update the Price Control Financial Model. We have published the relevant chapter of the RIIO-3 PCFM Guidance alongside this consultation.

Special Condition 9.1 Annual Environmental Report (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: RIIO-3 Environmental Reporting Guidance

Final Determinations Reference: Overview Document; Chapter 4

Proposed changes and reasons for change

3.104 We propose to amend the RIIO-2 Annual Environment Report (AER) licence condition for RIIO-3 to reflect our FD decision to have in place a quantitative KPI document and a predominantly qualitative commentary document. At FD we said that we consider a common reporting template will allow us and stakeholders to review and compare the companies' AERs.

3.105 The proposed revisions to the licence include:

- added wording on the requirement for companies to have two sections (quantitative KPI document and qualitative commentary document);

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- added wording on the requirement for companies to submit all data in the AER to the Authority; and
- updates to 9.1.14(b) on changes that the Environmental Reporting Guidance should not be three months before the date of publication or by the commencement of the subsequent Regulatory Year.

Effect of this change

3.106 The effect of this change is to make a common reporting format for the AERs to provide further clarity and comparability across the companies and across sectors.

Special Condition 9.13/9.19/5.7 The strategic innovation fund (SIFt), Special Condition 9.19 The strategic innovation fund (SIFt) (ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Strategic Innovation Fund governance document

Final Determinations Reference: Chapter 10; “Innovation”

Proposed changes and reasons for change

3.107 The proposed changes for all sectors are minor. These changes are minor as we intend to make the changes decided upon in Final Determinations through the Associated Document, the new SIF Governance for RIIO-3. The new SIF Governance for RIIO-3 will be consulted on.

Effect of this change

3.108 We do not envisage these minor updates to have an impact on licensees.

Special Condition 9.2 Network Asset Risk Metric methodology (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

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3.109 We are proposing the following changes to this licence condition to give effect to our decisions in Final Determinations in relation to the Network Asset Risk Metric (NARM).

GD

3.110 We are proposing to introduce a requirement for licensees within the GD sector to:

- work together in developing and maintaining a NARM methodology which is common to all DN Operators in the GD sector (“the GD NARM Methodology”), and
- have a methodology for implementing the GD NARM methodology using its own asset data.

3.111 The reason for this is to ensure licensees develop and maintain the GD NARM Methodology to enable comparability and consistency within the GD sector with respect to the NARM Framework.

ET

3.112 We are proposing to introduce a requirement for licensees within the ET sector to:

- work together to develop a NARM methodology which is common to all licensees within the ET sector (“the ET NARM Methodology”);
- submit a draft version of the methodology and a final version of the methodology on the dates specified in the condition;
- develop its own methodology for implementing the ET NARM Methodology in the subsequent price control using its own asset data; and
- submit an updated Information Gathering Plan ‘IGP’ to set out how the licensee will gather and record information required in respect of the ET NARM Methodology to enable its implementation in the subsequent price control. to have asset data systems in place which support the development of this methodology by 2027. We initially proposed that licensees meet this requirement by 2029 however, after further consideration we consider that proposing to amend the date to 2027 ensures there is no conflict with the proposed requirement on licensees to develop the ET NARM Methodology.

- 3.113 The reason for these proposed amendments is to ensure consistency and comparability to support fairer benchmarking and more robust regulatory comparisons across the ET sector.

ET, GT and GD

- 3.114 We propose to introduce a separate modification process for non-material modifications which can be made to the NARM Methodology. The reason for this is to align the modification processes across the sectors with the process which exists in the ED licence and to simplify the process for licensees to propose non-material changes to the NARM Methodology such as formatting changes.
- 3.115 We propose to introduce a requirement for licensees to produce Information Gathering Plans (IGPs) and to submit these on the dates specified in the condition. The reason for introducing this is to improve transparency around a licensee's data collection and management practices in respect of the data it collects to implement its NARM methodology.
- 3.116 We propose to introduce a requirement for licensees within a sector to work together to develop an Engineering Guidance Document (EDGs) and to submit these on the dates specified in the condition.
- 3.117 For GT and GD licensees we are proposing a requirement for them to work together in the development of their Engineering Guidance Documents where there are common assets between the two sectors.
- 3.118 The reason for introducing this is to establish common standards in the subjective elements of reporting asset condition data and data inputs for all assets in their respective NARM methodologies. This is to facilitate greater consistency in reported asset condition data, within sectors and across sectors where there are common assets.

Effect of this change

- 3.119 The effect of these proposed changes is to enable greater consistency, transparency and accountability across the sectors. The development and

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maintenance of common methodologies will facilitate consistent asset management practices, allowing for greater comparability, within sectors and across sectors.

- 3.120 This will ensure that similar interventions on comparable asset types, under similar conditions, yield equivalent risk benefit outcomes within the NARM framework and supports fairer benchmarking and more robust regulatory comparisons across network companies. Requiring the networks to work together to develop EGDs will enhance consistency in how network companies report asset data. Requiring the networks to provide IGPs will enhance transparency in how network companies collect, manage and store the data required to report the NARM.

Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Decision Reference: SSMD Overview Document; Chapter 6

Proposed changes and reasons for change

- 3.121 To reflect our decision in our Sector Specific Methodology Decision to further enable flexibility, ⁶ we are proposing to update this condition with a new provision to allow us to adjust Evaluative PCD allowances upwards in cases where an output is Fully Delivered With An Alternative Specification (where certain criteria are met).
- 3.122 To provide clarity, we have set out various circumstances and specified the appropriate type of adjustment, including where an adjustment is downwards or upwards. We propose to amend the text in the old 9.3.3(f), now 9.3.3(g), to clarify that that *“the Authority will not direct an increase to allowances for an Evaluative PCD that has not been Fully Delivered or Fully Delivered With An Alternative Specification in accordance with 9.3.3 (b)”*. Additionally, we will update the PCD

⁶ [RIIO-3 Sector Specific Methodology Decision Overview](#), paragraph 6.14

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Reporting Requirements and Methodology Document ahead of RIIO-3 to provide further guidance regarding upwards flexibility.

3.123 We have also proposed a minor amendment to the definition of Fully Delivered, adding “to the full specification”. This will align it with the terminology of other definitions associated with the condition.

3.124 We have also updated the title and formatting of this condition to ensure consistency across the GD, GT and ET sectors.

Effect of this change

3.125 Where a licensee demonstrates that any overspend against the associated Evaluative PCD is efficiently incurred and a justified estimate of the proportion of increased Consumer Outcome associated with the work delivered, we may direct an upwards adjustment to the associated allowance.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Re-opener Guidance and Application Requirements Document

Final Determinations Reference: N/A

Proposed changes and reasons for change

3.126 We are proposing changes to better align Special Condition 9.4 with the relevant Special Condition set out in the RIIO- ED2 licences. As the re-opener guidance and application requirement document is relevant to all four sectors within the RIIO price control, it is prudent to ensure the conditions across sectors align.

3.127 The following changes are being made for alignment across RIIO-ED2 and RIIO-3:

- Minor text changes to 9.4.1 and 9.4.3; and
- Amending the text in 9.4.6(a) as the Re-opener guidance and application requirement document has been updated and now includes reference to these processes; and

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- Removing the text ‘any requirement for assurance’ under 9.4.6(b) as this duplicates the data assurance process and is covered in separate SLCs.

Effect of this change

3.128 The effect of this change is to align SpC 9.4 with the most recent Re-opener guidance and applications requirement document and ensure that the condition is aligned across all RIIO price control sectors.

Special Condition 9.5 Digitalisation licence

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Data Best Practice Guidance and Digitalisation Strategy and Action Plan Guidance

Final Determinations Reference: Overview document; Chapter 12

Proposed changes and reasons for change

- 3.129 We are proposing to update the Digitalisation Strategy and Action Plan (DSAP) publication dates contained within this condition to be within the RIIO-3 price control period, rather than the RIIO-2 price control period. The reason is to ensure clarity around DSAP publication dates within the RIIO-3 price control period.
- 3.130 We are proposing to amend the ET and GD conditions to insert the intervals during which licensees must publish their DSAPs. In RIIO-2, the intervals were only contained within the GT condition, and the intervals for ET and GD licensees were contained within the DSAP Guidance. The reason for this change is to ensure consistency across the different licences.
- 3.131 We are also proposing minor clerical changes to improve clarity and readability.

Effect of this change

3.132 The effect of these changes is to have the publication dates of DSAP documents contained within the ED and GD licences, and to provide increased clarity and readability of the condition.

Special Condition 9.6 Disapplication of Relevant Special Conditions (GT/ET)

Type of change: Amendment

Relevant to: GT, ET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

3.133 We are proposing minor typographical changes to improve clarity, as well as to reflect the addition of a definition of the Competition and Markets Authority.

Effect of this change

3.134 The effect of this change is to improve clarity and to add an additional defined term for the Competition and Markets Authority.

Special Condition 9.6 Disapplication of Relevant Special Conditions and Relevant Metering Special Conditions (GD).

Type of change: Amendment

Relevant to: GD

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

3.135 We are proposing minor typographical changes to improve clarity, as well as to reflect the addition of a definition of the Competition and Markets Authority.

3.136 In addition, in the version of Special Condition 9.6 in the Gas Distribution licences, we are proposing to remove references to the 'Relevant Metering Special Condition', which is defined in the licence as Special Condition 9.10 (Restriction of prices in respect of Tariff Capped Metering Activities). Special Condition 9.10 is proposed to be removed from the licence, so we are proposing to remove these references to it. We are also proposing to remove the definition of 'Relevant Metering Special Condition' from the licence.

Effect of this change

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- 3.137 The effect of the typographical changes is to improve clarity and to add an additional defined term for the Competition and Markets Authority.
- 3.138 The effect of removing references to ‘Relevant Metering Special Condition’ is that the licensee will no longer be able to apply for disapplication of this condition – which would be impossible anyway as Special Condition 9.10 has been proposed to be removed from the licence. This change will also bring this licence condition in line with other sectors.

Special Condition 9.7 Directly Remunerated Services (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “Directly Remunerated Services”

Proposed changes and reasons for change

- 3.139 We are proposing to insert a paragraph within Part D: Procedure for issuing directions. We are stating that before issuing a direction, the proposed direction will be published on the Authority’s website.
- 3.140 We are proposing to remove paragraph 9.7.8 (c) which refers to Special Condition 7.7 (RIIO-GT1 network innovation competition) as well as removing a reference of it from the DRS categories in the condition. This is because Special Condition 7.7 no longer exists therefore we do not need to refer to it.

Effect of this change

- 3.141 The effect of this change is that we are making it clear what the consultation process will be if any directions are to be issued.
- 3.142 The effect of this change is to remove an out-dated cross-reference.

Special Condition 9.8 Tax Reconciliation assurance statement (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 7

Proposed changes and reasons for change

- 3.143 The list of documents required to be submitted alongside the assurance statement has been updated to include any corporation tax notification documents submitted to HMRC in respect of uncertain tax treatments under Schedule 17 Finance Act 2022. This is because such any notifications will be relevant to understand differences between the tax allowance and actual tax charge.
- 3.144 Minor wording changes have been made to unambiguously reference the correct accounting periods for the required documents.

Effect of this change

- 3.145 As stated above, if licensees make any notifications to HMRC in respect of uncertain tax treatments, these will be required to be provided alongside the assurance statement.

RIIO-3 Price Control Financial Handbook

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Model and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12

Proposed changes and reasons for change

- 3.146 The reason for this amendment is to replace the RIIO-2 Price Control Financial Handbooks with ones that are relevant to the RIIO-3 Price Controls. We have proposed the following changes:
- adding new obligations that the licensee must fulfil to calculate Allowed Revenue and to publish the PCFM on its own website;
 - updating the cost of debt and cost of equity indexation chapter in line with the proposals set out in the Final Determinations Finance Annex;

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- adding a description to clarify our expectation of the behaviour of a notional efficient company, updating the definitions used for the tax clawback calculation and other procedural clarifications to the tax trigger and tax review processes; and
- updating the legacy chapter to clarify and facilitate the close-out of the RIIO-2 price controls.

Effect of this change

The effect of this change is to update the RIIO-2 Price Control Financial Handbooks to reflect the proposals set out in the Final Determinations Finance Annex.

RIIO-3 Price Control Financial Model

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12

Proposed changes and reasons for change

3.147 The reason for this amendment is to replace the RIIO-2 Price Control Financial Models with ones that are relevant to the RIIO-3 Price Controls.

Effect of this change

The effect of this change is to update the RIIO-2 Price Control Financial Models to reflect the proposals set out in the Final Determinations Finance Annex.

Proposed new conditions for Cross Sector Special Conditions

Special Condition 3.7 Digitalisation Re-opener

Type of change: New condition

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 12

Proposed changes and reasons for change

3.148 We propose to introduce a common Digitalisation Re-opener that will allow companies to apply for additional funding for digital and data related investments during the price control period. The purpose of this re-opener is to give network companies an additional opportunity to seek funding where new data or digital requirements or specific unforeseen costs arise during the price control period, reflecting the fast-moving nature of technology and policy change in the digitalisation space. This re-opener will include allowances that were previously allocated under the RIIO-2 Non-operational IT Capex Re-opener.

Effect of this change

3.149 The effect of this licence condition is to establish a re-opener which can be triggered by the licensees or the Authority that enables companies to progress investments relating to technological or policy changes and developments that contribute to further digitalisation of the energy sector.

Special Condition 3.3 Resilience Re-opener

Type of change: New condition

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Proposed changes and reasons for change

3.150 This new condition covers governance of both physical security and resilience-related activities under RIIO-3. This replaces the previous approach where physical security was treated separately and resilience activities were not explicitly provided for in the licence.

3.151 This change has been introduced to reflect our decision to create a single re-opener mechanism that adjusts allowances where the UK Government requires network companies to undertake resilience-related activities not anticipated at the start of RIIO-3.

Effect of this change

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3.152 The condition establishes:

- Physical Security PCDs - setting baseline outputs, delivery dates, and allowances for physical security works mandated under the government's physical security programme.
- Physical Security Re-opener term - enabling adjustments to the Physical Security PCD Table where changes occur in Critical National Infrastructure classification or scope of mandated works.
- Resilience Re-opener term- providing a mechanism for the Authority to fund resilience activities required during the price control period in response to changes in UK Government policy.

3.153 This condition will allow for licensees to submit applications under the Physical Security Re-opener during fixed windows where changes occur in Critical National Infrastructure classification or mandated scope. Resilience activities will be funded through Authority-triggered modifications when required by government.

Proposed Cross Sector Special Conditions where there is no change from RIIO-2

3.154 There are a number of conditions that we have identified in RIIO-2 which we propose retaining without any amendments to the wording. Below is a list of these conditions:

- Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity (GT)
- Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network (GD)
- Special Condition 1.2 Modification of Standard Conditions (ET)
- Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence (GT)

4. Electricity Transmission Special Conditions

Proposed Changes to Electricity Transmission Special Conditions

Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.1 We decided to remove this mechanism from the RIIO-ET3 price control in our Final Determinations because it is no longer applicable in RIIO-3 and is superseded by Special Condition 3.6 (Decarbonisation and Environmental Policy Re-opener), where this condition allows for Price Control Deliverables relating to Net Zero Developments to be identified.

Effect of this change

- 4.2 To remove this redundant mechanism as it is superseded by funding provided by Special Conditions 3.13 (Closely Associated Indirects Use-it-or-lose-it allowance) and 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), and the new Special Condition 3.6 (Decarbonisation and Environmental Policy Re-opener).

Special Condition 3.9 Wider works Price Control Deliverable (WW_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

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- 4.3 We have proposed to remove this mechanism from the RIIO-ET3 price control as it is no longer applicable in RIIO-3 because it is now covered by Special Condition 3.18 (Load Re-opener and Price Control Deliverable), Special Condition 3.17 (Load Use-it-or-lose-it allowance), and baseline allowances, which provide all appropriate funding routes in ET3.

Effect of this change

- 4.4 To remove this redundant mechanism.

Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE_t and EPI_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.5 In our SSMD we decided to remove this mechanism for RIIO-ET3 as it is no longer applicable in RIIO-3. This is because we deemed this policy to not be in the interests of consumers in respect of our principal objective under the Energy Act 1989. TOs will be funded to deliver initiatives that conserve and enhance natural beauty through Special Condition 5.4 Landscape Enhancement Initiative (LEI_t) use it or lose it allowance.

Effect of this change

- 4.6 To remove this redundant mechanism in line with our SSMD position.

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.7 We are proposing to implement an amended Generation Connection Volume Driver. The reason for doing so is to provide a flexible funding mechanism that allows Transmission Owners (TOs) to respond to uncertain and variable demand for new electricity generation connections, with minimal risk of over or under recovery.
- 4.8 The Generation Connection Volume Driver provides allowances for load connection projects based on pre-determined unit rates and unit cost allowances. For all TOs we will include a section setting out the process for identifying projects which have atypical costs and exceed the atypical threshold.
- 4.9 For SPTL, we propose to include additional volume drivers to account for the differences in cost between different voltages. As stated in our RIIO-3 Final Determinations, we will be retaining the fixed cost element for some, like in RIIO-2.
- 4.10 For SHETL we propose to remove the OHL reconductoring volume driver as they do not have any of these projects and remove the fixed cost element for all volume drivers, as stated in our Final Determinations. We also propose to include a section defining the recalibration process for setting unit cost allowances. This reflects the policy decision to include a recalibration process, reflecting SHETL's exposure to risk from a change in projects in the connections portfolio.
- 4.11 For NGET we propose to add an additional volume driver of OHL reconductoring crossings, to account for the differences in cost between OHL general reconductoring projects. The fixed cost element will be retained for substation generation and cable projects, like in RIIO-2, as stated in our RIIO-3 Final Determinations.

Effect of this change

- 4.12 The effect of the amendments is to remunerate licensees for generation connections they will deliver during RIIO-ET3 plus the first two years of the subsequent price control period up to 31 March 2033.

Special Condition 3.12 Demand Connections volume driver (DRI_t)

Type of change: Amendment

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4

Proposed changes and reasons for change

- 4.13 We are proposing to implement an amended Demand Connections Volume Driver. The reason for doing so is to provide a flexible funding mechanism that allows Transmission Owners (TOs) to respond to uncertainty variable demand for new electricity demand connections, with minimal risk of over or under-recovery. The purpose of this condition is to provide for the calculation Demand Connections volume driver term.
- 4.14 For NGET we will be retaining the condition, like in RIIO-2, but for SPTL and SHETL, the condition will be removed as they do not have any demand volume drivers.
- 4.15 We will include a section setting out the process for identifying projects which have atypical costs and exceed the atypical threshold.
- 4.16 For NGET we will be retaining the fixed cost element for cable projects, like in RIIO-2, but removed for demand connection.
- 4.17 For NGET we will be adding an additional volume driver of OHL reconductoring crossings, to account for the differences in cost between OHL general reconductoring projects. The fixed cost element will be retained for substation demand and cable projects, like in RIIO-2.

Effect of this change

- 4.18 The effect of the amendments is to remunerate NGET for demand connections it will deliver during RIIO-ET3 plus the first two years of the subsequent price control period up to 31 March 2033.

Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA_t and LOTIRE_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.19 In our SSMD we decided to remove this mechanism for RIIO-ET3. The reason for doing so is the introduction of the Load Re-opener (Special Condition 3.18).
- 4.20 The LOTI mechanisms will cease on 1 April 2026, and no new applications can be made after this date. Any submissions for relevant projects received before then will be assessed under the licence conditions in force at the time of application. Post-April 2026, any necessary allowance adjustments will be managed through the Load Re-opener or the ET2/ET3 Crossover adjustments (T2ACAt) – see our proposed ET2/ET3 Crossover Guidance and Submission Requirements document for further information.

Effect of this change

- 4.21 To remove this redundant mechanism within the main licence but retaining it within the financial regulatory handbook (through the ET2/ET3 Crossover condition) means there is still a mechanism by which to capture it in the context of existing projects that cross over into RIIO-3.

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

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.22 In our SSMD we decided to remove this mechanism for RIIO-ET3 because of the introduction of Special Condition 3.17 (Load Use-it-or-lose-it) and Special Condition 3.18 (Load Re-opener and Price Control Deliverable) Uncertainty Mechanisms.

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4.23 The MSIP mechanisms will cease on 1 April 2026, and no new applications can be made after this date. Any submissions received before then will be assessed under the licence conditions in force at the time of application. Post-April 2026, any necessary allowance adjustments will be managed through the Load Re-opener (where the projects align with the re-opener thresholds) or the ET2/ET3 Crossover adjustments (T2ACAt) – see our proposed ET2/ET3 Crossover Guidance and Submission Requirements document for further information.

Effect of this change

4.24 To remove this redundant mechanism within the main Licence but retaining it within the financial regulatory handbook (through the ET2/ET3 Crossover condition) means there is still a mechanism by which to capture it in the context of existing projects that cross over into RIIO-3.

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

Type of change: Amendment

Relevant to: All TOs

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.25 The reason for amending this licence condition is to give effect to our decisions in Final Determinations, this includes:
- setting out the process for Load Re-opener projects to gain access to Pre-Construction Funding (PCF);
 - setting out the eligibility for PCF which includes Load and projects with Shared Drivers;
 - setting out the process for TOs to gain access to PCF for CSNP projects;
 - setting out the process for TOs to gain access to PCF for tCNSP2 development track projects;

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- setting out a process for TOs to gain access to a PCF uplift for tCSNP2 delivery track projects, as compared to the original allowances in RIIO-ET2;
- setting out the principles for the PCF price control deliverables and re-opener mechanisms in RIIO-ET3; and
- clarifying that the cut-off date between what we will consider “current projects” versus “new projects” is the publication of RIIO-ET3 Final Determinations and that that the PCD review will take place at the end of the Price Control period.

4.26 By allowing more the TOs with PCF for more projects (the expansion of the eligibility of PCF to include Shared Drivers), we are providing the TOs with a funding approach for surveys, assessments, stakeholder engagement, project design and engineering development, tasks associated with wayleaves and planning applications and Early Enabling Works (EEW), in line with our Final Determinations.

4.27 We have also amended the language from the RIIO-2 licence for this condition to increase the threshold for determining the value of any PCD adjustment based on whether TOs have obtained “all material planning consents”. This is to reflect the increased risk to consumers if projects fail to come to fruition because of the increased overall value of PCF for TOs.

Effect of this change

4.28 To ensure that TOs have funding available at the early stage of projects and that the Authority is able to assess that spending at the end of the Price Control Period in accordance with whether they have submitted all material planning consents. This will ensure consumers only pay for projects which have been expedited.

Special Condition 3.16 Access Reform Change Re-opener (ARR_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

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- 4.29 In our SSMD we decided to remove this mechanism for RIIO-ET3. This is because it is no longer required as Access Reform was implemented in 2022 and the effects of it will not be felt in RIIO-ET3.

Effect of this change

- 4.30 To remove this redundant mechanism.

Special Condition 3.16 Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t) (Previously Special Condition 3.43)

Type of change: Amendment

Relevant to: All TOs

Associated document: APM Governance Document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.31 We are proposing to amend this licence condition to provide additional clarification on several areas following questions raised in response to our Initial Licence Consultation in July 2025, as set out below. We also made several minor typographical edits.
- 4.32 We have updated the reporting requirements in Part G to clarify our position that the 2026 RRP process is to be used to report relevant spend that took place prior to the licence condition taking effect in RIIO-ET2 (which happened in 2025 for all three TOs).
- 4.33 We have updated the wording of Part I, 3.16.26(c) to clarify the intent of the word “used”, ie that “using” APM procurement in this context means having allocated it to a project and recorded that under APM Recovered Expenditure – not necessarily having installed that asset yet.
- 4.34 We have updated the definition of APM Recovered Expenditure in Special Condition 1.1. This updated definition is to clarify that APM Recovered Expenditure recorded up to and including any given Regulatory Year cannot exceed APM Expenditure recorded up to and including that same Regulatory Year. This is because

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expenditure must be allocated to APM Expenditure before it can be allocated to APM Recovered Expenditure.

- 4.35 We have updated Special Condition 1.1 to include the definitions of Flexible Procurement, Equipment, and Related Services as included in the RIIO-ET2 licence for use in the APM condition. We also updated Special Condition 1.1 to specify that some definitions are for the purpose of Special Condition 3.16 only.

Effect of this change

- 4.36 These changes do not alter the intent or effect of the condition, but rather provide the TOs with a better understanding:

- of what is required of them in reporting expenditure to be reflected in their allowances;
- of how we will assess that reported expenditure; and
- that total APM Recovered Expenditure at any point in time cannot exceed total APM Expenditure up until that point.

Special Condition 3.17 Shared schemes Price Control Deliverable (SS_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.37 In RIIO-2 Final Determinations we created Shared Infrastructure Schemes PCD to provide baseline funding for schemes where there are shared assets between SHETL and SPTL. We did not set out in our SSMD the continuation of the Shared Schemes PCD in RIIO-3. Those projects set out under the licensees Special Condition 3.17 (under RIIO-ET2) are expected to be delivered by the need of the price control and be closed-out accordingly, in-line with our PCD Guidance. In our SSMD we decided to remove this mechanism for RIIO-ET3.

Effect of this change

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4.38 To remove this redundant mechanism.

Special Condition 3.18 Resilience and Operability Price Control Deliverable (RO_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.39 We decided to remove this mechanism from the RIIO-ET3 price control in our Final Determinations to align with a more holistic approach to resilience and reliability on for RIIO-ET3. It is now covered in the Special Condition 3.18 (Load Re-opener and Price Control Deliverable) term in RIIO-ET3.

Effect of this change

4.40 To remove this redundant mechanism.

Special Condition 3.19 Enhanced Environmental Requirements use it or lose it allowance (EER_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.41 In our SSMD we decided to remove this mechanism for RIIO-ET3, because this allowance can be sought project-by-project and no evidence still required in ET3.

Effect of this change

4.42 To remove this redundant mechanism.

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Special Condition 3.20 Generation related infrastructure Price Control Deliverable (GRI_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.43 This condition has been superseded by Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t).

Effect of this change

4.44 To removal this redundant mechanism.

Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t) (Previously Special Condition 3.40)

Type of change: Amendment

Relevant to: All TOs

Associated document: Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.45 We are proposing to modify the ASTI Pre-Construction Funding Price Control Deliverables Outputs, Delivery Dates and PCF allowances for the projects EGL3, EGL4 and GWNC in Appendix 2 of the condition. The reason for these modifications is to reflect the policy decisions in our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC ⁷and the consequential modifications to this condition.

⁷ [material-scope-change-decision.pdf](#), paragraph 6.21.

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Effect of this change

4.46 These amendments are required to give effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC as statutory modifications under section 11A of the Act.

Special Condition 3.21 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t) (Previously Special Condition 3.41)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.47 To give effect to Project Assessment decisions on Eastern Green Link 1 (EGL1), Eastern Green Link 2 (EGL2) and Yorkshire Green (YG), in which we proposed to make modifications to this condition. The reason for these modifications is to reflect the PA decisions on the Cost and Output Adjusting Event (COAE) adjustment, approved allowances and outputs, and the consequential changes to defined terms. The proposed modifications are:

- adding details of the ASTI Output and the specific allowances for EGL1, EGL2 and YG in Appendix 1;
- amending paragraph 3.41.17 to incorporate the COAE level determined for these projects;
- modifying Special Condition 1.1 of TOs' licences to include updates to 'Transmission Area' and the consequential new defined terms: Eastern 1 HVDC Link and Eastern 2 HVDC Link

4.48 In our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC we proposed to make modifications to this condition. The proposed modifications are:

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- To modify the ASTI Outputs, Delivery Dates, and to add “ECF” to the ECF/PA column in Appendix 1 to indicate approved ECF for the projects EGL3, EGL4 and GWNC.

Effect of this change

- 4.49 These amendments in relation to EGL1, EGL2 and YG are required to give effect to our Project Assessment decisions on EGL1, EGL2 and YG as statutory modifications under section 11A of the Act.
- 4.50 These amendments in relation to EGL3, EGL4 and GWNC are required to give effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC as statutory modifications under section 11A of the Act.

Special Condition 3.22 Instrument Transformers Price Control Deliverable (InT_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.51 We are removing this condition to reflect the fact that it has been superseded by other PCDs and so is no longer required.

Effect of this change

- 4.52 To remove this redundant mechanism.

Special Condition 3.23 Bay Assets Price Control Deliverable (BA_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.53 We have removed this mechanism from the RIIO-ET3 price control

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Effect of this change

4.54 To remove this redundant mechanism.

Special Condition 3.24 Protection And Control Price Control Deliverable (PC_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.55 We are removing this condition as it has been superseded by other PCDs and so is no longer required.

Effect of this change

4.56 To remove this redundant mechanism.

Special Condition 3.25 Overhead Line Conductor Price Control Deliverable (OC_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.57 We are removing this condition as it has been superseded by other PCDs and so is no longer required.

Effect of this change

4.58 To remove this redundant mechanism.

Special Condition 3.25 SF6 asset intervention Price Control Deliverable (SF6_t)
(Previously Special Condition 3.27)

Type of change: Amendment

Relevant to: NGET and SHETL

Associated document: N/A

Proposed changes and reasons for change

4.59 The reason for proposing to update this condition is to give effect to our Final Determinations to have an evaluative PCD, applicable to NGET and SHETL, to fund asset intervention programmes to reduce Sulphur Hexafluoride (SF6) emissions. This investment is a key part of the TOs' emissions reduction strategies, meaning it is important to hold TOs to account for delivery.

4.60 The proposed changes to the condition are:

- Expanded licensee eligibility to include SHETL in addition to NGET. This reflects this RIIO-3 business plan proposals of the TOs, with no PCD proposed by SPTL nor investment above the PCD materiality threshold.
- Output tables in Appendix 1 and 2 are amended to reflect the changes to the outputs for RIIO-3.
- Removal of a re-opener mechanism as licensee business plan proposals in RIIO-ET3 did not require it.

Effect of this change

4.61 The effect of the condition is to:

- specify the outputs, delivery dates and associated allowances; and
- set out the formula to adjust allowances at the end of RIIO-ET3 to account for actual delivery of the PCD.

Special Condition 3.26 Substation auxiliary systems use it or lose it allowance (SAS_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

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- 4.62 We have removed this condition from the RIIO3-ET3 price control as we are not seeking to have a UIOLI funding arrangement for NGET's substation auxiliary systems in RIIO-ET3. This policy was for RIIO-ET2 only.

Effect of this change

- 4.63 To remove this redundant mechanism.

Special Condition 3.26 Subsea Cable Re-opener (SCR_t) (Previously Special Condition 3.28)

Type of change: Amendment

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: SHET Annex; Chapter 4

Proposed changes and reasons for change

- 4.64 The reason for proposing to modify this condition to update the re-opener window dates is to ensure the Special Condition continues to apply in RIIO-ET3.
- 4.65 Effect of this change
- 4.66 The effect of proposing this amendment is to ensure the re-opener can be triggered by the licensee within re-opener window dates where there is a need for Subsea Cable Repair works on the licensee's Transmission System.

Special Condition 3.29 Uncertain non-load related projects Re-opener and Price Control Deliverable (UNLR_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.67 We have removed this mechanism from the RIIO-ET3 price control, because it is superseded by alternative cross-sector led Non-Load Re-opener.

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Effect of this change

4.68 To remove this redundant mechanism.

Special Condition 3.30 Wider works volume driver (WWV_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.69 In our SSMD we decided to remove this mechanism for RIIO-ET3, as its purpose is now covered by the Special Condition 3.18 (Load Re-opener and Price Control Deliverable), Special Condition 3.17 (Load Use-it-or-lose-it allowance), and baseline allowances, which provide all appropriate funding routes in RIIO-ET3.

Effect of this change

4.70 To remove this redundant mechanism.

Special Condition 3.31 Fibre Wrap Replacement Re-opener (FWR_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.71 We have removed this mechanism from the RIIO-ET3 price control, as it was a one-year, time-limited re-opener for RIIO-ET2 only and is not required for RIIO-ET3.

Effect of this change

4.72 To remove this redundant mechanism.

Special Condition 3.32 Civil Related Works Re-opener (CWR_t)

Type of change: Removal

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Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.73 In our SSMD we decided to remove this mechanism for RIIO-ET3, because NGET is expected to submit well-justified cost proposal that eliminates the need for a re-opener in RIIO-ET3.

Effect of this change

4.74 To remove this redundant mechanism.

Special Condition 3.33 Tower Steelworks and Foundations Re-opener (TSF_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.75 In our SSMD we decided to remove this mechanism for RIIO-ET3, because NGET is expected to submit well-justified cost proposal that eliminates the need for a re-opener in RIIO-ET3.

Effect of this change

4.76 To remove this redundant mechanism.

Special Condition 3.36 Opex Escalator (OE_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

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- 4.77 We are proposing to remove this condition as allowances for operating expenditure will be provided either through the Special Condition 3.13 Closely Associated Indirects Use-it-or-lose-it allowance (CAI_i) for applicable load schemes or through project assessment under the relevant funding mechanism. The reason for the change is to provide operating expenditure for projects which is flexible and fungible, instead of applying a fixed percentage uplift.
- 4.78 For legacy RIIO-ET2 schemes which are allowed capital expenditure in RIIO-ET3, these will be funded for CAI through **Error! Reference source not found..**

Effect of this change

- 4.79 The effect is to remove the mechanism in its current form from the RIIO-ET3 licence.

Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10A_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.80 We propose to remove this licence condition that addressed a RIIO-ET1/RIIO-ET2 issue related to specific non-load projects. The condition is no longer required, as it only reflected historical adjustments made to NGET's original baseline totex allowance for RIIO-ET1 and RIIO-ET2, which have now been fully addressed through close-out processes.

Effect of this change

- 4.81 To remove this redundant mechanism.

Special Condition 3.39 Legacy baseline connections volume driver (LGCE_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.82 We propose to remove this condition, which provides a price index uplift for T1-T2 crossover projects linked to the generation connection volume driver. The condition is no longer needed, as analysis of the RIIO-ET3 BPDTs shows there are no generation connection-related projects crossing over into RIIO-ET3.

Effect of this change

4.83 To remove this redundant mechanism.

Special Condition 3.42 Consequential Costs recovery from the separation of the ESO term (CC_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.84 The RIIO-2 Close Out process will manage the reconciliation through the Legacy Adjustment term (LADJ_t) in Special Condition 7.2 Legacy AIP Adjustment term (LADJ_t) and financial handbook.

4.85 Therefore, this Special Condition is no longer required.

Effect of this change

4.86 Condition is removed and relevant close-out captured by the Legacy Adjustment term (LADJ_t) in Special Condition 7.2.

Special Condition 3.43 Tyne Crossing Project Re-opener (TCR_t) [Previously Special Condition 3.34]

Type of change: Amendment

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.87 The reason for proposing to modify this condition to update the re-opener window dates is to ensure the special condition's continued application in RIIO-ET3.

Effect of this change

- 4.88 The effect of proposing this amendment is to ensure the re-opener can be triggered by the licensee within re-opener window dates where there is a need for the licensee to deliver a project to cross the River Tyne.

Special Condition 3.44 Bengeworth Road GSP Project Price Control Deliverable (BRG_t) (Previously Special Condition 3.35)

Type of change: Amendment

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Appendix 1

Proposed changes and reasons for change

- 4.89 The reason for updates are to reflect the next stage of the Bengeworth Road Project. This includes:
- updates to Appendix 1 to reflect the latest of outputs to ensure the special condition's continued application in RIIO-ET3.
 - an update to the NGET Redacted Information Document.

Effect of this change

- 4.90 Ensures the licensee delivers the outputs associated with the Bengeworth Road GSP Stage 2 works.

Special Condition 3.44 Development Funding Price Control Deliverable and Use It Or Lose It Adjustment (DF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: Transitional Centralised Strategic Network Plan 2 Guidance and Submission Requirements Document

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.91 This mechanism and associated licence condition will no longer exist in RIIO-ET3. The reason for removing this condition is that this condition provided funding for the RIIO-ET2 licence period only to address a RIIO-ET2 specific issue that does not apply to RIIO-ET3.

Effect of this change

- 4.92 The effect of removing this condition is that TOs will no longer have PCD outputs for Development Track projects in RIIO-ET3.

Special Condition 3.45 Delivery Track Pre-Construction Funding, Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: Transitional Centralised Strategic Network Plan 2 Guidance and Submission Requirements Document

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.93 This mechanism and associated licence condition will no longer exist in RIIO-ET3. The reason for removing this condition is that Pre-Construction Funding allowances from this condition will be moved to the RIIO-ET3 Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)). This is to give effect to our position set out in the RIIO-ET3 Final Determinations.

Effect of this change

- 4.94 The effect of removing this condition is that PCF and associated PCD outputs from this condition will be carried over into the RIIO-ET3 Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)).

Special Condition 4.2 Energy not supplied output delivery incentive (ENSI_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.95 We are proposing to modify the licence condition in multiple ways to reflect our Final Determinations, including providing for:

- an updated Value of Lost Load figure to better represent the value that consumers put on a reliable energy supply;
- an updated target for each of TO to continue to drive performance improvements;
- a change in establishing the incentive exposure to Return on Regulated Equity (RoRE) from ex ante base revenue (EABR); and
- an updated Totex incentive mechanism rate (TIMR).

Effect of this change

4.96 The effect of the modifications is to provide a stretching target for TO performance levels and provide a suitable potential financial penalty and reward.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.97 We are proposing to modify this licence condition to reflect the new Insulation and Interruption Gas (IIG) emissions ODI-F targeting methodology set out in our Final Determinations. As a result of this decision, the provisions for a calculated baseline target are no longer required (ie the target formula and associated section have

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been removed) and replaced with an annex which will be used to state the licensee targets.

4.98 Other changes have been proposed to the IIG Exceptional Event definition and function. These reflect our decision to set a new minimum threshold for notification of considered IIG Exceptional Events by the licensee. Additionally, several clarity improvements are proposed to the IIG Exceptional Event definition to:

- More clearly outline that an event being beyond the reasonable control of the licensee is not the sole determinant of it being exceptional, with requirement on the licensee to mitigate and prevent such risks.
- Remove reference to any event or circumstance related to ‘health and safety’ prioritisation, which we consider captured by the definition more broadly, and so unnecessary given no other types of events are exemplified.
- Align definition phrasing to other similar definitions in the licence.

4.99 In our Final Determinations, we also decided to create a bespoke asymmetrical deadband for SHETL, which is penalty-only, given the differences between licensee’s emissions historical performance and resultant meaning for the incentive (eg SHETL has lower baseline emissions compared to other TOs). This means the licence condition for SHETL has bespoke algebra that means emissions between the deadband and their emissions target won’t result in a penalty.

Effect of this change

4.100 The effect of this condition is to set out the target IIG emissions for each licensee, which are used to adjust the licensee’s revenue to reflect its IIG emissions performance. The effect of the modifications is to:

- Set out the annual IIG incentive targets for each licensee in RIIO-ET3.
- Change the materiality threshold for events that can be submitted by licensees as IIG Exceptional Events.
- Add clarity to the definition of IIG Exceptional Events.

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Special Condition 4.4 Timely connections output delivery incentive (CONADJ_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.101 This mechanism and associated licence condition will no longer exist in RIIO-ET3. As stated in our SSMD, we held concerns over this mechanism incentivising the speed of administrative tasks rather than the speed of connecting customers.

Effect of this change

- 4.102 To remove this redundant mechanism as it is being superseded by the new Special Condition 4.4 which will reward the licensee for its delivery of connection projects.

Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

- 4.103 This mechanism and associated licence condition will no longer exist in RIIO-ET3. As stated in our Final Determinations, we held concerns over the low and inconsistent number of responses the survey received, making it an inappropriate basis for an output delivery incentive.

Effect of this change

- 4.104 To remove this redundant mechanism as it is being superseded by the new Special Condition 4.4 which will reward the licensee for its delivery of connection projects.

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Special Condition 4.6 Environmental scorecard output delivery incentive (ESI_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.105 The condition is being removed because it was redundant and created an unnecessary resource burden. Therefore, this special condition is no longer within the RIIO-3 price control.

Effect of this change

4.106 To remove this redundant mechanism. Network companies will no longer be required to submit an environmental scorecard.

Special Condition 4.6 SO:TO optimisation output delivery incentive (SOTO_t) (Previously Special Condition 4.7)

Type of change: Amendment

Relevant to: All TOs

Associated document: SO-TO Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.107 The reason for amending this licence condition is to give effect to our decisions in Final Determinations. This includes:

- reference the SO-TO ODI formula and principles within the SO-TO governance document;
- the updated eligibility criteria; and
- the closeout clawback mechanism.

4.108 The reason for change is to:

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- ensure the licence accurately reflects the SO-TO process and governance framework, and to establish clarity around how enhanced services transition to BAU operations; and
- to clawback a percentage of the incentive benefit in the circumstance that the licensee does not fulfil requests for enhanced services or interventions from the NESO.

Effect of this change

4.109 The amendments will provide clearer governance and operational guidance, ensuring consistency and transparency in managing the transition from innovative services to BAU within the SO:TO framework and protect consumers against unfulfilled requests for enhanced services or interventions from the NESO.

Special Condition 4.7 Accelerated strategic transmission investment output delivery incentive (ASTII_t) (Previously Special Condition 4.9)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.110 In our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC we proposed to make modifications to this condition. The reason for these modifications is to modify the columns “Project” and “ASTI ODI Target Date” in Appendix 1, for the projects EGL3, EGL4 and GWNC.
- 4.111 We have also removed a redundant line 4.7.7 (a) from the condition that was only applicable when the condition was first introduced. We also amended 4.7.8 which referenced this line so that it no longer references the redacted line.

Effect of this change

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4.112 These amendments are required to give effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC as statutory modifications under section 11A of the Act.

4.113 Removal of 4.7.7(a) and modification to 4.7.8 adds clarity to the condition, avoiding misinterpretation of the redacted line.

Special Condition 4.8 Consumer value proposition

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.114 This special condition is no longer within the price control. This condition is removed because it related specifically to the closeout of RIIO-1 items, which has now been completed. Its purpose, to allow forecast amounts to be included in revenue allowances ahead of the formal RIIO-1 closeout, is no longer relevant in subsequent price control periods.

Effect of this change

4.115 To remove this redundant mechanism.

Special Condition 5.4 Landscape Enhancement Initiative (LEI_t) use it or lose it allowance

Type of change: Amendment

Relevant to: All TOs

Associated document: Environmental Reporting Guidance

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.116 We are proposing to make minor amendments to this condition to ensure its continued application in RIIO-ET3.

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4.117 The minor amendments we're proposing will include:

- new reporting requirements on the TOs and amendments to definitions and the formula;
- updating the definition of Designated Areas; and
- to separate the LEI from the former visual amenity PCD and re-opener.

4.118 These changes will expand the applicability of the UIOLI to reflect feedback from the TOs that the Designated Areas were too restrictive to make the UIOLI useful. As a result, we examined statutory designations by UK, Scottish and Welsh governments, as well as ministers, of areas that have specific environmental, aesthetic or scientific value which would align to the policy goals of the LEI. This will expand the geographical areas in which the TOs will be able to utilise LEI funding.

4.119 The changes also provide for clearer reporting by the TOs on their use of UIOLI funding so we can ensure that we are able to understand how the LEI will benefit consumers and local communities affected by transmission infrastructure.

Effect of this change

4.120 The effect of these changes is to set out the new reporting requirements on the TOs to specify:

- the total amount spent for the preceding Regulatory Year;
- the Designated Area for each project;
- the amount of funding allocated to each project;
- any additional funding it expects to be allocated to each project
- the benefits each project is seeking to achieve; and
- the expected beneficiaries of each project.

4.121 The changes also update the definition of Designated Area so that the TOs are able to utilise so that the TOs are able to utilise funding for an expanded geographical area of landscapes.

Special Condition 5.5 Net Zero Fund use-it-or-lose-it allowance (NZF_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: SPT Annex; Chapter 4

Proposed changes and reasons for change

4.122 The reason for removing this condition is to reflect our decision in Final Determinations to not retain the Net Zero Fund in RIIO-3, due to concerns regarding the net consumer benefit of the policy.

Effect of this change

4.123 To remove this redundant mechanism.

Special Condition 5.5 Carbon Compensation use it or lose it allowance (CCO_t) (Previously Special Condition 5.6)

Type of change: Amendment

Relevant to: NGET and SPTL

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

4.124 The reason for proposing to update this condition is to give effect to our Final Determinations, to provide a flexible funding mechanism for Carbon Compensation activities that reflects updated policy objectives, reporting frameworks, and business plan proposals in RIIO-ET3.

4.125 The proposed changes to the condition are:

- Changed the name of the condition from “Net zero carbon Capital Construction UIOLI” to “Carbon Compensation UIOLI” to reflect the revised policy in RIIO-ET3, with net zero capital construction no longer the policy objective (offsetting

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

activities have instead been linked to overall Business Carbon Footprint (BCF emissions performance).

- Expanded licensee eligibility to include SPTL in addition to NGET, thus accounting for all TO's with related proposals.
- Changed reporting timelines to align with Annual Environmental Report (AER) timelines and TO offsetting strategies.
- Updated the definitions and terminology to provide common terms.

Effect of this change

4.126 The effect of the condition is to:

- specify the allowance for Carbon Compensation and associated reporting requirements.
- set out the formula to adjust allowances at the end of RIIO-ET3 based on actual delivery of the UIOLI.

Special Condition 5.7 Transmission investment for renewable generation (TIRG_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.127 This special condition is no longer needed within the price control. The TIRG was the precursor to RIIO-1's Strategic Wider Work reopener, RIIO-2's Large Onshore Transmission Investment reopener and our RIIO-ET3's Load Related Reopener/CSNP-Funding mechanism. We do not believe there are any TIRG project remaining for SHETL or SPTL to deliver, therefore the TIRG condition is no longer required in RIIO-ET3.

Effect of this change

4.128 To remove this redundant mechanism.

Special Condition 6.1: Pass-through items (PT_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: For Part D - Community Funds for Electricity Transmission Infrastructure Pass-Through guidance document

Final Determinations Reference: For Part D – ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.129 The amendment to this condition is to enable TOs to recover costs from Tender Support Activities (TSA), which are unpredictable and unsuitable for baseline funding, aligning with RIIO-3 policy and ensuring cost transparency through reporting.
- 4.130 There are further changes to allow for the creation of Part D Community Funds for Transmission Infrastructure. A calculation of the allowed pass-through term CF_t (the Community Funds for Transmission Infrastructure term) has been created so that licensees can recover (in accordance with the Department for Energy Security and Net Zero Guidance published on 10 March 2025). It also explains the amount of Delivery Costs for the Community Funds may be recovered by the licensees, when the Authority may conduct a review of those costs and the need to comply with Guidance for Community Benefits published by the Authority.
- 4.131 The reason for implementing Part D as an amendment to this condition is:
- to provide a structured mechanism to enable TOs to deliver community benefits funding for new transmission infrastructure, and for upgrades to existing infrastructure, which are in scope of the DESNZ Guidance;
 - to ensure the licensee has clear guidelines and mechanisms for securing funding for community funds, as well as necessarily incurred Delivery Costs; and
 - to maintain transparency and accountability in the allocation and adjustment of allowances.

Effect of this change

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- 4.132 The effect of this condition is to create a pass-through mechanism for TOs to recover TSA costs and allows Ofgem to monitor these expenditures effectively.
- 4.133 The effect of the implementation of Part D as an amendment to this condition is to establish a pass-through triggered by the licensee in relation to community benefits for eligible transmission infrastructure projects. The condition provides for the Authority to publish Guidance, with which the licensee must comply, and which the Authority may amend by direction. It also provides for the Authority to make an amendment to the value of the Delivery Cost term by direction.

Special Condition 6.2 Energy not supplied compensatory scheme pass-through (SHCP_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 4.134 The condition is being removed because it is infrequently used and provides very limited benefit, while requiring a disproportionate amount of effort to maintain. It was already proposed for removal in the SSMD and supported by SHETL in June 2024.

Effect of this change

- 4.135 To remove this redundant mechanism. Removing the condition reduces administrative burden without any material impact, as its limited purpose no longer justifies the resources needed to maintain it.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.136 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

4.137 Condition is removed and relevant close-out captured by the Legacy Adjustment term (LADJ_t) in Special Condition 7.1.

Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LED_{Rt})

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.138 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

4.139 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term (LADJ_t) in Special Condition 7.2.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

4.140 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

4.141 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term ($LADJ_t$) in Special Condition 7.2.

Special Condition 7.8 Close out of the RIIO-ET1 incentive in respect of sulphur hexafluoride (SF_6) gas emissions output delivery incentive ($LSFI_t$)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.142 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

4.143 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term ($LADJ_t$) in Special Condition 7.2.

Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.144 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-ET2 which makes this condition irrelevant.

Effect of this change

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- 4.145 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term (LADJ_t) in Special Condition 7.2.

Proposed New Conditions for the Electricity Transmission Sector

Special Condition 3.10 Non-Load Re-opener (NLR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.146 The reason introducing this new condition is to give effect to our Final Determinations to establish a Non-Load Re-opener mechanism for RIIO-ET3. The reason for this is to provide a route for adjusting allowances where material Non-Load Related Expenditure (NLRE) arises across six different areas that cannot be forecast with sufficient certainty at the setting of the price control.

Effect of this change

- 4.147 The effect of this condition is to establish a structured process for licensees and the Authority to trigger re-openers for qualifying NLRE, ensuring timely funding for critical works such as compliance with new legislation, fault rectification, and corrosion mitigation. It defines application windows, requirements for submissions, and enables the Authority to act where necessary to maintain system integrity. Outputs and allowances will be set out in Appendix 1 and updated via statutory modification under section 11A of the Act.

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

Type of change: New Condition

Relevant to: All TOs

Associated document: Closely Associated Indirects Use-it-or-lose-it Allowance Governance Document

Proposed changes and reasons for change

- 4.148 The purpose of this condition is to replace the Opex Escalator mechanism (previously Special Condition 3.36 Opex Escalator (OE_t) with a new Closely Associated Indirects (CAI) Use-it-or-lose-it (UIOLI) allowance. This is to ensure TOs have flexible and timely access to funding for CAI activities linked to the delivery of the load capex programme. Any unused allowance will be recovered at the end of the price control period, or where expenditure did not meet the scope of application or not spent in an efficient way.
- 4.149 The condition provides for the Authority to publish the CAI UIOLI Governance Document, with which the licensees must comply and to make any amendment by direction. It also provides for the Authority to make an adjustment to the value of the CAI UIOLI term by direction.

Effect of this change

- 4.150 The effect of the condition is to establish a UIOLI allowance available to the TOs throughout the price control to fund CAI activities for lower materiality load projects in scope. It provides for CAI costs to be recovered for schemes funded through SpC 3.11 Generation Connections volume driver, SpC 3.12 Demand Connections volume driver, SpC 3.17 Load UIOLI and SpC 3.18 Load re-opener projects with capital expenditure below £150m.
- 4.151 It also provides for a top-up mechanism under which further CAI UIOLI allowances may be requested once 80% of the total CAI UIOLI allowance has been used. The Authority will apply a 10% CAI uplift to the capex for additional schemes and providing additional allowances for schemes under construction where the licensee demonstrates the residual 20% of the total CAI UIOLI allowance is insufficient. There will be an end of period adjustment at RIIO-ET3 closeout which will consider the overall level of efficient CAI expenditure, differences between forecast and actual capex, delivery of additional schemes, and any unused or ineligible expenditure.

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

Type of change: New Condition

Relevant to: All TOs

Associated document: Business Support Costs Re-opener Governance Document

Final Determinations Reference: ET Annex; Chapter 5

Proposed changes and reasons for change

- 4.152 The purpose of this condition is to introduce a re-opener to provide additional funding for Business Support Costs. Business Support Costs are, in most cases, costs related to general support activities necessary in the running of a typical network operator. Providing additional funding through the re-opener ensures TOs potential need for further growth is supported. This is particularly important given the expected growth and delivery challenges in RIIO-ET3 as TOs will need to size their organisation ahead of delivering CP2030 commitments.
- 4.153 The re-opener will be triggered if actual Business Support Costs expenditure exceeds the baseline Business Support Costs allowance by at least 10% in a regulatory year, in any regulatory year during the price control period.

Effect of this change

- 4.154 The effect of the condition is to establish a re-opener for the TOs to apply for a direction to adjust the value of the Business Support Costs Re-opener term if the 10% materiality threshold is reached.

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

Type of change: New Condition

Relevant to: All TOs

Associated document: Load Use-it-or-Lose-it governance document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- 4.155 To introduce a new use-it-or-lose-it allowance, to be used for specific types of projects that have a financial materiality below the Load Re-opener (£40m or less) and sit outside the scope of the Generation and Demand Volume Drivers.
- 4.156 This enables the licensee to fund load projects at pace within a mechanism to reallocate resources if they are not being used effectively. The allowances under the Load UIOLI reflect the need to accelerate delivery of smaller, time-sensitive projects without the delays of full re-opener assessments. This approach gives TOs flexibility to act quickly while maintaining consumer protection through clawback of unused funds.

Effect of this change

- 4.157 The effect of the condition is the establishment and specification of a TO-specific use it or lose it allowance from which the licensee can draw-down.
- 4.158 The condition provides for the Authority to publish the Load Investment Governance Document, with which the licensee must comply, and to make an amendment by direction. It also provides for the Authority to make an amendment to the value of the load investment term by direction.

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

Type of change: New Condition

Relevant to: All TOs

Associated document: Load Re-opener Guidance and submissions requirements document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.159 The Large Onshore Transmission Investment (LOTI) condition and Medium Sized Investment Projects (MSIP) adjust the licensee's allowed expenditure for load-related investments on the transmission network in RIIO2.
- 4.160 We are proposing to introduce the Load Re-opener mechanism that will replace the LOTI and MSIP. This would enable the TOs to apply for funding for load related investments.

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

- 4.161 The effect of the condition is to establish a bi-annual re-opener, which would allow the TOs to submit a funding request for load related projects that are equal to or greater than £40m that may be required during the price control period.
- 4.162 The condition provides for the Authority to specify the assessment process, outputs, delivery dates and associated allowances for the PCDs which are approved through the re-opener, and provides for the subsequent assessment of those PCDs.
- 4.163 The condition provides for the Authority to publish the Load Re-opener Governance Document, with which the licensee must comply, and to permit the Authority to amend the Guidance Document by direction. It also provides for the Authority to make an amendment to the value of the Load Re-opener Output term and any Cost and Output Adjusting Event by 11A of the Act.

Special Condition 3.19 CSNP-F Re-opener and Price Control Deliverable (CSNPR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: CSNP Re-opener Guidance and Submissions Requirements Document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.164 The reason for proposing to introduce this new condition is to give effect to our decision in our Final Determinations to introduce the CSNP Re-opener mechanism to provide allowances and assign PCDs to projects that arise from the CSNP or another NESO-led network plans published during RIIO-ET3.
- 4.165 The condition introduces an expedited regulatory process for such projects where the NESO outputs and TO inputs are of sufficient quality to avoid the requirement for the Authority to undertake a separate assessment of need and initial design.

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

This is to support delivery of the NESO's plans for the network as are developed through a centralised approach.

4.166 The condition makes for provision for projects that arise from the CSNP or other NESO-led network plans to be designated by the Authority as 'CSNP Re-opener Outputs' with delivery dates and PCDs.

4.167 This condition also provides for:

- a TO re-opener to request a CSNP Project Assessment Decision that provides the TO with the funding required to proceed to the procurement and construction phases of a CSNP Re-opener Output.
- adjustments to the delivery date assigned to a CSNP Re-opener Output if there has been an approved Major Projects ODI-F Penalty Exemption Period or Major Projects Fundamental Scope Change under Special Condition 4.8.
- licence obligations which apply to the delivery of CSNP Re-opener Outputs to enable the Authority to hold the TO to account if it does not deliver the asset on time or if the delivered assets do not meet a project specific minimum availability standard.

Effect of this change

4.168 The effect of this condition is to establish an Authority-triggered re-opener for projects that arise from the CSNP or other NESO-led network plans to specify delivery dates and assign PCDs to such projects and provides for the subsequent assessment of those PCDs.

4.169 This condition also gives effect to the CSNP Re-opener Guidance and Submissions Requirements Documents which sets out detail on the following, in line with our Final Determinations ET Annex:

- when and why we will designate projects as CSNP Re-opener Outputs and how we will set the delivery date that we enter into the licence;
- what the TO must submit as part of its Project Assessment Decision and how we will assess that; and

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- what the TO must submit as part of any application for a Cost and Output Adjusting Event.

Special Condition 3.23 ET2/ET3 Crossover adjustments (T2ACA_t)

Type of change: New Condition

Relevant to: All

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.170 The reason for proposing the introduction of this new condition is to aggregate crossover adjustment terms and set out individual adjustment components for various outputs, such as NARM, cyber resilience, LOTI, and wider works.
- 4.171 This condition's purpose is to prevent funding gaps or duplication across the RIIO-T2 and RIIO-T3, ensure efficient costs are appropriately remunerated, avoid undue benefits from delaying work, and allow clawback where necessary.
- 4.172 It also establishes governance principles and consultation requirements.

Effect of this change

- 4.173 The effect of this licence condition is to adjust allowed revenues to account for projects and deliverables that span the RIIO-ET2 and RIIO-ET3 price control periods, ensuring continuity of funding, preventing duplication or shortfalls, and enabling clawback or additional allowances where necessary.

Special Condition 3.24 Legacy Opex Escalator (LOE_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 5

Proposed changes and reasons for change

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

4.174 The purpose of this condition is to provide Closely Associated Indirect (CAI) allowances for schemes which are crossing over from RIIO-ET2 and incurring costs in RIIO-ET3. It is a legacy condition as it applies to schemes which were applicable under the RIIO-ET2 SpC 3.36 Opex Escalator. This condition has been introduced to ensure CAI allowances remain consistent with the funding levels provided under RIIO-ET2, since these schemes were already approved in RIIO-ET2 and the corresponding condition has been removed for RIIO-ET3. We have not included the Network Operating Costs (NOCs) uplift within the new Legacy Opex Escalator condition due to concerns around double funding where maintenance costs for these assets will be captured in RIIO-ET4 baseline allowances and interventions in RIIO-ET3 are likely to be covered under warranty.

Effect of this change

4.175 The effect of adding this condition is calculate CAI allowances in line with RIIO-ET2 for crossover schemes funded under legacy uncertainty mechanisms which were applicable under the RIIO-ET2 condition. It provides that, where allowances are provided for crossover RIIO-ET2 schemes and derived in accordance with Part A of SpC 3.23 (ET2/ET3 Crossover adjustments licence condition), those schemes will be eligible for CAI allowances during the RIIO-ET3 period under this licence condition.

Special Condition 3.27 Property Re-opener (PR_t)

Type of change: New Condition

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: SHET Annex; Chapter 4

Proposed changes and reasons for change

4.176 The purpose of this condition is to introduce a new re-opener for SHETL to make an application or applications to recover efficiently incurred costs for the delivery of the Transmission Operations Campus, Transmission Training Centre and Transmission Operations Depots non-operational property projects.

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

4.177 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

4.178 The effect of this condition is to provide SHETL with a re-opener window in April 2027 to apply for funding for the delivery of the Transmission Operations Campus, Transmission Training Centre and Transmission Operations Depots non-operational property projects where the costs exceed 0.5% of annual ex ante base revenue and SHETL can demonstrate that no allowance has already been provided for these costs.

4.179 SHETL must make an application under this condition in writing and provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency. This condition provides for the Authority to make a modification to the License term where it is satisfied that the needs case for the work has been established, the proposed option is justified and costs are efficiently incurred. The re-opener will be TO-triggered.

Special Conditions **3.28 – 3.39 SHETL's Price Control Deliverables**

Type of change: New Conditions

Relevant to: SHETL

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: SHET Annex

Proposed changes and reasons for change

4.180 The reason for introducing these conditions is to reflect our Final Determinations position to have PCDs to fund various programmes of work on SHETL's infrastructure.

Effect of this change

4.181 The effect of these conditions is to:

- specify the volume of interventions, outputs, delivery dates and associated allowances;

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- set out the formulas to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCDs; and
- ensure that money is returned to consumers where assets are not delivered.

Special Condition 3.40 NESO Separation Re-opener

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4

Proposed changes and reasons for change

4.182 The purpose of this condition is to introduce a new re-opener for NGET to be able to make an application to recover efficiently incurred costs caused by the separation of NESO. NESO became operationally independent from the National Grid Group on 1 October 2024 but will rely on NGET for certain services under commercial agreements until October 2026. NGET is expected to incur costs related to NESO exiting these agreements.

Effect of this change

4.183 The effect of adding this condition is to provide NGET with two re-opener windows (October 2026 or April 2027) to recover costs incurred from the NESO separation, where NGET can demonstrate that no allowance has already been provided for these costs and that they could not reasonably be mitigated or even avoided.

Special Condition 3.41 Property Re-opener Alpha (PRA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4

Proposed changes and reasons for change

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- 4.184 The purpose of this condition is to introduce a new re-opener for NGET to make an application or applications to recover efficiently incurred costs for the delivery of the Eakring Training Centre, Bradwell OHL Training Facility and Substation Operational Estate non-operational property projects.
- 4.185 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

- 4.186 The effect of this condition is to provide NGET with three re-opener windows in April 2027, April 2028 and April 2029 to apply for funding for the delivery of the Eakring Training Centre, Bradwell OHL Training Facility and Substation Operational Estate non-operational property projects where NGET can demonstrate that no allowance has already been provided for these costs. NGET must make an application under this condition in writing and provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency. This condition provides for the Authority to make a modification to the License term where it is satisfied that the needs case for the work has been established, the proposed option is justified and costs are efficiently incurred. The re-opener will be TO-triggered.

Special Condition 3.42 Property Re-opener Beta (PRB_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4, REDACTED

Proposed changes and reasons for change

- 4.187 The purpose of this condition is to introduce a new re-opener for NGET to make an application or applications to recover efficiently incurred costs for the delivery of specific non-operational property projects. Due to the sensitive nature of these works, these projects have been redacted.

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

4.188 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

4.189 The effect of this condition is to provide NGET with two re-opener windows in April 2027 and April 2028 to apply for funding for the delivery of Redacted non-operational property projects where NGET can demonstrate that no allowance has already been provided for these costs.

4.190 NGET must make an application under this condition in writing and provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency. This condition provides for the Authority to make a modification to the License term where it is satisfied that the needs case for the work has been established, the proposed option is justified and costs are efficiently incurred. The re-opener will be TO-triggered.

Special Condition 3.45 REDACTED Price Control Deliverable (REDACTED_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

4.191 The reason for introducing this condition is to reflect our Final Determinations position to have an evaluative PCD to fund REDACTED. This is because of the uncertainty related to the connections works associated with the interventions.

Effect of this change

4.192 The effect of the condition is to:

- specify the volume of interventions, outputs, delivery dates and associated allowances;

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- set out the formulas to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCDs; and
- ensure that money is returned to consumers where assets are not delivered.

Special Condition 3.46 NOT USED

Special Condition 3.47 NGET Non-Load Related Major Projects Re-opener and Price Control Deliverable (NGETNLMP_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Proposed changes and reasons for change

- 4.193 This condition is designed to provide an allowance for NGETs seven Non-Load Related Major Projects (as listed in NGET's Redacted Information Document) and then enact a Price Control Deliverable for each project. Contained within the license is the baseline PCF allowance provided for these projects which will be accounted for in the review of the submission made by NGET. This condition does not allow for PCF to be applied for any other projects.
- 4.194 The reason for these investments are that these sites are in poor conditions which warrant intervention and so investment will be required to maintain network availability. The reported condition does not always appear to align to the proposed intervention; and project development status requires further work by NGET. The re-opener will provide NGET an opportunity to clarify their asset condition reporting and develop the projects sufficiently for allowances to be awarded.

Effect of this change

- 4.195 The effect of the condition is to:
- ensure NGET receives appropriate funding for the seven Major Project interventions Replacements through the specification of the outputs, delivery dates and associated allowances.

Consultation Statutory Consultation on the RIIO-3 Licence Drafting modifications - reasons and effects

- ensure that there is distinction between Load Related Expenditure and Non-Load Related Expenditure works.
- ensure under delivery is not counted as efficiency.
- set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.

Special Condition 3.48 NLRE Named Price Control Deliverable (NPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Proposed changes and reasons for change

- 4.196 This condition sets out the rules for calculating the annual allowance for NGET relating to specific named asset non-load related deliverables for NGET. Its purpose is to ensure that funding reflects the interventions delivered.
- 4.197 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.
- 4.198 The reason for this license is to ensure that NGET are sufficiently funded for their named asset interventions, while preventing under delivery being counted towards efficiency.

Effect of this change

- 4.199 The effect of this licence is to
- Determine the annual funding NGET receives for delivering specified named non-load related interventions,
 - Allows the Authority to adjust that funding if outputs are not fully delivered.

Special Condition 3.49 NLRE Volume Price Control Deliverable (VPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Proposed changes and reasons for change

- 4.200 This condition sets out the rules for calculating the annual allowance for NGET relating to specific non-named volume-based non-load related deliverables for NGET. Its purpose is to ensure that funding reflects the actual number of units delivered (e.g. number of asset interventions) rather than fixed named projects.
- 4.201 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.
- 4.202 The reason for this license is to ensure that NGET are sufficiently funded for their Volume asset interventions, while preventing under delivery being counted towards efficiency.

Effect of this change

- 4.203 The effect of this licence is to
- Determine the annual funding NGET receives for delivering specified volume non-load related interventions,
 - Clarifies allowances when outputs are not fully delivered.

Special Condition 3.50 NLRE Combi Price Control Deliverable (CPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Proposed changes and reasons for change

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- 4.204 This condition sets out the rules for calculating the annual allowance for NGET relating to assets included within the combined Named and Volume allowance category. This will provide NGET flexibility to intervene on assets with an End of Life (EoL) above 75 to a maximum volume. Assets below 75 EoL are include in the named asset lists. Its purpose is to ensure that funding reflects the actual number of units delivered (e.g. number of asset interventions) while providing a blend of fixed units and flexible volumes to accommodate changes to the NGET plans.
- 4.205 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.
- 4.206 The reason for this license is to ensure that NGET are sufficiently funded for their Named and Volume based asset interventions, while preventing under delivery being counted towards efficiency.

Effect of this change

- 4.207 The effect of this condition is to
- Determine the annual funding NGET receives for delivering specified named and volume non-load related interventions detailed within the NGET Redacted Information Document.
- 4.208 Clarifies allowances when outputs are not fully delivered.

Special Condition 3.51 NGET V-String Busbars and Price Control Deliverable (NGETVSB_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Chapter 4

Proposed changes and reasons for change

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- 4.209 This condition is designed to provide an opportunity to apply for allowances for NGETs V-String Busbar replacement portfolio and then enact a Price Control Deliverable for each asset.
- 4.210 The reason for this condition is to ensure that where NGETs V-String Busbar assets are in a poor condition they have sufficient allowances to replace them if justified.
- 4.211 The re-opener will be Authority Triggered when NGET have provided evidence to show that they have completed the Trial V-String Replacements from their baseline allowances.

Effect of this change

- 4.212 The effect of the condition is to:
- ensure NGET receives appropriate funding for the V-String Busbar Replacements through the specification of the outputs, delivery dates and associated allowances.
 - set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.
 - ensure under delivery is not counted as efficiency.

Special Condition 3.52 NGET Reactive Compensation Re-opener and Price Control Deliverable (NGETRC_r)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Chapter 4

Proposed changes and reasons for change

- 4.213 This condition is designed to provide an opportunity to apply for allowances for NGETs Reactive Compensation portfolio and then enact a Price Control Deliverable for each asset. NGET will engage with NESO ahead of the submission to ensure that NESOs reactive compensation requirements are clearly understood and that no investments via this re-opener impacts the Network Service Tenders NESO runs.

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4.214 The scope of works can include any reactive compensation replacements. This does not include Reactors, which is included in either a separate PCD or Load Related Expenditure which is covered by either the Load UIOLI or the LRR.

4.215 The reason for this condition is to ensure that because some of NGETs Reactive Compensation portfolio assets are in a poor condition they have sufficient allowances to replace them if justified.

Effect of this change

4.216 The effect of the condition is to:

- ensure NGET receives appropriate funding for the Reactive Compensation Replacements through the specification of the outputs, delivery dates and associated allowances.
- ensure that NGET has engaged with the NESO as to the NESOs requirements for Non-Load Related Reactive Compensation, and that NGETs works do not negatively impact NESO Network Services Tenders.
- ensure that there is distinction between Reactive Compensation LRE and NLRE works.
- ensure under delivery is not counted as efficiency.
- set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.

Special Condition 4.4 Connections output delivery incentive

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.217 We are proposing to introduce a financial delivery incentive for connections projects.

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4.218 The reason for this new condition is to encourage the timely delivery of connection projects. A formula gives a value to each project, with an asymmetrical upside weighting to recognise the efforts required to connect customers. We will set the incentive target dates following review of the register of connections projects maintained by the licensee, having regard to the need for connections dates to be ambitious, as we describe in our Final Determinations. We have also provided for a 30 day deadband as well as movement of the incentive target date and penalty exemptions in limited circumstances.

Effect of this change

4.219 The TO will be rewarded for the on-time and early connection of projects and penalised for late connections.

Special Condition 4.5 Innovative Delivery output delivery incentive

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.220 We are proposing to introduce a financial delivery incentive to reward TOs for innovation earlier in the project development cycle. The scale of new network investment required in RIIO-ET3 means there could be material consumer value derived from encouraging fundamental changes to TO behaviour in areas such as:

- Savings in supply chain/contracting;
- Innovations in design/engineering;
- Speeding up delivery;
- Effective NESO collaboration; and
- Effective outage management.

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- 4.221 TOs will be required to make submissions in two assessment windows, with submissions assessed by a panel of independent experts, who will make non-binding recommendations to the Authority.
- 4.222 Criteria and further guidance on the submissions and assessment process will be set out in the Innovative Delivery Incentive Guidance Document.

Effect of this change

- 4.223 The Authority will be able to reward TOs for displaying innovation in their project delivery cycles.

Special Condition 4.8 Major Projects output delivery incentive (ODI-F)

Type of change: New Condition

Relevant to: All TOs

Associated document: Major Projects ODI-F Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

- 4.224 We are proposing to introduce this condition to give effect to our decision in our Final Determinations to allow the Authority to apply a financial delivery incentive to significant new infrastructure projects.
- 4.225 The reason for this condition is to incentivise the timely delivery of significant new infrastructure projects through a mechanism which aligns TOs' financial interests with consumers' interests. TOs can receive financial rewards for the on-time or early delivery of projects. Financial penalties will apply to TOs for delays, recognising the costs to consumer of delay (eg constraint costs).
- 4.226 The condition provides for the incentive to apply to projects which are designated as CSNP Re-opener Outputs under Special Condition 3.19 and to other load-related projects that we consider to be strategically important.
- 4.227 The condition contains a formula which sets out the reward and penalty calculation methodology, with incentive parameters and targeted delivery date for each project determined in accordance with the criteria set out in our Final Determinations ET Annex and the Major Projects ODI-F Governance Document.

Effect of this change

4.228 The effect of this condition is to:

- provide that TOs will receive a reward for delivering in-scope projects on or before the targeted delivery date, and a penalty for delivering after the targeted delivery date.
- give effect to the Major Projects ODI-F Governance Document which sets out further detail on the how the incentive operates.

Special Condition 6.2 Independent Technical Adviser (ITA_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: ITA Governance Document

Final Determinations Reference: ET Annex; Chapter 4

Proposed changes and reasons for change

- 4.229 We are introducing this licence condition to give effect to the decision in our Final Determinations to establish the Independent Technical Adviser (ITA) in RIIO-ET3.
- 4.230 This condition outlines the behaviour principles and obligations upon the licensees regarding their engagement with the ITA. These obligations are proposed to enable the ITA to fulfil its assurance role on licensee projects to the best of its ability. The obligations are also replicated in the ITA Contract, meaning no further obligations are placed on the licensee outside of the licence condition.
- 4.231 In enabling effective collaboration between the TO and ITA, this condition is designed to foster the ITA outcomes of accelerated and improved regulatory decision-making (through independent assurance of licensee delivery of eligible projects – the effectiveness of which would be hindered without licensee collaboration).
- 4.232 Another reason for this condition is to provide mechanism for licensees to recover costs incurred in the payment of the ITA. This is required as each licensee is responsible for payment of the ITA for costs incurred in the carrying out of its

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assurance role on eligible licensee projects. Costs will be treated as a pass-through mechanism.

Effect of this change

4.233 The effect of this condition is to:

- provide mechanism for licensees to recover costs incurred in the payment of the ITA; and
- give effect to the ITA Guidance Document – which includes further information on our approach to ITA appointment and project eligibility decision-making during RIIO-ET3.

Special Condition 9.24 CSNP Coordination

Type of change: New Condition

Relevant to: All TOs

Associated document: CSNP Coordination Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Proposed changes and reasons for change

4.234 The purpose of introducing this condition is to implement our Final Determinations by establishing a clear obligation on licensees to actively support the Independent System Operator for Planning (ISOP) in the development and delivery of the Central Strategic Network Plan (CSNP). This condition ensures that Transmission Owners provide the information and assistance required for effective whole-system planning and coordination.

Effect of this change

4.235 The effect of this condition is to place an obligation on licensees to provide the ISOP with timely and quality data that is necessary to support the ISOP produce the CSNP, ensuring coordinated and informed network planning.

4.236 It also gives effect to the introduction of the CSNP Coordination Governance Document, which sets out the principles, roles, and processes across all parties to support the timely and accurate data exchange between licensees and the ISOP.

Proposed ET Special Conditions where there is no change from RIIO-2

4.237 There are a number of conditions that we have identified in RIIO-2 which we propose retaining without any material amendments to the wording, set out below.

Special Condition Number	Special Condition Name	Relevant TO	Additional Comments
3.22 [Previously 3.37]	Entry and exit connection asset allowance (EECA _t)	All	N/A
9.6	Disapplication of Relevant Special Conditions	All	N/A
9.9	Activities Restrictions	All	N/A
9.10	Network Access Policy	All	N/A
9.11	Provision of information to the System Operator	NGET	N/A
9.12	Basis of Transmission Owner Charges	All	N/A
9.13	Allowances in respect of a Security Period	All	N/A
9.14	Restriction on the use of certain information	SPTL and SHETL	N/A
9.15	Appointment of a Compliance Officer	SPTL and SHETL	N/A
9.16	Independence of and appointment of managing director of the Transmission Business	SPTL and SHETL	N/A

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Special Condition Number	Special Condition Name	Relevant TO	Additional Comments
9.17	Prohibited activities and conduct of the Transmission Business	NGET	
9.18	Business separation requirements and compliance obligations	NGET	
9.19	Special Condition 9.19 The strategic innovation fund (SIF _t) (NGET and SHETL)	NGET and SHETL	N/A
9.21	Tender Support Activities in Onshore Electricity Transmission	All	N/A
9.22	Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise	All	N/A
9.23	Termination of the Operational Services Agreement	All	N/A

5. Gas Distribution Special Conditions

Proposed changes to Gas Distribution Special Conditions

Special Condition 3.10 Tier 1 Mains decommissioned Price Control Deliverable (T1MDt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3 ‘Outputs and Incentives’, Secure and Resilient Supplies

Proposed change and reasons for change

- 5.1 We propose to remove the cap on the upwards adjustment mechanism, previously set at 3%, by updating the formula in Part A, condition 3.10.3. This will allow GDNs to over deliver on the Tier 1 Mains workload without an upwards cap. There is more information on this decision in our Final Determinations. Under the current licence condition, if a GDN over-delivered on Tier 1 mains decommissioning, the allowed revenue could increase to compensate the GDN for that extra work. The 3% cap meant that the increase in Allowance Adjustment could not exceed 3%. We propose to remove the cap due to the proximity of the 2032 IMRRP deadline. We think that removing the upwards adjustment cap could lead to a more efficient overall programme of Tier 1 work. It is low risk for consumers, as it is unlikely to lead to additional cost being passed onto bills. Removing the cap allows companies to optimise delivery without being constrained by an artificial ceiling.
- 5.2 We propose to update the tables in Appendix 1 with the correct regulatory year dates, workload volumes and allowances for RIIO-GD3. These allowances have been added to the licence condition.
- 5.3 We propose to define the term ‘Outturn Workload Value Of Tier 1 Mains Decommissioned’ as ‘the value of the total volume of decommissioning at a Tier 1 Mains Decommissioned Workload Activity level as delivered throughout the Price Control Period’. This term falls under Part C, reporting requirements. The Outturn

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Workload Value Of Tier 1 Mains Decommissioned is summed across all Tier 1 Mains Decommissioned Workloads Activities, essentially giving the total value of the actual work undertaken within the Price Control. If this value is more than 2% below the Tier 1 Mains Baseline Value set ex ante, there is a requirement on the licensee to submit a report detailing the reasons for this.

- 5.4 While this term was capitalised in the RIIO-2 licence, it did not have an associated definition, so we propose to add one for RIIO-3 to provide clarity on the reporting requirements and retain consistency with other defined terms.

Effect of proposed changes

- 5.5 The effect of updating the formula in Part A, Condition 3.10 to remove the upwards adjustment cap will mean that GDNs can be funded for over delivery of the Tier 1 Mains workload.
- 5.6 Updating the delivery dates, workload volumes and allowances will allow this PCD to fund the Tier 1 Mains decommissioned workload for RIIO-GD3.
- 5.7 The new proposed definition allows us to be more specific about the reporting requirements in Part C of the licence condition. This does not change the requirements, or the way the licence condition works.

Special Condition 3.11 Tier 1 Services Repex Price Control Deliverable (T1SRt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3 'Outputs and Incentives'; Secure and Resilient Supplies

Proposed changes and reasons for proposed changes

- 5.8 We propose to remove the cap on the upwards adjustment mechanism, previously set at 10%, by updating the formula in Part A, Condition 3.11, and removing paragraph 3.11.4a calculating the value of FVM. The definition of FVM will also be removed from the licence. This will allow GDNs to over deliver on the Tier 1 Services workload without an upwards cap. There is more information on this decision in our Final

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Determinations. Under the current licence condition, if a GDN over-delivered on Tier 1 services decommissioning, the allowed revenue could increase to compensate the GDN for that extra work. The 10% cap meant that the increase in Allowance Adjustment could not exceed 10%. Due to the proximity of the 2032 IMRRP deadline, and that services numbers are uncertain and driven by the mains workload, we think removing the cap could lead to a more efficient programme of Tier 1 services work. We think that it is low risk for consumers, as it is unlikely to lead to additional cost being passed onto bills. Removing the cap allows companies to optimise delivery without being constrained by an artificial ceiling.

- 5.9 We propose to update the dates, workload volumes and allowances set out in this licence condition for RIIO-GD3. We have now included these allowances in the licence condition.
- 5.10 We propose to add the word 'Repex' to the end of the title of the table in Appendix 1, so that the title of the table becomes 'Baseline Target Workloads Of Tier 1 Services Repex'. We also propose to add the word 'Repex' to the title of Appendix 2 so the title of the table becomes 'Baseline Activity Volumes Of Tier 1 Services Repex and Allowed Unit Costs'. This is to ensure that the tables accurately reflect the defined terms within the condition.

Effect of this proposed change

- 5.11 Updating the formula in Part A, condition 3.11.3, and removing condition 3.11.4, will remove the upwards adjustment cap. This means that GDNs can be funded for over delivery of the Tier 1 Services workload.
- 5.12 The other proposed modifications will allow this PCD to fund the Tier 1 Services Repex workload for RIIO-GD3.

Special Condition 3.12 [old] Capital projects Price Control Deliverables (CAPt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

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Proposed changes and reasons for proposed change

5.13 We propose to remove this licence condition as we are removing the PCD for RIIO-3.

At SSMD we said that we expect projects funded under this PCD to be completed by the end of RIIO-GD3. Therefore, we do not consider it is required for RIIO-3.

Effect of this change

5.14 The effect of this proposed modification is that there will be no PCD for capital projects in RIIO-GD3.

Special Condition 3.12 [previously 3.16] Tier 2A mains and services replacement volume driver

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 4; Secure and Resilient Supplies

Proposed change and reasons for proposed changes

5.15 We propose to update the dates to reflect the RIIO-GD3 price control period and to update the allowances in Appendix 1 with our cost decisions made at Final Determinations.

5.16 In paragraph 3.12.3 we propose to amend:

- the term Ln,t ., replacing ‘defined as set out’ with ‘prescribed’ and replacing ‘covered’ with ‘prescribed’ and;
- the table, specifically the column ‘Nominal internal diameter of mains decommissioned (inches)’, where we have improved the notation of the diameter bands to make it clearer and easier to read.

5.17 The reason for these changes is to ensure that the language used in the term clarifies the use and function of the table and to clarify the notation of the size bounds of the internal diameter measurement within each band to assist with categorising the mains into the Diameter bands.

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Effect of this proposed change

5.18 Updating the dates and allowances will allow the volume driver to fund Tier 2A Mains and Services replacement for RIIO-GD3.

5.19 The clarificatory changes to the term $L_{n,t}$ makes the function of the table in condition 3.12.3 clearer within the licence.

5.20 The effect of the amendment to the table is that the licence condition will be easier to understand and use, further clarifying the revenue attributable to licensees.

Special Condition 3.13 [old] Commercial Fleet Price Control Deliverable (OTCt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.21 We propose to remove this licence condition to give effect to our decision to remove this PCD for RIIO-3, as in our SSMD we stated that we considered this activity to be BAU for the GDNs. However, in our Draft Determinations, we proposed a cross-sector Operational Transport Emissions Reduction PCD (for all network companies except National Gas and SHET) as we consider it important to protect consumers and to ensure the delivery of zero emission vehicles (ZEVs) in RIIO-3. We also consider this activity comparable across sectors. Please see **Error! Reference source not found.** document for further information.

Effect of this proposed change

5.22 The effect of this proposed modification is the removal of a GD-specific PCD for commercial fleet in RIIO-GD3 and for this to be replaced by the Operational Transport Emissions Reduction PCD, which will apply to all network companies except National Gas and SHET.

Special Condition 3.13 [previously 3.17] HSE policy Re-opener (REPt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 4; Secure and Resilient Supplies

Proposed changes and reasons for changes

5.23 We are proposing to amend this licence condition to give effect to our decisions in Final Determinations in relation to the scope of the re-opener, and to update it for the RIIO-GD3 period. This includes:

- removing the second trigger from the scope of this re-opener pertaining to Emergency and Repair relating to shift worker fatigue.
- introducing a new trigger, to allow the GDNs to fund programmes of work for the remediation of Legacy GS(IU)R Disconnections.
- updating the re-opener windows for trigger 1 which relates to Repex Related HSE Policy areas. There are two windows as there may be multiple changes of this type within the price control, these are 1 – 7 October 2027, and 1 - 7 October 2029.
- introducing one re-opener window for trigger 2 which relates to Legacy GS(IU)R Disconnections, for the GDNs to submit applications at the same time to allow for benchmarking.
- amending the dates throughout the licence condition to reflect the dates for RIIO-GD3.

5.24 The reason for proposing to remove the Emergency Repair trigger is to reflect that HSE policy on this requirement is now stable, and we think the GDNs have enough information to build these costs into their baseline allowances, so we consider that a re-opener is not needed.

5.25 The reason for proposing a new trigger, to allow the GDNs to fund programmes of work for the remediation of Legacy GS(IU)R Disconnections, is that we now agree that this programme of work should be funded through this re-opener. We are satisfied that this workload results from a clarification in the HSE's position, and it is reasonable that the GDNs had not been performing disconnections to this standard in the past. We have

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therefore proposed changes in the drafting throughout the condition to facilitate this change in scope.

5.26 We also propose to update the definition of Repex Related HSE Policy Area, to:

‘means:

- a) government policy related to Repex including under any of the following pieces of legislation:
 - i. the Pipeline Safety Regulations 1996 Regulation 13A;
 - ii. the Gas Safety Management Regulations 1996;
 - iii. the Pressure System Safety Regulations 2000; and
 - iv. the Health and Safety at Work etc Act 1974, or
- b) an established HSE enforcement policy related to Repex.’

5.27 This proposed change means that the definition covers more of the HSE mandated changes which in practise will impact the GDNs repex programme costs.

5.28 We also propose to amend the definition of Repex in the licence, which now means ‘replacement expenditure related to the long-term programme of work to replace old and deteriorating mains, risers and services’. We propose to remove the reference to ‘plastic pipes’ to reflect the fact that pipes may be replaced with pipes of different materials.

Effect of this proposed change

5.29 The removal of the Emergency and Repair trigger relating to shift worker fatigue means that the GDNs will no longer be able to trigger this re-opener for costs relating to this statutory requirement.

5.30 The introduction of a new trigger relating to Legacy GS(IU)R Disconnections means that the GDNs will be able to trigger this re-opener to apply for the recovery of costs when they have agreement in writing from the HSE of changes to programmes of work to remediate Legacy GS(IU)R Disconnections.

5.31 Updating the definitions of Repex Related HSE Policy Area, and Repex, ensures the licence is more reflective of practises from HSE and GDNs.

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5.32 The proposed updates relating to the re-opener windows in Part B of this condition provides clarity on when GDNs are able to apply to the Authority for an adjustment. Retaining the text allowing the Authority to direct further re-opener windows provides flexibility for the re-opener to be triggered at other times during the Price Control, as directed by the Authority, where necessary.

Special Condition 3.14 [old] Fuel Poor Network Extension Scheme volume driver

Type of change: Removal

Relevant to: All GDNs

Associated document: FPNES Governance Document

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.33 We propose to remove this licence condition to give effect to our decision to remove the Fuel Poor Extension Scheme (FPNES) for RIIO-3.⁸ We also propose to remove the associated FPNES Governance Document.

5.34 In RIIO-GD2, this condition calculated the FPNES adjustment term, adjusting revenue to fund the licensee for connections made under the FPNES. We have decided to remove the FPNES in RIIO-GD3 as the limited funding available for First Time gas Central Heating systems has restricted the use of the scheme and we are not aware of new funding sources becoming available. Due to the limited number of FPNES connections, we do not consider that the administration costs would be proportionate to the consumer benefit of continuing the scheme. We are also mindful of the risks in connecting additional fuel poor households to the gas network and facilitating the installation of natural gas central heating systems while there is uncertainty around the future of gas.

Effect of this proposed change

⁸ [RIIO-3 SSMD - GD Annex](#), paragraphs 4.204 - 4.206

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5.35 The effect of the proposed removal of this licence condition is to remove a redundant condition.

Special Condition 3.14 [previously 3.19] Heat policy Re-opener (HPRAt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.36 We propose to amend this licence condition to remove the licensee's ability to trigger this re-opener. This would align the licence drafting with our SSMD decision to remove the licensee trigger and make this re-opener Authority triggered only in RIIO-GD3. We consider the Authority trigger is sufficient to account for possible policy changes and ensures that we are satisfied with the impact of change in question, and whether it should be funded via consumers.

5.37 Additionally, we have proposed to remove reference to energy efficiency from the definition of Heat Policy Areas as we no longer consider this to be an area of uncertainty following the government's decision to no longer consider imposing energy efficiency responsibilities on GDNs.

5.38 We also propose to include the government's 2026 hydrogen for heat decision within the defined Heat Policy Areas term to enable the Authority to trigger the re-opener to adjust costs in response to any changes arising from this decision.

Effect of this proposed change

5.39 The effect of amending the scope of this re-opener to remove reference to costs associated with energy efficiency and to include the government's 2026 decision on hydrogen heat ensures that the mechanism effectively manages the ongoing heat policy uncertainty in RIIO-GD3 by allowing the GDNs to propose adjusted costs in response to any changes

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Special Condition 3.15 [old] Domestic Connections volume driver (CA_t)

Type of change: Removal

Relevant to: GD

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.40 We propose to remove this condition as the Domestic Load Connections allowance subsidy is being removed in RIIO-3. As a result, no funding will be available to the GDNs for this activity.

Effect of this proposed change

5.41 The effect of this change is that this volume driver will not be available in RIIO-3.

Special Condition 3.15 [previously 3.20] Diversions and Loss of Development Claims Re-opener (DIV_t)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.42 We propose to amend the timelines for the trigger windows to reflect the RIIO-GD3 Price Control.

Effect of this proposed change

5.43 The effect of this change is that it will allow the GDNs to trigger the re-opener in year 3 of RIIO-GD3 to recover funding for material additional diversion costs, where applicable.

Special Condition 3.16 [previously 3.22] New Large Load Connections Re-opener (NLLR_t)

Type of change: Amendment

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Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.44 We propose to amend the timelines for the trigger windows to reflect the RIIO-GD3 Price Control.

Effect of this proposed change

5.45 The effect of this proposed modification is that it would allow GDNs to trigger this re-opener during RIIO-GD3 to recover New Large Load Connection costs where applicable.

Special Condition 3.17 [previously 3.24] Specified Streetworks Costs Re-opener (STWt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.46 We propose to update the timelines to allow GDNs to trigger the re-opener during RIIO-GD3.

5.47 We propose to allow hazardous waste costs dated from October 2025 to April 2026 to be included within the RIIO-3 Streetworks Re-opener. This is to account for the new Material Classification Protocol that has replaced the existing Environment Agency Regulatory Position Statements (RPS) 298 and 299.

Effect of this proposed change

5.48 The effect of this proposed modification is that it would allow the GDNs to trigger the re-opener for RIIO-GD3.

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5.49 This re-opener would allow GDNs to recover Specified Streetworks where applicable and receive funding for the new Material Classification Protocol which has replaced the existing one from October 2025.

Special Condition 3.18 [old] Tier 1 Stubs Repex policy Re-opener (STUBt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.50 We propose to remove this licence condition for RIIO-GD3. The reason for removing it is because we consider the workloads for Tier 1 Iron stubs are more certain than what they were at the start of RIIO-GD2. Therefore, we propose to introduce a new condition, Special condition 3.19, that is a Price Control Deliverable to allow funding for the licensees Tier 1 Stubs Repex workload.

Effect of this proposed change

5.51 The effect of these changes is that licensees will be funded for Tier 1 Stubs Repex workloads for RIIO-GD3 through a new PCD licence condition instead of through the Re-opener. Please see our Final Determinations Gas Distribution Annex and paragraphs 5.159 - 5.165 of this document for more information on the relevant proposals.

Special Condition 3.21 [old] Multiple Occupancy Buildings safety Re-opener (MOBSt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

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5.52 We are proposing to remove this licence condition. As set out in our SSMD, we believe that this re-opener would no longer be appropriate for RIIO-GD3.

5.53 The MOBs Safety Re-opener was established in RIIO-2 to enable the GDNs to respond to any new safety standards imposed on MOBs in response to the then ongoing Hackitt review. As the Hackitt review inquiry has now concluded, we proposed in our SSMD to remove this re-opener, as the GDNs will no longer face uncertainties relating to new safety standards resulting from the review.

Effect of this proposed change

5.54 The effect of the proposed removal of this licence condition is that there will not be a common re-opener for Multiple Occupancy Buildings safety in RIIO-GD3.

5.55 We further set out in our Gas Distribution Final Determinations section on the HSE Policy Re-opener, that we do not consider that non-repex MOBs maintenance costs should be considered under the scope of the HSE Policy Re-opener, and instead these maintenance and upkeep costs can be funded through existing opex allowances.

5.56 Changes to HSE legislation or policy which impact the replacement of risers on MOBs will be covered by the HSE Policy Re-opener.

Special Condition 3.23 [old] Smart Metering Roll-out Costs Re-opener (SMRt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.57 We propose to remove this licence condition to implement our decision at Final Determinations to remove the Smart Metering Rollout Costs Re-opener for RIIO-3. We consider that the Smart Metering Rollout Costs Re-opener will no longer be needed for RIIO-3 as current government policy remains that suppliers have binding targets to roll out smart meters to remaining customers by the end of 2025. DESNZ is responsible for smart meter policy and once the new policy framework for smart meters is confirmed for 2026 onwards, GDNs will be provided with further clarity.

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Effect of this proposed change

5.58 The effect of this change is that this re-opener will be redundant for RIIO-3, which means that GDNs will not be able to recover costs associated with smart meter rollout.

Special Condition 3.25 [old] Gas Holder demolitions Price Control Deliverable (GHRRT)

Type of change: Removal

Relevant to: NGN and WWU

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.59 We propose to remove this licence condition for RIIO-3.

5.60 The reason for this is to reflect our decision in Final Determinations, as we expect projects funded under this PCD to be completed by the end of RIIO-GD2. Therefore, we do not consider it is required for RIIO-3.

Effect of this proposed change

5.61 The effect of this change is that this condition will be redundant as the projects funded through it will be completed before the start of RIIO-GD3.

Special Condition 3.26 [old] Personalising welfare facilities Price Control Deliverable (PWFT)

Type of change: Removal

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.62 We propose to remove this licence condition for RIIO-3 to give effect to our decision in Final Determinations that we consider this area of work to be BAU for Cadent and will

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instead provide funding for personalising welfare activities through baseline funding.

Therefore, we do not consider a PCD is required for RIIO-3.

Effect of this proposed change

5.63 The effect of this change is that the PCD is no longer required for RIIO-GD3 as licensees will be funded for personalising welfare activities through baselines.

Special Condition 3.28 [old] Intermediate pressure reconfigurations Price Control Deliverable (IPRt)

Type of change: Removal

Relevant to: SGN Scotland

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.64 We propose to remove this licence condition for RIIO-3. The reason for this is to reflect our decision in Final Determinations to remove this PCD as we consider it is not required as we expect SGN Scotland to complete this area of work by the end of RIIO-2.

Effect of this proposed change

5.65 The effect of this change is that the PCD for intermediate pressure reconfigurations will be redundant due to no longer being required.

Special Condition 3.29 [old] Remote pressure management Price Control Deliverable (RPMt)

Type of change: Removal

Relevant to: SGN So

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

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5.66 We propose to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3. We consider that it is no longer required for RIIO-3 as we expect SGN Southern to complete this area of work by the end of RIIO-2.

Effect of this proposed change

5.67 The effect of this change is that this PCD will be redundant as the works it funded will be completed before RIIO-GD3.

Special Condition 3.29 [previously 3.27] London medium pressure Price Control Deliverable (LMPt)

Type of change: Amendment

Relevant to: Cadent North

Associated document: N/A

Final Determinations Reference: Cadent Annex

Proposed changes and reasons for proposed changes

5.68 We propose to update the outputs and allowances in Appendix 1 in line with the programme outputs for RIIO-GD3. The updated allowances added reflect our decisions at Final Determinations.

5.69 We also propose to amend the typographical error in the text which references 'Redundant Asset PCD Table' and to replace it with a reference to 'table located in Appendix 1'.

Effect of these proposed changes

5.70 These proposed modifications provide clarity on the outputs, delivery dates and allowances the GDNs will be provided to deliver the London Medium Pressure project for RIIO-GD3. The condition also provides a mechanism to claw back any funds not used to deliver the project holding the licensee accountable for any under-delivery for the project.

5.71 Correcting the typographical error would ensure that Part C of this licence condition contains the correct reference to Appendix 1 for RIIO-GD3.

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Special Condition 3.30 [old] Biomethane improved access rollout Price Control Deliverable (BMIt)

Type of change: Removal

Relevant to: SGN So and Sc

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.72 We propose to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3 as we consider that it is not required as we expect the work associated with this PCD to be complete by the end of RIIO-GD2.

Effect of this proposed change

5.73 The effect of this change is that this PCD will be redundant, as the works funded by it will be completed before RIIO-GD3.

Special Condition 3.31 [old] Gas escape reduction Price Control Deliverable (GERT)

Type of change: Removal

Relevant to: SGN So and Sc

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.74 We propose to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3 as we do not consider it will be required, as we expect the work associated with this PCD to be complete by the end of RIIO-GD2.

Effect of this proposed change

5.75 The effect of this change is that this PCD will be redundant as the works funded through it will be completed before RIIO-GD3.

Special Condition 4.1 Total output delivery incentive performance

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

- 5.76 We are proposing minor amendments to this condition to reflect the proposed changes to the incentive conditions in Chapter 4 of the licence, as set out in more detail in the section on Special Condition 4.4 [old] Shrinkage Management output delivery incentive.
- 5.77 We propose to remove the term SM_t from the formula calculating ODI_t along with its definition in part 4.1.2. This is because we propose to remove Special Condition 4.4 (Shrinkage Management output delivery incentive) from the licence for RIIO-3, therefore this term is now redundant.
- 5.78 We propose to update the definitions in Part A, 4.1.2 of this condition to reflect the numbering changes resulting from the proposed removal of Special Condition 4.4.
- 5.79 We propose to add the term $STED_t$ to the calculation of ODI_t and to the definitions in Part A, 4.1.2 of this condition, to reflect the proposed addition of a new licence condition to Chapter 4 - Special Condition 4.6 (7 and 28 day Repair output delivery incentive).

Effect of these proposed changes

- 5.80 The effect of the proposed updates to this condition is that it will reflect the proposed changes to the licence conditions in Chapter 4 ensuring that the ODI_t term is accurate, and the correct numbers are fed into the Totex model.

Special Condition 4.2 Customer Satisfaction Survey output delivery incentive (CSt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex, Chapter 3

Proposed changes and reasons for proposed changes

- 5.81 We propose to update the formulae and acronyms associated with each of the 3 Customer Satisfaction (CSAT) elements – planned work, unplanned work and connections - set out in this licence condition to more closely align the GD licence condition with those set out in similar RIIO-ED2 licence conditions, improving consistency across the sectors.
- 5.82 We propose to insert tables with company-specific maximum rewards, reward incentive rates, maximum penalties, and penalty incentive rates for each of the 3 CSAT elements, to reflect the proposed change in incentive rate from percentage of base revenue to the equivalent percentage of RoRE.
- 5.83 We also propose to introduce a tapered incentive into the Connections Element, with networks eligible for 100% of the incentive at 1500 jobs and 0% of the incentive at 0 jobs. In addition, we will also set a minimum survey return threshold of 200. We have proposed updates to the formula to reflect this. The reason for this is to ensure that financial rewards and penalties are only applied where data is statistically reliable, and to prevent the GDNs from receiving rewards or penalties which we consider are disproportionate to the volume of work delivered.
- 5.84 We propose to amend the defined term of “Connections Element” by adding “as defined in the RIGs” to provide additional clarity.

Effect of these proposed changes

- 5.85 The proposed changes to this incentive provide the licensees with clarity on how the rewards and penalties will be calculated in relation to its performance under the three CSAT elements in RIIO-GD3.
- 5.86 In relation to the Connections Element, the tapered financial incentive will reduce the applicable reward or penalty as jobs decrease to ensure the incentive does not become disproportionate to workloads. Should a network not meet the minimum survey returns threshold associated with the Connections element in any given

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regulatory year, it will be ineligible for the financial incentive associated with this element for this year.

Special Condition 4.3 Complaints metric output delivery incentive (CMt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

- 5.87 We propose to update the formula and acronyms associated with the Complaints Metric incentive to reflect our decisions at Final Determinations and facilitate calculation of the incentive using a percentage of RoRE.
- 5.88 We propose to insert two tables with company-specific maximum penalties, and penalty incentive rates. This reflects the proposed change in incentive rate from percentage of base revenue to the equivalent percentage of RoRE. We have set out network specific £m values in the tables.
- 5.89 We propose to update the licence to reflect our SSMD decision that the timeframe for complaints received after working hours should start on the next working day.
- 5.90 In Part B, we propose to amend the wording of “...means the percentage of Complaints unresolved...” to “...means the percentage of Complaints which are not Resolved Complaints...”, applying the defined term “Resolved Complaint”. We consider this will improve clarity and ensure consistent reporting under this metric.
- 5.91 To provide additional clarity, we propose to amend the definition of “Ombudsman Finding Against The Licensee”. In section (a), we intend to replace “over and above” with “which is greater than”. In section (c), we provide further specificity by amending this to “both (a) and (b).
- 5.92 We will engage with stakeholders ahead of RIIO-3 to determine what, if any, clarifications are required through the RIGs to ensure the consistent interpretation and application of the terms “Complaint” and “Resolved Complaint”.

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Effect of these proposed changes

- 5.93 Updating the formulae and acronyms will more closely align the Complaints Metric licence condition with those set out elsewhere in RIIO-GD3 (e.g. CSAT) and similar RIIO-ED2 licence conditions, improving consistency across the sectors. Removing the multiplication “x” from the formulae in 4.3.4 provides consistency throughout the condition.
- 5.94 Inserting tables with the company-specific rewards and penalties provides the licensees with clarity and certainty about how the incentives will be calculated in RIIO-GD3.
- 5.95 The effect of the proposed changes is that complaints received between the time of the licensee’s Customer Service Centre closing and 23:59 of the same day will be considered as having been received on the next Working Day for the purposes of calculating the complaints metric.

Special Condition 4.4 [old] Shrinkage Management output delivery incentive (SMt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

- 5.96 We propose to remove this licence condition. This proposed change implements our decision at Final Determinations to remove the shrinkage incentive for RIIO GD-3. Our rationale is that GDNs can continue to undertake shrinkage reduction activities through their baseline allowances and through the Decarbonisation Project Development (DPD) UIOLI, rather than through a separate incentive. We also propose to introduce Special Condition 9.12 (Shrinkage and Leakage Model Maintenance) for continued reporting on modelled shrinkage. Therefore, we do not consider this condition is required for RIIO-3 as its objectives will be achieved through alternative mechanisms.

Effect of these proposed changes

5.97 The effect of this change is that the allowances for rewards and penalties calculated through this incentive will be redundant RIIO-GD3 and a new condition is being proposed to retain reporting on modelled shrinkage.

Special Condition 4.4 [previously 4.5] Unplanned Interruption Mean Duration output delivery incentive (UIPt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

5.98 We propose to amend this licence condition to implement our Final Determination decision to create separate non-MOB and MOB measures for NGN, SGN and WWU. This will provide a consistent and comparable measure of the GDNs' performance. To reflect this, we have proposed two formulae that would apply to all GDNs for non-MOB and MOB performance measures.

5.99 We propose to insert two tables (Appendix 3 and 4) with company-specific maximum penalties for non-MOB and MOB measures. This reflects the proposed change in the cap from a percentage of base revenue to the equivalent percentage of RoRE. The tables set out network-specific £m values.

5.100 We also propose to include a table (Appendix 1) for non-MOB penalty levels. This reflects our Final Determination policy decision to establish common non-London performance targets and London-specific performance targets for non-MOBs, to account for network-specific characteristics that are unique to London-based networks.

Effect of this proposed change

5.101 The effect of this proposed modification is to create separate non-MOB and MOB performance measures for all GDNs and to embed a common non-MOB unplanned

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interruption target for the GDNs for non-London based GDNs. The London-based GDNs will have a different threshold to account for regional effects.

5.102 The proposed modifications provide the means of calculating the penalty that will apply if a GDN breaches its mean duration target for non-MOB and MOB.

Special Condition 4.5 [previously 4.6] Collaborative streetworks output delivery incentive (CSWt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: Collaborative Streetworks Governance Document

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

5.103 We propose to amend this licence condition to give effect to our decisions at Final Determinations to expand the incentive to all GDNs in RIIO-3.

5.104 Proposed modifications include:

- removal of reference to the ENA portal and replaced with FEN innovation portal;
- amendments to the formula to include updated incentive reward rates bands;
- inclusion of new defined terms to update the licence formula eg CSWt, SCSWP, CSWPT and CSWP;
- include details on the licence status;
- include directions for the eligibility criteria; and
- introduction of minimum project thresholds based on RIIO-2 performance.

Effect of these proposed changes

5.105 The effect of these proposed amendments is to allow all GDNs to access the incentive once a suitable co-ordinator has been established. GDNs would also have access to an incentive reward rate allowing them to access either an incentive rate based on minimum or strategic projects undertaken.

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5.106 The minimum performance thresholds will be based on RIIO-2 performance. This will mean that networks accessing the incentive for the first time will be able access the incentive immediately.

Special Condition 4.7 [old] Consumer value proposition

Type of change: Removal

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

5.107 We are proposing to remove this condition. Its purpose in the RIIO-GD2 licence was to calculate additional revenue for Cadent to deliver outputs based on the Business Plan Incentive (BPI), which were set for RIIO-GD2. These outputs and associated allowances are not being continued into RIIO-GD3, so this condition is now redundant.

5.108 For RIIO-GD3, the BPI decisions are set out in our Final Determinations Document.

Effect of this change

5.109 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 5.1 Total other revenue allowances (ORAt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

5.110 We are proposing a minor amendment to the definition of the term NIA_t in Part B, to reflect that this term is derived from Special Condition 5.2 (RIIO-3 Network Innovation Allowance). We have also proposed to amend the title of Special Condition 5.2 for RIIO-3 as set out in Chapter 3 of this document on cross sector conditions.

Effect of this change

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5.111 The effect of this change is to correctly reflect the title of Special Condition 5.2 as referenced in this licence condition, meaning that the allowances can be carried through correctly.

Special Condition 5.4 Vulnerability and carbon monoxide allowance (VCMt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: VCMi Governance Document

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

5.112 We propose to introduce a new value, VCMCUt, into the formula for calculating the vulnerability and carbon monoxide allowance. This will give effect to our decision in Final Determinations to introduce minimum ringfenced funding of 3% of total VCMA funding for projects where the GDN or GDNs collaborate with other utilities across energy, water and telecoms through the Cross-Utilities Collaborative VCMA Project allowance, as set out in conditions 5.4.3 and 5.4.6. As a result, we propose to rename the “Collaborative VCMA Project allowance” as the “GDN Collaborative Project allowance” in conditions 5.4.3 and 5.4.5 to ensure the different collaborative allowances are accurately reflected.

5.113 We propose to amend the defined term of “Company Specific VCMA Project”, replacing “which is funded by one person” with “which is funded by one of the following: Cadent Gas Ltd, Northern Gas Networks Ltd, the SGN Group and Wales & West Utilities Ltd”. This will provide additional clarity and improve consistency across the VCMA-related terms.

5.114 We propose to introduce a new defined term of “Cross-Utilities Collaborative VCMA Project”, which “means a VCMA Project in which one or more of the Gas Distribution Networks (Cadent Gas Ltd, Northern Gas Networks Ltd, the SGN Group and Wales & West Utilities Ltd) collaborate with one or more other utilities across energy, water and telecoms”. This will provide clarity following the decision to introduce the Cross-Utilities Collaborative VCMA Project allowance in our Final Determinations.

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- 5.115 We propose to introduce formula in condition 5.4.6 to calculate the Cross-Utilities Collaborative VCMA Project allowance. We have replicated the approach used to calculate the GDN Collaborative Project Allowance in 5.4.5.
- 5.116 We propose to amend the regulatory year referred to in the algebraic formula in 5.4.4, updating it from 2021/22 in RIIO-GD2 to 2026/27 in RIIO-GD3.
- 5.117 In our July 2025 Licence Consultation, we proposed using a version of the algebraic formula in condition 5.4.5 for deriving the GDN Collaborative VCMA Project allowance that relates to the licensee which conflicted with a contemporaneous licence modification.⁹ Therefore, we propose to amend this condition to reflect the modified formula currently applied in RIIO-GD2, and update references to the relevant RIIO-GD3 regulatory years.
- 5.118 We propose to amend references to the “VCMA Governance Document” to the “VCMI Governance Document” to implement our Final Determinations decision to rename the document as the Vulnerability and Carbon Monoxide Initiatives Governance Document. This reflects its broader scope which will now also include reporting associated with BAU vulnerability and CO safety activities and PSR-related ODI-Rs.
- 5.119 We propose to update condition 5.4.12 to provide clarity that proposed changes to the VCMI Governance Document are subject to consultation before modification.
- 5.120 We propose to update Appendix 1 which sets out the network allowance figures to give effect to the decisions in our Final Determinations. We have decided to continue to ringfence 25% of total VCMA funding so that a minimum of 25% of the VCMA is used for GDN Collaborative VCMA Projects. We have also decided to introduce an additional ringfence of 3% of total VCMA funding so that a minimum of 3% of the VCMA is used for Cross-Utilities Collaborative VCMA Projects. These minimum ringfenced funds will encourage the GDNs to collaborate and align their approaches to addressing VCMA-related issues with other GDNs and utilities to maximise their impact, while the Company Specific allowances will continue to allow GDNs flexibility

⁹ [Decision-on-ET-ED-GT-and-GD-PCFI-and-Licence-Modifications.pdf](#), Section 3.

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to address priorities within their network areas. The GDNs will be able to use their Company Specific Allowances to fund both GDN Collaborative and Cross-Utilities Collaborative VCMA Projects.

5.121 Please note, we will consult on changes to the VCMI Governance Document ahead of RIIO-GD3, in accordance with the provisions outlined in Part B of condition 5.4.

Effect of these proposed changes

5.122 The modifications to the formula and the networks' VCMA allowance figures give effect to our decisions at Final Determinations to set VCMA funding at £165m and actively encourage greater GDN and cross-utilities collaboration.

5.123 The introduction of the Cross-Utilities Collaborative VCMA Project allowance and corresponding formula is to incentivise collaboration with wider utilities to more effectively support consumers in vulnerable situations.

5.124 The algebra used in 5.4.5 and 5.4.6 will align the RIIO-3 GDN Collaborative and Cross-Utilities Collaborative VCMA Project allowance formulas with the modified RIIO-GD2 formula approach for collaborative funding. The formula used in 5.4.5 for our July consultation did not provide flexibility to enable greater levels of collaboration between the GDNs beyond the ringfenced 25% minimum. Our proposed amendment better reflects our policy goal of fostering greater collaboration among GDNs and wider utilities. The intention is to allow GDNs the flexibility to allocate some of their VCM allowance from their Company Specific VCM project expenditure cap to their GDN Collaborative VCM and Cross-Utilities VCM allowance expenditure caps, as specified in Appendix 1, ensuring that individual licensees do not exceed their total expenditure cap.

Special Condition 6.1 Pass-through items (PTt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex

Proposed changes and reasons for proposed changes

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5.125 The proposed changes to this licence condition are outlined below under headings which correspond to the different parts of the licence.

5.126 The reasons for these changes are to provide additional clarity, to ensure that all formulas and references have been updated for RIIO-GD3 and to include a new pass-through term for Supplier of Last Resort (SOLR).

Part A: Formula for calculating the allowed pass-through term (PTt)

5.127 A minor change to the wording in Part A for the Pension Scheme Established Deficit repair expenditure (EDEt) has been proposed for clarity.

5.128 We propose to remove the definition of Distribution Network Pension Deficit Charge (PDt) and remove the term from the algebraic formula as final payments were made to the NTS for Pension Deficit Charges in 2021. Therefore, the term is not required in RIIO-GD3.

5.129 We propose to add a new pass-through term for costs associated with SOLR covered under Standard Special Condition A48 (Last Resort Supply: Payment Claims). These costs were previously directed by the Authority under the Miscellaneous pass-through (MPt) term.

Part C: Formula for calculating Third Party Damage and Water Ingress Costs pass-through term (TPWIt)

5.130 We are proposing an amendment to the paragraph referencing in Part C. Proposal to update the reference to paragraph 6.1.10 to 6.1.12, and reference to paragraph 6.1.8 to 6.1.10.

Part D: Formula for calculating the Shrinkage costs pass-through term (SLt)

5.131 We propose to remove the reference to Part B of Special Condition 4.4 (Shrinkage Management output delivery incentive), as we have proposed to remove this condition for RIIO-GD3. We propose to add a reference here to Part E of this licence (Special Condition 6.1), which is a new proposed part of this licence.

Part E: Formula for calculating the gas price reference cost (GPRCt)

5.132 We are proposing an additional part to this licence condition - Part E. This is the formula for calculating the gas price reference cost, which is required for calculating the Shrinkage cost. This formula has been lifted from Special Condition 4.4, which is being removed for RIIO-GD3.

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5.133 We are proposing to amend the year in the algebraic formula from 2018/19 to 2023/24 to calculate based on 2023/24 costs. We are also proposing to amend the reference to Part F of Special Condition 2.1 to Part E of Special Condition 2.1 to reflect changes to the labelling of parts in that licence condition.

Effect of these proposed changes

5.134 The effect of these proposed modifications would improve the clarity of the licence and enable the network companies to fully recover any change in costs that are substantially outside of their control directly from customers. The proposed inclusion of a new pass-through term for SOLR removes the need for the Authority to issue a direction for costs associated with this.

Special Condition 7.8 [old] Close out of the RIIO-GD1 Discretionary Reward Scheme (LDRWt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.135 We propose to remove this licence condition. The RIIO-GD1 Discretionary Reward Scheme (DRS) was in place for RIIO-GD1 to deliver social, carbon monoxide (CO) safety and environmental initiatives beyond those funded directly through the price control but for RIIO-GD2 the social and CO safety elements of the DRS was replaced with a consumer vulnerability package and the environmental aspects of the DRS were also removed. Therefore, the DRS was not available to GDNs in the RIIO-GD2 licence with the purpose of this condition to close out the DRS for RIIO-GD1.

5.136 The reason for removing this close out licence condition is because it is no longer relevant or needed in the licence for RIIO-3.

Effect of this proposed change

5.137 The effect of this change is to tidy up the licence by removing a redundant condition.

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Special Condition 7.9 Close out of the RIIO-GD1 Broad Measure of Customer Satisfaction Incentive (LBMt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.138 We propose to remove this licence condition.

5.139 The reason for removing this close out condition is because it is no longer relevant or needed in the licence for RIIO-3 as the Broad Measure of Customer Satisfaction Incentive was replaced in RIIO-GD2 by the Customer Satisfaction ODI-F and Complaints Metric ODI-F.

Effect of this proposed change

5.140 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 7.10 Close out of the RIIO-GD1 Shrinkage Allowance Revenue Adjustment (LSHRt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.141 We propose to remove this licence condition. The reason for removing this close out condition is because the RIIO-GD1 incentive will no longer be relevant or needed in the licence.

Effect of these proposed changes

5.142 The effect of this change is to tidy up the licence by removing a redundant condition.

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Special Condition 7.11 Close out of the RIIO-GD1 Environmental Emissions Incentive (LEEI)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.143 We propose to remove this licence condition. RIIO-GD1 included both a shrinkage allowance and an Environmental Emissions Incentive (EEI). These provided enhanced incentives to reduce gas transport losses and network emissions, based on over or underperformance against performance targets.

5.144 In our RIIO-GD2 SSMD, we decided to replace the existing shrinkage allowance and EEI with a different, three-part approach – an ODI-F, an ODI-R and bespoke ODIs.

Effect of these proposed changes

5.145 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 7.12 Close out of the RIIO-GD1 Fuel Poor Network Extension Scheme Incentive (LFPI)

Type of change: Removal

Relevant to: All GDNs

Associated document: FPNES Governance Document

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.146 We propose to remove this licence condition as the FPNES Incentive was removed in RIIO-GD2 and, therefore, this close out mechanism is no longer relevant or required in RIIO-3.

Effect of these proposed changes

5.147 The effect of this change is that it will remove a redundant condition.

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Special Condition 7.13 Close out of the RIIO-GD1 Exit Capacity Cost Adjustment (LExt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.148 We propose removing this closeout licence condition as it applies to RIIO-GD1 cost adjustment which is no longer required or needed in the RIIO-3 licence.

Effect of these proposed changes

5.149 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 9.10 Restriction of prices in respect of Tariff Capped Metering Activities

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.150 We propose to remove this licence condition, along with the corresponding Special Condition 9.16 in the Gas Transmission licence.

5.151 Traditional gas metering obligations have historically been embedded within the Gas Transporter Licence, requiring GDNs and National Gas to provide metering services under regulated conditions. These obligations were introduced to ensure continuity and consumer protection during the national smart meter rollout. With the rollout now substantially complete and the current licence conditions due to expire on 31 December 2025, we recently consulted on the most appropriate framework for the future of these metering services beyond this date. Our decision is to transition from

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regulated obligations to a voluntary agreement from January 2026.¹⁰ This approach aims to balance flexibility for industry participants with robust consumer protection, supporting innovation and efficiency in metering services while avoiding unnecessary regulatory burden.

5.152 This means that Special Condition 9.10 will expire on 31st December 2025, and will no longer be in effect.

Effect of these proposed changes

5.153 Removing this condition means that GDNs will operate under the voluntary arrangements decided on, rather than under licence obligation.

Special Condition 9.12 [old] HyNet Front End Engineering Design Price Control Deliverable (Hyt)

Type of change: Remove

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.154 We propose to remove this licence condition for RIIO-3 to reflect our decision at SSMD as we expect and still consider that the work associated with this PCD will be completed by the end of RIIO-GD2.

Effect of these proposed changes

5.155 The effect of this change is to remove a redundant PCD as the works funded through it will be completed before RIIO-GD3.

Proposed New Conditions for the Gas Distribution Sector

Special Condition 3.18 [new] Safety disconnections Volume Driver (GDVD_t)

Type of change: New Condition

¹⁰ [Future of gas transporter traditional metering obligations post-2025 | Ofgem](#)

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.156 We are proposing a new licence condition to introduce a volume driver to provide a mechanism for adjusting revenue to fund the GDNs for disconnections carried out under the Gas Safety (Installation and Use) Regulations 1998 (GSUIR).

5.157 The reason for introducing this new condition is due to the uncertainties around the volumes of disconnections over the RIIO-3 price control period. A volume driver ensures that funding can flex in line with actual disconnection volumes.

Effect of these proposed changes

5.158 The intention is to provide the GDNs with the appropriate level of funding for disconnections undertaken under regulation 16(3)(b) of the Gas Safety (Installation and Use) in the event that the disconnection volumes differ from forecast levels. This mechanism avoids under- or overfunding and supports compliance with safety legislation without creating unnecessary cost risk for consumers.

Special Condition 3.19 [new] Tier 1 Stubs decommissioning PCD (STBD_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3; Secure and Resilient Supplies

Proposed changes and reasons for proposed changes

5.159 We are proposing a new licence condition to introduce a common mechanistic Price Control Deliverable to allow funding for the delivery of the decommissioning of Tier 1 Iron Stubs. We think that a PCD is the best mechanism for funding this workload in RIIO-GD3, as it allows protection for consumers if the proposed workload is not met.

5.160 This new condition splits the workload into two categories:

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- Tier 1 Stubs Decommissioned means Tier 1 Stubs which have been physically removed or made safe by one of the following replacement designs:
 - Insertion
 - Replacement by open cut
 - Remote foam bagging
 - Parent main cut-out
 - Other approved replacement design
- Tier 1 Stubs Investigated But Not Decommissioned means instances where a Tier 1 Stub has either:
 - Been identified in off-site processes, but upon on-site investigation (e.g. digging) has not been found, or
 - Has been found on-site, but has been determined to be suitable, in alignment with HSE criteria, to be left in-situ.

5.161 This condition specifies the workload of Tier 1 Iron Stubs under each category for each GDN, along with allowed unit costs for each category for each GDN.

5.162 There is an upwards adjustment mechanism for the Tier 1 Stubs Decommissioned workload, meaning GDNs can be funded for over delivery on this workload. This is because the GDNs will need to decommission all Tier 1 Stubs by 2032, and allowing over delivery may lead to a more efficient programme overall.

5.163 There is no upwards adjustment mechanism on the Tier 1 Stubs Investigated But Not Decommissioned, meaning there is a maximum number of interventions of this type that the GDNs can be funded for. This is because we do not think GDNs should be funded for over delivering this type of workload.

5.164 For both categories of workload there is a clawback mechanism meaning that any under delivery will be accounted for in final allowances when the PCD is assessed at the end of the price control period.

Effect of these proposed changes

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5.165 This proposed new PCD provides clarity on the outputs, delivery dates and allowances the GDNs will be funded to deliver the workloads of Tier 1 Iron Stubs decommissioning, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered during RIIO-3. It also protects consumers by clawing back funding in the event that a GDN does not deliver its workload within the price control period.

Special Condition 3.20 [new] General Reinforcement Re-opener (GRCR_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.166 We are proposing a new re-opener after GDNs raised concerns that general reinforcement projects would not meet the capacity or materiality threshold of the New Large Load Connections re-opener and therefore would not be able to apply to recover additional costs incurred for these projects through the existing scope.

5.167 We have therefore introduced a dedicated new re-opener which allows the GDNs to group smaller eligible reinforcement projects together in order to meet the materiality threshold to trigger the re-opener providing the GDNs the ability to apply for the recovery of costs for these projects.

Effect of these proposed changes

5.168 This new re-opener enables the GDNs to apply for the recovery of costs related to general reinforcement projects undertaken to enhance network capacity and reliability that fall outside the scope of the New Large Load Connections re-opener.

Special Condition 3.21 [new] Biomethane Distributed Entry Reinforcement (BDER_t) use it or lose it allowance

Type of change: New Condition

Relevant to: All GDNs

Associated document: Biomethane UIOLI Governance Document

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.169 We are proposing to introduce a new licence condition setting up a use it or lose it (UIOLI) mechanism to allow funding for activities to address capacity constraint issues associated with new or existing Biomethane Connections to the distribution network.

5.170 The licence condition specifies the scope of the UIOLI, along with the allowed costs to be funded per connection. The scope of this condition enables the allowance to be used to fund reinforcement activities incurred from new or existing Biomethane entry connections. The allowance may also be used to support projects associated with Green Gas Support Scheme (GGSS)-supported sites as well as sites already connected to the distribution network that are looking to expand.

5.171 We are introducing a condition which enables the Authority to conduct a review of the licensee's management of Biomethane in year two of the price control if it considers necessary. The reason for introducing this is to account for any changes to government funding schemes for Biomethane or significant market or technological developments that may take place during the Price Control Period.

5.172 We have also introduced the Biomethane UIOLI Governance Document which sets out the governance and administration of the UIOLI allowance, the eligibility criteria for UIOLI expenditure incurred, and reporting obligations which the licensee must meet.

Effect of these proposed changes

5.173 The introduction of this new UIOLI will provide GDNs with quick and flexible access to funding when required by the GDNs to facilitate new and existing Biomethane Connections. The review period enables the Authority to review the appropriateness and size of the UIOLI mechanism if there are changes to government funding schemes. This mechanism protects consumers in the event that a GDN does not deliver new Biomethane Connections.

Special Condition 3.22 [new] Complex Distribution Systems Re-opener (CDS_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.175 We are proposing to introduce a new common re-opener to enable GDNs to apply for funding for any additional costs incurred relating to the replacement of assets within Complex Distribution Systems 'CDS'. The re-opener will be licensee triggered only with the re-opener window set mid-way through the price control to allow GDNs time to develop CDS programmes.

5.176 The reason for introducing this re-opener is to give effect to our decision in Final Determinations to introduce a new common re-opener for CDS work for RIIO-GD3 rather than it being funded through the NARM mechanism. This is due to the unique nature of CDS assets which are not currently covered by the NARM methodology. The re-opener outlines the scope, what GDNs should include in an application, the re-opener window, and the steps the authority will take in directing an adjustment to the term.

5.177 We have made further updates to this condition following the most recent Licence Drafting Working Group, expanding the scope of the reopener to include 'assets' within the definition of CDS rather than it just specifically applying to risers and laterals, recognising that there are other essential components of CDS which may need replacing.

5.178 Following the most recent Licence Drafting Working Group, we have also updated the definition of Complex Distribution Systems, which can be found in Chapter 1 of the licence.

Effect of these proposed changes

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5.179 The effect of introducing this licence condition is that GDNs will be able to apply for an allowance for any additional costs incurred for Complex Distribution Systems which are in poor condition and need assets replacing, once the scope and costs of these are better understood, therefore providing protection to consumers and the GDNs.

Special Condition 3.23 [new] Flow-weighted average calorific value (FWACV) Compliance Price Control Deliverable (FLO_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Proposed changes and reasons for proposed changes

5.180 A bespoke PCD is being proposed to allow funding for Cadent's design and installation of 28 FWACV systems to replace current FWACV systems.

5.181 Cadent's FWACV compliance project aims to upgrade aging FWACV systems to modernise all its systems to the same standard. Modernising these systems with ultrasonic meters would provide improved accuracy and reliability and reduce the likelihood of service disruptions. It also aims to provide adaptability, which would support the integration of renewable gases, such as biogas and hydrogen, into the energy system.

Effect of these proposed changes

5.182 This effect of this new condition is to specify the outputs, delivery date and allowances for Cadent, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered. The condition also provides a mechanism to claw back any funds which were not used to deliver the project holding it accountable for any under-delivery for the project.

Special Condition 3.24 [new] Grays medium pressure Price Control Deliverable (GMP_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Proposed changes and reasons for proposed changes

5.183 We are proposing to introduce a new condition to give effect to our decision in Final Determinations to establish a bespoke PCD for the delivery of Cadent's project to replace 42.5km of its medium pressure network in its North London network during RIIO-3.

Effect of these proposed changes

5.184 The effect of this new condition is to specify the outputs, delivery date and allowances for the Grays Medium Pressure deliverable, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered during RIIO-3. The licence condition also provides a mechanism for clawing back any funds not used to deliver the project and also holds GDNs accountable for any under delivery for the project.

Special Condition 3.25 [new] Tinsley viaduct diversion Price Control Deliverable (TVD_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Proposed changes and reasons for proposed changes

5.185 We propose to introduce this new condition to implement our decision in Final Determinations to establish a bespoke PCD for the delivery of Cadent's project to decommission and divert two intermediate pressure pipelines located on the underside of the M1 Tinsley Viaduct which are in poor condition.

Effect of these proposed changes

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5.186 The effect of this new condition is to specify the outputs, delivery date and allowances for the PCD, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered. The condition also provides a mechanism to claw back any funds not used to deliver the project, whilst also holding the licensee accountable for any under delivery of the project.

Special Condition 3.26 [new] London subways and tunnels Re-opener (LST_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 4

Proposed changes and reasons for proposed changes

5.187 We propose to introduce a new condition to implement our decision in Final Determinations to establish a bespoke re-opener to allow for the recovery of uncertain costs relating to additional engineering costs arising from compliance with specified legislative requirements relating to London Subways and Tunnels which are not part of the normal Tier 1 Iron Mains decommissioned workload.

5.188 The licence condition also requires the licensee to submit clear justification for the needs case, engineering justification statement, risk assessments and CBA.

Effect of these proposed changes

5.189 The effect of this new condition is to provide Cadent with the opportunity to apply for an adjustment to the London Subway and Tunnels (LST_t) term as a result of any additional engineering costs which they may incur as a result of complying with the specified legislative requirements for London Tunnels and Subways.

Special Condition 3.27 [new] South London mains Price Control Deliverable (SLM_t)

Type of change: New Condition

Relevant to: SGN

Associated document: N/A

Proposed changes and reasons for proposed changes

5.190 We propose to introduce a new condition to implement our decision in Final Determinations to establish a bespoke PCD to allow funds for SGN to deliver the replacement of 15km of iron mains for its South London Mains network and to hold SGN to account on delivering this project.

Effect of these proposed changes

5.191 The effect of this new condition is to specify the outputs, delivery dates and allowances for the PCD and to specify the formula to calculate the recovery of associated allowances for any non-delivery of the PCD outputs. This condition also provides a mechanism for clawing back any funds not used to deliver the project.

Special Condition 3.28 [new] Full site and system rebuilds Price Control Deliverable (FSR_t)

Type of change: New Condition

Relevant to: SGN

Associated document: N/A

Final Determinations Reference: SGN Annex

Proposed changes and reasons for proposed changes

5.192 We propose to introduce a new condition to implement our decision at Final Determinations to establish a bespoke evaluative PCD to provide funding for 16 Full Site and System Rebuild projects across SGN's network, which involves the replacement of critical systems within a pressure reduction station (PRS) along with associated civils upgrades to accommodate the rebuild.

5.193 Since the July Consultation we further propose to add Welling PRS project in the outputs table. We have specified the site names for the Full Site and system rebuilds programme in Appendix 1.

Effect of these proposed changes

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5.194 The effect of this new condition is to specify the outputs, delivery dates and allowances for the 16 Full Site and System Rebuild projects. It also specifies the formula to calculate the recovery of associated allowances for any non-delivery of the PCD outputs and provides a mechanism for clawing back any funds not used to deliver the project protecting consumers in the event that a project is not delivered.

Special Condition 3.30 [new] Mandated category 3 security Price Control Deliverable and Re-opener (MDS_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex

Proposed changes and reasons for proposed changes

5.195 We propose to introduce a new evaluative PCD to allow funding for Cadent's works to upgrade or refresh a number of sites to Critical National Infrastructure Category 3 Security specification.

5.196 The licence condition specifies the outputs, delivery dates and associated allowances for the sites.

5.197 We are also proposing to establish a re-opener through this condition to allow Cadent to apply for funding for additional specified sites which have not yet been fully scoped.

5.198 We are proposing a single re-opener window for Cadent to apply to the re-opener. We think a single window is sufficient given that the scoping work is currently underway.

Effect of these proposed changes

5.199 The effect of the PCD section of this licence condition is that it specifies the outputs, delivery dates and allowances for Cadent to deliver works to ensure the security of a number of sites. The PCD further provides consumers protection by enabling us to claw back funding at the end of the price control if the outputs have not been delivered.

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5.200 The effect of the re-opener section of this licence condition is that Cadent will be able to apply for funding for costs incurred for works undertaken on further sites once they have been fully scoped.

Special Condition 3.31 [new] Pipeline replacements Price Control Deliverable (WWU)

Type of change: New Condition

Relevant to: WWU

Associated document: N/A

Final Determinations Reference: WWU Annex; Chapter 2

Proposed changes and reasons for proposed changes

5.201 We propose to introduce a bespoke PCD to allow funding for WWU's Pipeline Replacement project which aims to replace the existing HS007 and HW009/HW010 pipelines (the latter two are considered a single pipeline as they are contiguous).

5.202 WWU confirmed in its Engineering Justification Paper (EJP) that these two pipelines are at the end of their asset lives and no longer meet construction standards, therefore replacement is required to ensure that a safe and reliable network is maintained. We agree with WWU's assessment of these pipelines. They supply approximately five thousand customers, and they are in a demonstrably poor condition. We consider it highly likely that they will be required for a long period of time. The scope of the project was well defined, and the cost breakdown was robust.

5.203 This proposed PCD includes a claw back mechanism which provides protection to consumers as it enables the Authority to clawback any funds which are not used to deliver the project.

Effect of these proposed changes

5.204 This new PCD provides clarity on the outputs, delivery dates and allowance for WWU to deliver the workloads for its Pipeline Replacements to ensure a safe and reliable network, whilst also holding it accountable for any under-delivery for the project.

Special Condition 3.32 [new] GD2/GD3 crossover adjustment (GD2ACAt)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.205 We propose to introduce the term GD2ACAt to establish a crossover mechanism for projects initiated under the RIIO-GD2 licence that will require funding during the RIIO-3 period under terms being removed from the RIIO-GD3 licence.

5.206 Crossover items include outputs, Price Control Deliverables, or activities that are funded in full or in part by a mechanism specified in the RIIO-GD2 licence, and the delivery of which has incurred or is expected to incur costs during the RIIO-GD3 period.

5.207 The GD2ACAt term will provide a clear pathway for the provision of said funding under RIIO-GD2 terms that are not being retained within the RIIO-GD3 licence.

5.208 The condition will specify the terms that were in the RIIO-GD2 licence which have not been retained in the RIIO-GD3 licence. It will specify the process the Authority will follow to make changes to the allowance values in Appendix 1 of the condition.

5.209 We have proposed that the Authority will modify values at Appendix 1 of the condition by statutory consultation. The equivalent condition in the Electricity Transmission licence details the circumstances in which the Authority may decide to modify values by statutory consultation and the principles it will have regard to in doing so, which are set out in the ET2/ET3 Crossover Submission Requirements and Guidance. We do not expect a high volume of value modifications in GD. As such, we are not proposing to issue equivalent GD guidance. However, we do expect to take a similar approach to modification such that:

- The Authority will consider modification via statutory consultation where:

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- allowances provided under the RIIO-GD3 licence as in effect on 31 March 2026 for a GD2/GD3 Crossover Item¹¹ relating to said value were only intended to cover part of the efficient cost of an item, and no other licence mechanism exists at the time of modification to fund the remaining cost; or
- the derivation of the Legacy Adjustments to Revenue (LARt) term in accordance with Special Condition 7.1 of the licence has resulted, or is expected to result, in the reduction of allowances for the GD2/GD3 Crossover Item such that the efficient delivery cost is not fully covered by past or future licence mechanisms.

5.210 And

- In modifying values, the Authority would also generally have regard to the following principles:
 - **Seamless transition** from the RIIO-GD2 to RIIO-GD3 price control
 - **Appropriate remuneration of efficient costs** created as a result of the transition from the RIIO-GD2 to RIIO-GD3 price control
 - **No undue benefit to licensees or additional cost to consumers from delaying work into RIIO-GD3** which may include re-profiling past or future allowances and the transfer of allowances to better align with actual delivery
 - **Accountability for delivery** of outputs, deliverables, targets or delivery dates associated with GD2/GD3 Crossover items specified in the RIIO-GD2 licence
 - **Negative adjustments and recovery of RIIO-GD2 allowances** where appropriate and in line with these principles.

Effect of these proposed changes

¹¹ A GD2/GD3 Crossover Item is an output, Price Control Deliverable or activity: (a) that is funded in part or in full by a mechanism specified in the licence as in force on 31 March 2026; and (b) in the delivery of which the licensee, acting reasonably and efficiently, as incurred or is expected to incur expenditure during the Price Control Period.

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- 5.211 The new term will ensure that allowances associated with crossover from RIIO-GD2 to RIIO-GD3 are appropriately captured within the RIIO-GD3 licence framework. It will not introduce any additional funding to GDNs.
- 5.212 The term provides a mechanism for projects started during the RIIO-GD2 period to be completed in the RIIO-GD3 period, where the funding mechanisms no longer exist to cover the remaining efficient costs.

Special Condition 4.6 [new] 7 and 28 day repair standards output delivery incentive (STED_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

- 5.213 We propose to introduce a new condition to implement our decision in Final Determinations to introduce a new ODI-F to incentivise GDNs for the timely completion of outstanding gas repairs, as we consider that performance in this area has declined during RIIO-GD2.
- 5.214 The minimum standards are set out in table 1 of the condition that the GDNs must meet for repairs which are carried out within 7 and 28 days. These performance targets have been set at the industry average based on GDN performance in the first four years of RIIO-GD2.
- 5.215 A penalty will be imposed on GDNs in accordance with the penalty thresholds set out in Appendix 1 of the licence for repairs that have not been completed within these periods, and which do not meet the threshold set for both metrics.

Effect of these proposed changes

- 5.216 The effect of this condition is to incentivise improvements in the GDNs performance on outstanding gas repairs and to guard against the risk that performance falls below the standard achieved by the end of RIIO-GD2. In addition, the introduction of a

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penalty for poor performance should encourage timely repairs of methane leaks from the network and restore repair standards to previously achieved levels for consumers.

Special condition 9.12 [new] Shrinkage And Leakage Model Maintenance

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for proposed changes

5.217 We are proposing a new licence condition to retain the Shrinkage and Leakage Model (SLM) maintenance requirement, formerly part of the Special Condition 4.4 shrinkage management output delivery licence condition being proposed for removal. We propose to introduce this as a separate licence condition to ensure the GDNs retain and have a SLM in place in order to be able to meet the Annual Environmental Report (AER) requirements set out in Special Condition 9.1 for GDNs to continue reporting on modelled shrinkage in RIIO-3. The AER must be prepared in accordance with the Environmental Reporting Guidance, which in turn currently references the SLM.

5.218 We propose to include a new definition, 'RIIO-GD3 Mechanisms and Commitments', to reflect activities and/or projects funded in RIIO-3 through mechanisms such as the Decarbonisation Project Development (DPD) UIOLI (previously named NZARD) and the Small Decarbonisation Projects (SDP) Re-opener (previously named NZASP). This definition would also encompass targets reported within the AERs as part of the GDNs' Environmental Action Plan (EAP) commitments, which require a modelled estimate or report of shrinkage.

Effect of these proposed changes

5.219 The effect of this proposed condition is to ensure GDNs continue to have a SLM in place and maintained in RIIO-3. This will enable them to meet their reporting requirements under the AER to continue reporting on modelled shrinkage. This will eventually be complemented by observed measures once available through the

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rollout of the Digital Platform for Leakage Analytics (DPLA) and associated Advanced Leakage Detection (ALD) technologies.

Special condition 9.13 [new] Implementation of the Digital Platform for Leakage Analytics (DPLA)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for proposed changes

5.220 We propose to introduce a new licence condition requiring Cadent to implement the DPLA in accordance with a direction issued by the Authority in year three of RIIO-GD3. The DPLA seeks to replace the existing Shrinkage and Leakage Model (SLM) to improve shrinkage reporting and to enable the GDNs to optimise their maintenance and repair operations to further reduce leakage.

5.221 The purpose of introducing this condition is to ensure that the DPLA is rolled out consistently across all GDNs by requiring Cadent to provide the Authority with the necessary information to assess and direct implementation of the DPLA in a manner that provides the best value for consumers. Otherwise, there exists a possibility that Cadent could implement the DPLA in a different manner to the other GDNs. This would pose a risk to a potential Shrinkage ODI-F in RIIO-GD4, which requires a consistent rollout of the DPLA.

5.222 This new condition will require Cadent to establish and maintain a DPLA Working Group in accordance with associated Terms of Reference. The DPLA Working Group will provide an impartial and comprehensive view on whether the DPLA should be implemented fully or partially.

5.223 Cadent will be required to deliver outputs set out in Appendix 1 of the condition, which includes submitting a comprehensive cost-benefit analysis and its own views on whether there should be a Full Rollout or Partial Rollout of the DPLA, and its reasoning. It also includes the creation and maintenance of the DPLA Working Group,

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and the submission of the DPLA Working Group's recommendation for whether a Full Rollout or Partial Rollout of the DPLA should be implemented. We are introducing these outputs as the Authority requires more detailed and comprehensive data and information to assist it with its assessment of whether a Full Rollout or a Partial Rollout of the DPLA is appropriate.

5.224 The condition will enable the Authority to direct either a Full Rollout or Partial Rollout of the DPLA following its assessment of the submitted outputs. The decision is solely at the Authority's discretion, and it can reject both Cadent's recommendation and that of the DPLA Working Group where appropriate. A Full Rollout would require Cadent to continue using both components of the DPLA, which are the probabilistic modelling component for monitoring, forecasting, and analysing leakage across intermediate and high pressure networks, and observed measurement via in-field sensor data for its low and medium pressure networks. In contrast, a Partial Rollout would limit Cadent's DPLA use to the observed measurement component of the DPLA, for its low and medium pressure networks, with it reverting to the Shrinkage and Leakage Model (SLM) for its modelling of intermediate and high pressure networks.

Effect of these proposed changes

5.225 The effect of this proposed condition is that it establishes the specific outputs required by the Authority to undertake its assessment on whether a Full Rollout or Partial Rollout of the DPLA is appropriate and enables the Authority to decide and direct Cadent on the type of rollout it considers is in the best interests of consumers and provides consistency in the rollout amongst GDNs. It establishes the Authority's assessment process and that the type of rollout of the DPLA can only be decided by direction of the Authority.

Proposed GD Special Conditions where there is no change from RIIO-2

5.226 There is one condition that we have identified in RIIO-2 which we propose retaining without any material amendments to the wording:

- Special Condition 9.10 [previously 9.11] Gas conveyed to Independent Systems (SGN Scotland and WWU)

6. Gas Transmission Special Conditions

Proposed changes to Gas Transmission Special Conditions

Special Condition 3.9 Bacton terminal site redevelopment Price Control Deliverable (BTR_t)

Type of change: Amendment (Special Condition 3.10 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.1 We propose removing the Re-opener part of the condition to give effect to our decision in our Final Determinations. We propose that this condition is now an Evaluative PCD licence condition to hold National Gas to account for delivery of the Bacton terminal site redevelopment works.
- 6.2 As set out in our Final Determinations, the Bacton terminal site redevelopment PCD will allow the licensee to complete the asset health related refurbishments at Bacton Terminal, submitted to us for approval as part of the RIIO-GT2 Re-opener. To enable this, we propose inserting a new provision in Part D of this licence condition to allow us to determine baseline allowances for the Bacton Terminal site redevelopment project in RIIO-GT3.
- 6.3 Currently, the BTRO_t term exists in RIIO-GT2 Special Licence Condition 3.10 (Bacton Terminal Site Redevelopment Re-opener and Price Control Deliverable), which enables us to direct changes to the baseline allowances for the project. To enable cross-period funding, we propose retaining the BTRO_t term in the RIIO-GT3

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Special Condition and specify that a direction may be made prior to the start of RIIO-GT3 or later.¹²

6.4 We also propose that:

- Tables in Appendices 1 and 2 include the last regulatory year of RIIO-GT2 and all regulatory years of RIIO-GT3 and RIIO-GT4, given the cross-period nature of this project and its expected completion by the final year of the RIIO-GT4 price control period; and
- The structure of this Evaluative PCD is standardised and aligned with the drafting of other GT-specific Price Control Deliverable licence conditions.

Effect of this change

6.5 The Bacton Terminal condition will no longer include a Re-opener provision and will instead be a Price Control Deliverable. It will include a power to make a direction to amend the BTRO_t in respect of RIIO-GT2 where the licensee has applied for a direction before 31 March 2026 and a direction was not made before the RIIO-GT3 price control.

6.6 The structure and layout of the Price Control Deliverable have been amended for consistency with other GT-specific Price Control Deliverables across the licence.

Special Condition 3.10 Compressor emissions Price Control Deliverable (CEP_t)

Type of change: Amendment (Special Condition 3.11 in RIIO-2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

6.7 We propose removing the Re-opener part of the condition to give effect to our decision in Final Determinations. We propose that this condition is now an Evaluative PCD licence condition to hold National Gas to account for delivery of the

¹² We are yet to make a decision in relation to the RIIO-GT2 Special Condition 3.10 Re-opener application. We expect to determine the outputs, delivery dates, and level of funding associated with this Re-opener before the start of RIIO-GT3 by direction.

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compressor replacement and/or upgrade work to comply with the requirements of the Medium Combustion Plant Directive by 2030¹³.

6.8 As set out in our Final Determinations, the Compressor emissions Price Control Deliverable will ensure funding for gas-fired compressor units across the National Transmission System (NTS) that do not comply with the emission limits set out in the Medium Combustion Plant Directive, for which Re-opener funding applications will have been submitted to us for approval as part of the RIIO-GT2 Re-opener. To enable this, we propose inserting a new provision in Part D of this licence condition to allow us to determine baseline allowances for the compressor emissions work in RIIO-GT3.

6.9 Currently, the CEPO_t term exists in RIIO-GT2 Special Licence Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable), which enables us to direct changes to the baseline allowances for the project. To enable cross-period funding, we propose retaining the CEPO_t in the RIIO-GT3 Special Condition and specify that a direction may be made prior to the start of RIIO-GT3 or later¹⁴.

6.10 We also propose that:

- Tables in Appendices 1 and 2 include the last regulatory year of RIIO-GT2 and all regulatory years of RIIO-GT3, given the cross-period nature of this project and its expected completion by the final year of the RIIO-GT3 price control period; and
- The structure of this Evaluative PCD is standardised and aligned with the drafting of other GT-specific Price Control Deliverable licence conditions.

1.1 ¹³ Any future Compressor emissions compliance works which would have formerly been funded through this mechanism will now be funded through the Network decarbonisation and emissions compliance Re-opener & Price Control Deliverable.

1.2 ¹⁴ We are yet to make a decision in relation to the RIIO-GT2 Special Condition 3.11 Re-opener application.

1.3 We expect to determine the outputs, delivery dates, and level of funding associated with this Re-opener

1.4 before the start of RIIO-GT3, or early in the RIIO-GT3 price control period by direction.

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Effect of this change

- 6.11 The Compressor Emissions Price Control Deliverable condition will no longer include a Re-opener provision and will instead be a Price Control Deliverable in RIIO-GT3. It will include a power to make a direction to amend the $CEPO_t$ term in respect of RIIO-GT2 where the licensee has applied for a direction before 31 March 2026 and a direction was not made before the RIIO-GT3 price control.
- 6.12 The structure and layout of the Price Control Deliverable have been amended for consistency with other GT-specific Price Control Deliverable conditions across the licence.

Special Condition 3.12 King's Lynn subsidence Re-opener and Price Control Deliverable (KLS_t and $KLSRE_t$) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 6.13 This condition is proposed to be removed, as this was a RIIO-GT2 output that is no longer needed in RIIO-GT3.

Effect of this change

- 6.14 The effect of this change is to remove the conditions and associated provisions in their entirety.

Special Condition 3.11 Funded incremental obligated capacity Re-opener and Price Control Deliverable ($FIOC_t$ and $FIOCRE_t$)

Type of change: Amendment (Special Condition 3.13 in RIIO-2 Licence)

Relevant to: National Gas

Associated document: FIOC Guidance and Submissions Requirements Document

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

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- 6.15 We propose to change this licence condition to standardise the structure across the Licence and to update the cross-referencing to other conditions in Chapter 9, that are relevant for the release of capacity under the PARCA rules. The FIOC Re-opener will continue to follow a two-stage process, by which the licensee must submit and seek the Authority's approval of the FIOC Strategic Option prior to triggering a Re-opener application in line with the FIOC Guidance and Submissions Requirements Document referenced in Part G of this licence condition.
- 6.16 We propose to simplify the FIOC Guidance and Submissions Requirements Document to align with the cross-sector Re-opener Guidance and Application Requirements Document. This includes:
- Simplifying and replacing specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document where such a simplification can be made;
 - Removing ET-specific references to late competition models, Centralised Strategic Network Plan Funding Mechanism ODI that may not be required in gas transmission; and
 - Simplification of language across the document.

Effect of this change

- 6.17 The structure and layout of the FIOC Re-opener and Price Control Deliverable will be amended for consistency across the licence. The updating of the FIOC Guidance and Submissions Requirement Document will ensure consistency and alignment with the cross-sector Re-opener Guidance and Application Requirements Document, whilst maintaining the specifics of the FIOC process.

Special Condition 3.12 Asset health Re-opener (AH_t)

Type of change: Amendment (Special Condition 3.14 in RIIO-2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.18 We propose to broaden the scope of the Re-opener to give effect to the Final Determinations. As specified in our Final Determinations, this Re-opener will cover

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investments in control systems and impacted ancillary assets, AC accelerated corrosion related investment, valves intervention programmes and site assets intervention programmes. It will also cover other, new asset health related investment, should the need for it emerge during the price control period.

- 6.19 We also propose to update the Special Condition with the Re-opener trigger windows, as set out in our Final Determinations, allowing us to trigger the reopener if and when required, and make minor changes to align the drafting of this conditions with other, GT specific licence conditions.
- 6.20 We also propose to remove the provisions related to the cost true-ups that are no longer relevant in RIIO-GT3, as well as cross-references to the Asset Health Non-Lead Assets PCD Tables and term (NLAHO_t). The latter is due to the removal of the Asset Health non-lead Assets Price Control Deliverable in RIIO-GT3 as set out in our Final Determinations (see Chapter 3 of our Final Determinations).

Effect of this change

- 6.21 The provisions of this Special Condition, including those relating to the Re-opener windows and the scope, are proposed to be amended to align with our Final Determinations. The scope of this Re-opener includes the investments and the Re-opener trigger dates.

Special Condition 3.15 Asset health – non-lead assets Price Control Deliverable (NLA_t and NLA_{AH}_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.22 This condition is proposed to be removed in RIIO-GT3, as the Non-lead assets Price Control Deliverable is no longer deemed necessary following the introduction of a suite of asset-health Price Control Deliverables in our Final Determinations (Chapter 3).

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Effect of this change

- 6.23 The effect of this change is to remove the condition and associated provisions in their entirety from RIIO-GT3. This will in turn update the structure and layout of the condition.

Special Condition 3.13 Redundant Assets Price Control Deliverable (RA_t)

Type of change: Amendment (Special Condition 3.16 in RIIO-2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.24 We are proposing to retain this Redundant Assets Price Control Deliverable as in the current price control. We propose changes to align the layout and the structure of this condition with other GT-specific licence conditions.
- 6.25 In Appendix 1, we make a reference to confidential information related to the Redundant Assets Price Control Deliverable, specifying the outputs, delivery dates and allowances provided under this Price Control Deliverable. Given that the delivery of this Price Control Deliverable will span over two price controls (ie RIIO-GT3 and RIIO-GT4), we have extended the regulatory years in the Appendix 1 to that effect.
- 6.26 We propose to remove the definition for the Redundant Assets PCD Tables. This is due to the changed title of Appendix 1, that is now proposed to be standardised to read “Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)”.

Effect of this change

- 6.27 The effect of this condition is that the structure, layout and naming of the table in Appendix 1 of the Redundant Assets Price Control Deliverable will be amended for consistency with other, GT-specific Price Control Deliverables across the licence, and that where appropriate, no commercially sensitive information is disclosed in the Special Condition.

Special Condition 3.14 Pipeline Diversions Re-opener (QL_t and PD_t)

Type of change: Amendment (Special Condition 3.17 Uncertain Costs Re-opener (QL_t and PD_t) in RIIO-2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

6.28 We are proposing to amend this licence condition to give effect to our Final Determinations. This includes:

- changing the title of this Re-opener from Uncertain Costs Re-opener (Special Condition 3.17) in the current licence to Pipeline Diversions Re-opener (QL_t and PD_t) which is now special condition 3.14 in the RIIO-GT3 licence; and
- removing the possibility for the licensee to trigger this Re-opener and the associated Re-opener trigger windows that exist in the RIIO-GT2 licence. This is to give effect to the decision we made in our Final Determinations, Chapter 4. The Final Determinations also provide our considerations in making the decision to remove the licensee trigger for this Re-opener, ie the fact that there has been no need to trigger this Re-opener in RIIO-GT2; and that this Re-opener is prompted by external events, such as a force majeure event, major infrastructure developments (eg roads, railways, housing), planning authority requirements, or third-party land use, changes that give rise to material impacts on pipeline routing or result in compensation claims related to land access or asset presence.

6.29 We are also proposing an expansion of the definition of “Pipeline Diversion Costs”, to include the costs that arise as a result of third-party encroachment on land, easements, access rights, licences or any other land related interests above or in the vicinity of a pipeline section, costs that arise as a result of a significant environmental event; or as a result of a force majeure event.

Effect of this change

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- 6.30 The effect of the proposed licence drafting changes is the aligned and updated definitions, removing the provisions to allow the licensee to trigger this Re-opener, naming and structure to reflect the Final Determinations.

Special Condition 4.1 Total output delivery incentive performance (ODI_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 6.31 We are proposing minor changes to this condition, including removal of ESI_t from the equation that calculates the sum of the total output delivery incentive performance term (ODI_t). This reflects the fact that Special Condition 4.3 Environmental scorecard output delivery incentive in the RIIO-GT2 licence has been removed in RIIO-GT3.

Effect of this change

- 6.32 The algebra included in the condition now correctly equates ODI_t to the Customer satisfaction survey output delivery incentive CSI_t . The latter is the only output delivery incentive in Chapter 4.

Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.33 We are proposing significant changes to this condition to give effect to our Final Determinations. These include:

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- Restructuring of the RIIO-GT2 Special Condition 4.2 alongside four new Relevant Elements and the corresponding formulae: Day-to-Day Customer Activities (CSA_t) in Part B, Market Facilitation (CSB_t) in Part C, Long-Term Customer Activities (CSC_t) in Part D, and Other Activities & Events (CSD_t) in Part E. Each part has specific performance thresholds for applying penalties, rewards, and maximum adjustments. This change is to support our Final Determinations rationale for introducing the new incentive structure, aimed at incentivising improvements in each of the respective survey areas, rather than improvements in the overall, general score across a wide range of service areas.
- The calculation of CSI_t as the sum of the individual Relevant Element terms.
- Part F, which specifies the requirements for conducting at least one customer satisfaction survey per Regulatory Year, using a standard question format and meeting minimum response thresholds for each Relevant Element. If these thresholds are not met, the adjustment in respect of performance for that element will be zero.
- Newly introduced definitions of what is in scope of the Customer satisfaction survey Relevant Element, as well as a newly introduced definition of “Significant Interaction” with the licensee’s customers in the context of this incentive.

Effect of this change

- 6.34 The effect of this change is to reflect the structure of the Customer Satisfaction Survey output delivery incentive in the licence, ensure that all incentive parameters for each of the four Relevant Elements work as intended, and that the licensee captures the views of the customers with whom it has had a significant interaction as defined in the licence.

Special Condition 4.3 Environmental scorecard output delivery incentive (ESI_t) in RIIO-GT2 licence

Type of change: Removal

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Relevant to: National Gas

Associated document: N/A

Final Deter Determinations Reference: N/A

Proposed changes and reasons for change

6.35 This condition is proposed to be removed in RIIO-GT3, as the output delivery incentive is no longer deemed necessary following expansion of the EAP/AER requirements.

Effect of this change

6.36 The effect of this change is to remove the condition and associated provisions in their entirety from RIIO-GT3. In addition, the effect is to include the scorecard elements into the AER/EAP requirements.

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.37 We propose to update the algebra to reflect changes to other conditions in this chapter.

Effect of this change

6.38 This will ensure that the algebra from this chapter will pull through to the financial models correctly.

Special Condition 5.4 System operator other revenue allowance ($SOORA_t$)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

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Proposed changes and reasons for change

- 6.39 We are proposing to make provisions relating to the newly introduced Special Condition 5.8 (System operator environmental incentives (SOEI_t)). The SOEI_t, which is explained in detail in the Special Condition 5.8, has been added to the calculation of SOORA_t.

Effect of this change

- 6.40 Ensures the calculation of SOORA_t remains concise and correctly reflects the sum of the terms covered in the System operator other revenue allowance.

Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.41 We are proposing significant changes to this condition.
- 6.42 We have changed the value of CMOpBT_t per Regulatory Year from £8.5m to £6.7m, which is reflected in Appendix 1, to increase the strength of this incentive.
- 6.43 This condition now includes the calculation of the Commodity Value associated with locational Sell primary actions (CMCS_t) in Part D and the calculation of Commodity Value associated with locational Buy primary actions (CMCB_t) in Part E to the performance measure calculation. Its paragraphs have been renumbered accordingly.

Effect of this change

- 6.44 The decreasing of the target for the incentive will require a stronger performance from National Gas in order to meet the upper limit.

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- 6.45 The inclusion of the Commodity Value of locational actions in the performance measure will ensure that costs associated with constraint actions are accurately reflected.

Special Condition 5.6 Part A: System operator external incentives, revenues and costs (SOIRC_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: Multiple

Proposed changes and reasons for change

- 6.46 The environmental incentives GHG compressor emissions and NST Shrinkage associated parts of this condition have been moved to a new Special Condition 5.8. (System operator environmental incentives (SOEI_t)).

Effect of this change

- 6.47 System operator incentives and environmental incentives are covered by two separate conditions. This change improves delineation between the two types of incentives.

Special Condition 5.6 Part B: The residual balancing incentive (RBIR_t)

Type of change: Amendment (Special Condition 5.6, Part B in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.48 We are proposing changes to this incentive to reflect updated targets and incentive value.
- 6.49 Relevant tables and formulae have been updated.

Effect of this change

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6.50 This change updates targets and incentive values.

Special Condition 5.6 Part C: Quality of demand forecasting incentive (QDAIR_t)

Type of change: Amendment (Special Condition 5.6, Part C in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

6.51 We propose to modify this condition to:

- increase the value of the incentive and reduce the incentive target;
- adjust the upper and lower limit of the incentive, meaning an increase in value in per unit changes to forecast performance;
- replace the storage adjuster with a wind adjuster and update terms and formulae accordingly.

Effect of this change

6.52 This change will mean that the licensee will have to perform well in order to benefit from the incentive, even as forecasting becomes more challenging over time.

6.53 The adjustment of the upper and lower limit and the increase in the value of the incentive will mean that the licensee's actions with regard to this incentive should be more impactful.

6.54 The introduction of the wind adjuster will reduce the impact of unforecastable error in wind power generation forecasts.

Special Condition 5.6 Parts D and E: The Maintenance incentive (MIR_t) and Maintenance and operational planning

Type of change: Amendment (Special Condition 5.6, Parts F and G in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.55 We are proposing several changes to the to the algebra for the calculation of the Maintenance incentive (MIR_t) in Part D of Special Condition 5.6 to give effect to the Final Determinations. This includes:
- changes to the calculation of the $MCIR_t$ (Maintenance Change Incentive Revenue Term). New formulae have been introduced to assess the licensee's performance based on the actual Maintenance Change Days for Regulatory Year t in relation to the Maintenance Workload, taking into account the target performance of 3.5% of the actual Maintenance Change Days within the total Maintenance Workload and the deadband that applies to performance between 3.5% and 4%.
 - changes to the calculation of MDI_t (Maintenance Days incentive revenue for work excluding Valve Operations term). A new formula has been inserted to assess the licensee's performance based on the number of Advice Notice Days that excludes Valve Operations in a given regulatory year, in relation to the target of 90% alignment with the total quantity of customer impacting work in days.
 - changes to the calculation of $MDIRV_t$ (the Maintenance Days incentive revenue for Valve Operations term) to align the target with the Final Determinations.
- 6.56 We are also proposing to reduce the reporting and publications requirements for the licensee with regard to maintenance, as set out in Part E of Special Condition 5.6.

Effect of this change

- 6.57 The effect of the changes to Part D and Part E is an updated licence condition reflecting the proposed changes to the algebra for the Maintenance, as well as reduced administrative burden on licences with regard to the maintenance activities.

Special Condition 6.1 Transportation owner pass-through items (PT_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Proposed changes and reasons for change

6.58 We are proposing minor changes to this Special Condition to:

- update references to the Small Decarbonisation Projects Re-opener term in line with our Final Determinations. Previously, this Re-opener had the following name: Net Zero Pre-construction and Small Projects Re-opener.
- update the numbering in this condition, to remove the unused Part C from the RIIO-GT2 licence.

Effect of this change

6.59 The effect of these changes is to preserve clear, updated and accurate elements of the total transportation pass-through items term to ensure that costs can be passed down to consumers.

Special Condition 6.2 Gas conveyed to Independent Systems (ISt)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.60 We propose to update the formulae and the price index terms to 2023/24.

Effect of this change

6.61 The effect of these changes is to correctly reflect the price base for the RIIO-GT3 price control.

Special Condition 6.3 System operator pass-through items (SOPT_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.62 We are proposing changes to the description of SOEDE_t to improve clarity.

Effect of this change

6.63 The effect of these changes is a clearer and more accurate terminology.

Special Condition 7.6 Close out of the RIIO-1 Network Outputs (NOCO_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.64 We are proposing to remove this licence condition (that relates to RIIO-GT1 regulatory period) as it will not be needed in RIIO-GT3.

Effect of this change

6.65 Removal of this licence conditions correctly reflects the regulatory period requirements.

Special Condition 7.7 RIIO-GT1 Network Innovation Competition (NICF_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.66 We are proposing to remove this condition from RIIO-GT3 to align it with the policy decided upon in our Final Determinations. The Network Innovation Competition fund has been discontinued and there will be no projects running in RIIO-GT3.

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Effect of this change

6.67 The effect of this change is to remove this redundant mechanism.

Special Condition 7.8 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.68 We are proposing to remove this RIIO-GT1 close out licence condition as it is no longer relevant for the RIIO-GT3 price control. In RIIO-GT2 the Stakeholder Satisfaction Survey incentive is a reputational incentive.

Effect of this change

6.69 The effect of this change is to remove the redundant Special Condition 7.8 to ensure alignment with the current price control.

Special Condition 7.14 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.70 We are proposing to remove this RIIO-GT1 close out licence condition as it is not relevant for the RIIO-GT3 price control.

Effect of this change

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6.71 The effect of this change is to remove the redundant Special Condition 7.14 to ensure alignment with the current price control.

Special Condition 7.15 Close out of the RIIO-GT1 Constraint Management cost adjustment (LCMCA_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.72 We are proposing to remove this licence condition (that relates to RIIO-GT1 regulatory period) as it will not be needed in RIIO-GT3.

Effect of this change

6.73 Removal of this licence conditions correctly reflects the regulatory period requirements.

Special Condition 7.16 Close out of the RIIO-GT1 Transportation Support Services adjustment (LTSS_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.74 We are proposing to remove this RIIO-GT1 close out licence condition as it is not relevant for the RIIO-GT3 price control.

Effect of this change

6.75 The effect of this change is to remove the redundant Special Condition 7.16 to ensure alignment with the current price control.

Special Condition 9.10 Licensee's network planning

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.76 We are proposing to amend Special Condition 9.10 Long term network planning to give effect to the Final Determinations to oblige National Gas to collaborate with the ISOP and other stakeholders in the area of long-term system planning. This will ensure alignment between the licensee's long-term system plans and ISOP's energy wide system planning. This includes:
- Changes we have made to Part A of the Special Condition to require the licensee to include the details of any engagement with interested parties and their views in the development of the Long-Term Development Statement; and
 - Changes we have made to Part B of the Special Condition to require the licensee to include information on engagement with the ISOP on the information produced in the Strategic Planning Options Proposal and any views or representations arising from this engagement.
 - Part C, that we have inserted, obliging the licensee to provide information to the ISOP as it reasonably requires, and National Gas can reasonably provide, in relation to long-term network planning, collaborate with the stakeholders and proactively, and from time to time request feedback from its stakeholders. If we so request, the licensee will be required to share any feedback it has sought and received with us.

Effect of this change

- 6.77 The effect of the changes proposed to the drafting of this condition is newly introduced obligations on the licensee to improve collaboration and ensure alignment between the licensee's long-term system plans and ISOP's energy wide system planning.

Special Condition 9.11 Transmission Planning Code

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.78 We are proposing only minor, housekeeping changes to this condition.

Effect of this change

6.79 The effect of these housekeeping changes is to preserve clear and updated licence condition.

Special Condition 9.12 Licensee's Network Model

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.80 We are proposing to amend Special Condition 9.12 Licensee's Network Model to reduce regulatory burden on the licensee associated with the licensee's Network Model reporting requirements. Our proposals include provision for:

- Removing the obligation in Part C on the licensee to review the Network Model at least once in every period of two regulatory years. The reason for this proposed removal is to reduce reporting burden on the licensee, given that the licensee will now be required, under Part E, to share any updates and changes to the model with us and the ISOP annually;
- Streamlining reporting requirements in Part E by requiring the licensee to send to us a summary of its Network Model submission, including any updates to the Network Model made by the licensee, annually, and at the same time as the updates are sent to the ISOP; and

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- Renaming the “statement of procedures” for modifying or updating the Relevant Network Model Data to the “network model planning guidelines” for modifying or updating the Relevant Network Model Data in Part D of the Special Condition. This is to provide a better name for the statement of procedures that aligns with the objective of the document.

Effect of this change

6.81 The effect of this change is reduced regulatory reporting burden as set out above on the licensee and the updated terminology for greater clarity.

Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.82 We propose to update some Baseline capacity figures in Appendix 2, in line with the Statutory Licence Consultation Decision made on 26 November 2025.¹⁵

Effect of this change

6.83 The effect of this change is to accurately reflect the Baseline Capacity available at NTS Exit Points.

Special Condition 9.16 Restriction of Prices in Respect of Tariff Capped Metering Activities in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

¹⁵ <https://www.ofgem.gov.uk/sites/default/files/2025-11/Decision-on-Modification-of-NGT-Licence-Baselines-Special-Conditions.pdf>

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.84 We propose to remove this condition as the end date that was specified in it has now passed.

Effect of this change

6.85 The effect of this change is to remove the condition in its entirety.

Special Condition 9.16 Entry Capacity and Exit Capacity obligations and methodology statements

Type of change: Amendment (Special Condition 9.17 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.86 We are proposing the following changes to this Special Condition:

- The requirement to submit an Independent Examiner (IE) report alongside methodology revisions will no longer be expected by default. The onus will be on Ofgem to request National Gas procure an IE report when it is deemed necessary. This is to avoid unnecessary derogation requests for the regular minor changes that are made.
- The requirement to procure an “opinion” from an IE will also be removed, replaced instead by the requirement for a “review”. This is due to difficulties in obtaining an opinion from IEs due to changes in the auditing industry.

Effect of this change

6.87 The proposed changes will mean that the licensee is no longer required to submit an Independent Examiner report by default, with the responsibility shifting to Ofgem to request one. This should reduce the number of derogation requests and/or unnecessary IE reports. The changes also mean that when procuring a report, the

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licensee will not be required to seek an opinion from the auditor. This should allow for National Gas to procure reports without the challenge of having to seek opinions.

Special Condition 9.17 Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Type of change: Amendment (Special Condition 9.18 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.88 We are proposing the following changes to this Special Condition:

- The requirement to submit an IE report alongside methodology revisions will no longer be expected by default. The onus will be on Ofgem to request National Gas procure an IE report when it is deemed necessary. This is to avoid unnecessary derogation requests for the regular minor changes that are made.
- The requirement to procure an “opinion” from an IE will also be removed, replaced instead by the requirement for a “review”. This is due to difficulties in obtaining an opinion from IEs due to changes in the auditing industry.

Effect of this change

6.89 The proposed changes will mean that the licensee is no longer required to submit an Independent Examiner report by default, with the responsibility shifting to Ofgem to request one. This should reduce the number of derogation requests and/or unnecessary IE reports. The changes also mean that when procuring a report, National Gas will not be required to seek an opinion from the auditor. This should allow for National Gas to procure reports without the challenge of having to seek opinions.

Special Condition 9.18 System Management Services

Type of change: Amendment (Special Condition 9.19 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: System Management Principles Statement

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.90 We are proposing the following changes to this Special Condition:

- Removing the default requirement to submit an IE report alongside the System Management Principles Statement (SMPS), to reduce the number of derogations needing to be sought by the licensee. The IE report will only be required upon the direction of Ofgem.
- Removing the requirement for the IE to provide an opinion on the compliance with the provisions of the SMPS, due to changes in the auditing standards making opinions more challenging to seek.
- Removing Part E: System Management Services Adjustment Methodology (SMSAM) and Part F: Procedure for revising the System Management Services Adjustment Methodology, as the component parts of the SMAM are already provided elsewhere, meaning this methodology provides little value and effectively requires duplication of work.

Effect of this change

- 6.91 The changes will mean that National Gas are no longer required to procure Independent Examiner reports by default, with the responsibility sitting with Ofgem to determine if and when they are necessary. This should reduce the regularity with which National Gas request derogations from Ofgem, streamlining the regulatory process.
- 6.92 The changes will also remove the requirement to seek an opinion as part of an independent examiner report, make seeking audit from an IE more viable for National Gas, when requested to do so.
- 6.93 Removal of Parts E and F will reduce the burden of unnecessary work on National Gas, increasing the efficiency of the RIIO reporting process.

Proposed new conditions for the gas transmission sector

Special Condition 3.15 Biomethane use it or lose it allowance (BIOC_t)

Type of change: New condition

Relevant to: National Gas

Associated document: Biomethane UIOLI Governance Document

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.94 We are proposing to introduce a new licence condition setting up a use it or lose it allowance for funding total expenditure of Biomethane Connections onto the NTS.
- 6.95 The licence condition specifies the scope of and allowance for the use it or lose it. It covers both the overall allowance and the allowed costs to be funded per connection. It allows us to calculate the term BIOC_t (Biomethane use it or lose it allowance) and make Use It Or Lose It Adjustments if or where appropriate.
- 6.96 The licence condition enables the Authority to conduct a review of the Biomethane use it or lose it mechanism, including the overall allowance and the allowed costs to be funded per connection, in year two of the price control if it chooses to do so. The reason for introducing this is to account for any changes to government policy, or significant market or technological developments that may take place during the Price Control Period.
- 6.97 We are also introducing the Biomethane UIOLI Governance Document. This sets out the governance and administration of the use it or lose it allowance, the eligibility criteria for the expenditure incurred, and reporting obligations which the licensee must meet.

Effect of this change

- 6.98 This new licence condition provides National Gas with quick and flexible access to funding to facilitate new Biomethane Connections onto the NTS, provided that no funding has been received from government schemes. The review period enables the Authority to review the appropriateness and size of the use it or lose it

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mechanism. This mechanism protects consumers in the event that National Gas does not deliver new Biomethane Connections.

Special Condition 3.16 Compressor Breakdown use it or lose it allowance (CBD_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.99 We are proposing to introduce a new licence condition to give effect to our Final Determinations to ensure funding for essential repairs and maintenance works on Compressors.
- 6.100 The licence condition includes a formula to calculate the term CBD_t (Compressor Breakdown use it or lose it allowance) and make Use It Or Lose It Adjustments if or where appropriate.
- 6.101 The licence condition specifies the use it or lose it allowance for Compressor maintenance and repair work in Appendix 1.

Effect of this change

- 6.102 This new licence condition ensures that National Gas has the funds available for timely essential repairs and maintenance works on Compressors. It provides funding to ensure a resilient, safe system and consistent supply to consumers. This mechanism protects consumers in the event that National Gas does not deliver the Compressor repairs and maintenance works.

Special Condition 3.17 Nitrogen sleeves Price Control Deliverable (RNS_t and GNS_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Proposed changes and reasons for change

- 6.103 We are proposing to introduce a new licence condition setting up a Mechanistic PCD to fund the refurbishment and grouting of nitrogen sleeves.
- 6.104 The licence condition specifies the target workload of nitrogen sleeves works, and the total allowance. It allows us to calculate the terms RNS_t (nitrogen sleeve remediation – minor Price Control Deliverable term) and GNS_t (nitrogen sleeve – grouting Price Control Deliverable term).
- 6.105 The licence condition enables us to assess Price Control Deliverables and adjust allowances in the event that National Gas has not delivered the specified workload.

Effect of this change

- 6.106 This new licence condition ensures that National Gas has the funds available to address deteriorating nitrogen pipeline protection sleeves, and maintain security of supply, while providing protection to consumers.

Special Condition 3.18 West Import Resilience Project (WIRP) Price Control Deliverable and Re-opener ($WIRP_t$ and $WIRPRO_t$)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3 and Chapter 4

Proposed changes and reasons for change

- 6.107 We are proposing to introduce a new licence condition setting up both an evaluative Price Control Deliverable and a Re-opener, to enable National Gas to increase network capability in South Wales.
- 6.108 The licence condition sets out baseline allowances, outputs, delivery dates, and associated allowances. It allows us to calculate the terms $WIRP_t$ (West import resilience project Price Control Deliverable term) and $WIRPRO_t$ (West import resilience project Re-opener).

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- 6.109 This licence condition enables the licensee to apply to the Authority for a direction adding, amending or deleting outputs, delivery dates or allowances in relation to specific increases in costs.

Effect of this change

- 6.110 The effect of this change is to allow investment in assets to increase network capability in South Wales. It provides protection to consumers where National Gas has not Fully Delivered an output.

Special Condition 3.19 Gas Strategic Planning Re-opener (GSPR_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.111 We are proposing to introduce a new licence condition setting up a Re-opener to fund any investment required to support wider energy plans and resilience of the NTS.
- 6.112 The licence condition enables the Authority to trigger this Re-opener where any of the following apply: a Gas Strategic Planning (as defined in Special Condition 1) need has been identified; mitigation of risks from High Impact Points of Failure (as defined in Special Condition 1) is necessary; investment is needed to deliver Clean Power 2030 Action Plan (as defined in Special Condition 1); Gas Strategic Planning has effects on other costs; Gas Strategic Planning has not been assessed elsewhere.
- 6.113 The licence condition provides the term GSPR_t (Gas Strategic Planning Re-Opener).

Effect of this change

- 6.114 This new licence condition will allow a case-by-case assessment of project need and cost, and support delivery of key infrastructure to support wider energy plans and resilience of the NTS, at efficient cost to the consumer.

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Special Condition 3.20 Office, gas national control centre and emergency control room relocation Re-opener (GNCCRE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.115 We are proposing a new licence condition for a Re-opener to fund National Gas' relocation of its office, gas national control centre, and emergency control room.
- 6.116 The licence condition specifies two windows in which the licensee may trigger this Re-opener — one for National Gas' offices and gas national control centre, and one for its emergency control room. The condition specifies the documentation required for submission of a Re-opener request.
- 6.117 The licence condition provides the term GNCCRE_t (Office, gas national control centre, and emergency control room relocation Re-opener).

Effect of this change

- 6.118 This new licence condition will fund these relocations and ensure that Critical National Infrastructure (as defined in Special Condition 1) is designed with best practice.

Special Condition 3.21 Network capability Re-opener (NC_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.119 We are proposing to introduce a new licence condition setting up the Network capability Re-opener. This is to give effect to our Final Determinations to provide funding for National Gas to improve the performance envelope of existing

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Compressor units, upgrade site configurations and decommissioning of redundant Compressor units.

- 6.120 This licence condition enables us to calculate the term NC_t (Network capability Re-opener). It provides two Re-opener windows for the licensee, and also enables the Authority to trigger the Re-opener if and when required.
- 6.121 The condition also includes provisions for the Price Control Deliverable and as such, it specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 1.

Effect of this change

- 6.122 This new licence condition will ensure that National Gas can maintain appropriate levels of resilience and capability of the NTS.

Special Condition 3.22 Bacton enhanced filtration Re-Opener (BEF_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.123 We are proposing to introduce the Bacton enhanced filtration Re-opener (BEF_t) licence condition to give effect to our decision in Final Determinations. This means introducing a mechanism to adjust the Totex Allowance during the Price Control Period for enhanced filtration equipment investment at the Bacton terminal, if required.
- 6.124 The licence condition defines the formula for calculating the Bacton enhanced filtration Re-opener term (BEF_t), sets out outputs, delivery dates and allowances in Appendix 1, and allows both the licensee and the Authority to trigger amendments to allowances for investment in filtration equipment at Bacton Terminal. The licence condition also provides for assessment of any Price Control Deliverables as a result of this Re-opener, including potential adjustments where outputs are not fully

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delivered, and outlines a transparent process for publishing and consulting on any proposed directions.

Effect of this change

- 6.125 This licence condition will ensure that new filtration equipment on the feeders that supply gas to Bacton terminal can be installed if needed to facilitate the flow of gas via the interconnector.

Special Condition 3.23 Network decarbonisation and emissions compliance Re-opener (NDCRE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Proposed changes and reasons for change

- 6.126 We are proposing to introduce a new licence condition to give effect to our Final Determinations and set up the Network decarbonisation and emissions compliance Re-opener and Price Control Deliverable to help reduce carbon emissions across the NTS by allowing for costs for new technologies to be recovered.
- 6.127 The licence condition defines the formula for calculating the NDCRE_t, sets out outputs, delivery dates and allowances in Appendix 1, and allows the licensee to trigger the Re-opener in two windows during the Price Control Period. The condition specifies the documentation required for submission of a Re-opener request. It also enables us to trigger the Re-opener.
- 6.128 The licence condition specifies outputs, delivery dates and associated allowances for the Price Control Deliverable. It enables us to assess the Price Control Deliverable where the licensee has not Fully Delivered an output.

Effect of this change

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- 6.129 The effect of this change is to introduce a new condition into National Gas' licence which consolidates several previous funding mechanisms into a centralised Re-opener and Price Control Deliverable.

Special Condition 3.24 Compressor acoustic building replacement Price Control Deliverable (CABt)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed change and reasons for change

- 6.130 We are proposing to introduce a new licence condition for a bespoke, evaluative, Compressor acoustic building replacement Price Control Deliverable (CAB_t), to give effect to our decision in Final Determinations and allow National Gas to fund Compressor acoustic building asset replacement to address long-term asset health issues.
- 6.131 The proposed licence condition sets out how to calculate the Compressor acoustic building Price Control Deliverable term (CAB_t), which adjusts the Totex Allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

Effect of these proposed changes

- 6.132 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to deliver the required replacement of Compressor Acoustic Buildings to ensure a safe and reliable network. The Price Control Deliverable will hold National Gas accountable for any under-delivery for the project.

Special Condition 3.25 Easement Reinstatement Price Control Deliverable (ER_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed change and reasons for change

- 6.133 We are proposing to introduce a new licence condition for a bespoke, evaluative, Easement Reinstatement Price Control Deliverable (ER_t) to give effect to our decision in Final Determinations to deliver a combined 438km of tree and scrub clearance.
- 6.134 The proposed licence condition sets out how to calculate the Easement Reinstatement Price Control Deliverable term (ER_t), which adjusts the Totex Allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

Effect of these proposed changes

- 6.135 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to maintain access to buried pipelines and gas monitoring and control equipment and deliver tree and scrub clearance. The Price Control Deliverable will hold National Gas accountable for any under-delivery for the project.

Special Condition 3.26 Removal of valve and pipe stabbings Price Control Deliverable (RVPSt)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed change and reasons for change

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- 6.136 We are proposing to introduce a new licence condition for a bespoke, evaluative, Removal of valve and pipe stabbings Price Control Deliverable (RVPS_t) to give effect to our decision in Final Determinations and to fund a removal of 88 stabbings located near existing works on the NTS.
- 6.137 The proposed licence condition sets out how to calculate the removal of valve and pipe stabbings Price Control Deliverable term (RVPS_t), which adjusts the totex allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

Effect of these proposed changes

- 6.138 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to seek out and remove a large number of stabbings located near existing works, on the basis that they may leak. The Price Control Deliverable will ensure that consumers are protected from inefficient or speculative investment.

Special Condition 3.27 Actuator replacement Price Control Deliverable (ARE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed change and reasons for change

- 6.139 We are proposing to introduce a new licence condition for a bespoke, evaluative, Actuator replacement Price Control Deliverable (ARE_t) to give effect to our decision in Final Determinations and provide funding to National Gas to replace 170 actuators.
- 6.140 The proposed licence condition sets out how to calculate the actuator replacement Price Control Deliverable term (ARE_t), which adjusts the totex allowance based on

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Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

Effect of these proposed changes

1.2 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to replace a large number of actuators on the NTS. The Price Control Deliverable will ensure that consumers are protected from overfunding investment and from the work not being completed.

Special Condition 3.28 GT2/GT3 crossover adjustment (GT2ACAt)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 6.141 We are proposing to introduce this new condition to aggregate crossover adjustment terms and set out individual adjustment components for various outputs.
- 6.142 This condition's purpose is to prevent funding gaps or duplication across RIIO-GT2 and RIIO-GT3, ensure efficient costs are appropriately remunerated, avoid undue benefits from delaying work, and allow clawback where necessary.
- 6.143 The equivalent condition in the Electricity Transmission licence details the circumstances in which the Authority may decide to modify values by statutory consultation and the principles it will have regard to in doing so. We do not expect a high volume of value modifications in GT; as such, we are not proposing to issue equivalent GT guidance. However, we do expect to take a similar approach to modifications.
- 6.144 In modifying values, we will have regard to the following principles:
- **Seamless transition** from the RIIO-GT2 to RIIO-GT3 price control

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- **Appropriate remuneration of efficient costs** created as a result of the transition from the RIIO-GT2 to RIIO-GT3 price control
- **No undue benefit to National Gas or additional cost to consumers from delaying work into RIIO-GT3** which may include re-profiling past or future allowances and the transfer of allowances to better align with actual delivery
- **Accountability for delivery** of outputs, deliverables, targets or delivery dates associated with GT2/GT3 Crossover items specified in the RIIO-GT2 licence
- **Negative adjustments and recovery of RIIO-GT2 allowances** where appropriate and in line with these principles.

Effect of this change

6.145 The effect of this licence condition is to adjust allowed revenues to account for projects and deliverables that span the RIIO-GT2 and RIIO-GT3 price control periods, ensuring continuity of funding, preventing duplication or shortfalls, and enabling clawback or additional allowances where necessary.

Special Condition 5.8 System operator environmental incentives (SOEI_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.146 We are proposing a new condition to cover system operator environmental incentives, including GHG emissions incentives (Compressors and pipeline) and NTS Shrinkage incentive. This is to provide more transparency in respect of the RIIO-GT3 environmental incentives.
- 6.147 This condition establishes the system operator environmental incentive term (SOEI_t). Part A includes a formula to calculate the SOEI_t as the sum of three components: GHGCC_t (the greenhouse gas Compressor emissions incentive term),

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GHGP_t (the greenhouse gas pipeline emissions incentive term), and SHR_t (the shrinkage procurement incentive term).

Effect of this change

6.148 This new condition will separate out environmental incentives in a stand-alone licence condition and provide for the calculation of the system operator environmental incentive term (SOEI_t).

Special Condition 5.8 Part B and Part E: The Greenhouse gas Compressor emissions incentive (GHGCC_t) and the Greenhouse Gas Calculation External References

Type of change: Amendment (Part D of Special Condition 5.6 in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

6.149 We propose to move and amend the existing part D, Special Condition 5.6, to Special Condition 5.8, Part B, to establish the GHG Compressor emissions incentive (GHGCC_t) in RIIO-GT3.

6.150 We propose to update the elements of the formulae in Part B of Special Condition 5.8 for the calculation of GHGCC_t and CEP_t (previously VEP_t) to give effect to our Final Determinations. This includes amending the formulae to:

- increase the caps/collars of this incentive to £2m pa;
- introduce the annual dynamic targets for this incentive; and
- introduce a deadband for the licensee's performance from the target.

6.151 We have also made changes to the external references (Part E) and the calculation of the term GIRP_t (previously VIRP_t), which forms part of Part D of the Special Condition 5.6 in the RIIO-GT2 licence. We propose that the latest methane conversion factor and the current central carbon price as published by the Department for Energy Security and Net Zero (or any other government department

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from time to time taking on this responsibility) are used in the calculation of $GIRP_t$.

Due to these changes we propose to remove the elements of the monthly indexation and inflation factors from the formula.

Effect of this change

- 6.152 The effect of this Special Condition is to introduce updated formulae for the calculation of performance measure for the GHG Compressors emissions incentive based on the latest external references, published by the Government.

Special Condition 5.8 Part C: Greenhouse gas pipeline emissions incentive ($GHGP_t$)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.153 We propose to introduce a new condition to introduce a financial Greenhouse gas pipeline emissions incentive and the associated $GHGP_t$ term to give effect to our Final Determinations.
- 6.154 The proposed condition establishes the maximum and minimum values for $GHGP_t$ over the Price Control Period, which range from +3.5 to -3.5m pa, and links these values to targets and conditions that will be determined by the Authority following the licensee's completed baselining of the recompression of gas during pipeline maintenance activities with the aim to minimise greenhouse gas emissions.
- 6.155 The new condition sets out the reporting requirements prior to establishing the key parameters of the incentive in the second regulatory year, by obliging the licensee to submit an externally verified report to us that includes baseline data, recompression targets, exclusions, and stakeholder consultation summaries. Based on this report, we will issue a direction by 28 January 2028 specifying the formula for calculating $GHGP_t$ and any associated reporting requirements.

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Effect of this change

- 6.156 The effect of this condition is to introduce a new financial incentive in the second year of the RIIO-GT3 period for the regulatory years 3 to 5 to minimise greenhouse gas emissions during maintenance activities.

Special Condition 5.8 Part D: Greenhouse gas Fugitive Emissions (GHGF)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.157 We propose to introduce a new Special Condition to establish a reputational incentive for the reduction of greenhouse gas Fugitive Emissions as set out in our Final Determinations (Chapter 3).
- 6.158 The proposed condition establishes the greenhouse gas Fugitive Emissions incentive term (GHGF), which will be based on target fugitive emission performance levels (TFEP) for each regulatory year. For years 3 to 5 of the price control period, we will set the TFEP targets after reviewing a detailed baselining report from the licensee. This report must include baseline emissions data, improvements achieved, proposed targets, justification for expected annual reductions based on best practice and scientific evidence, and independent verification that calculations comply with current Fugitive Emissions methodologies and standards.
- 6.159 The condition provides for a process by which the formula for calculating GHGF for regulatory years 3 to 5 will be established. It also obliges the licensee to provide annual reports from year 3 onwards detailing the licensee's performance in detecting and repairing Fugitive Emissions, any extenuating circumstances, and other relevant information as required under the regulatory guidance.

Effect of this change

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6.160 The effect of this condition is to introduce a new reputational incentive in the second year of the RIIO-GT3 period for the regulatory years 3 to 5, to minimise greenhouse gas Fugitive Emissions in operation of the NTS.

Special Condition 5.8 Part F: The Greenhouse Gas Emissions Calculation Methodology

Type of change: Amendment (Special Condition 5.6, Part E in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

6.161 We are proposing minor changes to this condition to update the regulatory reporting deadlines for the RIIO-GT3 regulatory years. This condition was previously included in Special Condition 5.6, Part E.

Effect of this change

6.162 The effect of this change is to align reporting to the RIIO-GT3 reporting timelines.

Special Condition 5.8 Part G: Shrinkage Procurement Incentive (SHR_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

6.163 We are proposing to introduce a new condition to give effect to our Final Determinations and to calculate the shrinkage procurement incentive term (SHR_t). This term measures the licensee's performance in managing shrinkage energy procurement costs.

6.164 We propose to introduce new formulae for the calculation of the SHR_t value, which is capped between +2.3 and -2.3 pa and is based on the sum of daily shrinkage price incentive payments ($SHIP_t$) over the regulatory year. These payments reflect

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the difference between actual buy and sell trade prices and the reference market price, multiplied by the traded volumes.

Effect of this change

- 6.165 The effect of this change is to introduce a new Special Condition to incentivise the licensee's efficient procurement of shrinkage energy. This mechanism ensures cost minimisation and encourages competitive trading practices in line with market benchmarks.

Special Condition 5.8 Part H: Requirement to undertake work to investigate the causes of NTS Shrinkage

Type of change: Amendment (Special Condition 5.6, Part J in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 6.166 We propose amendments to the existing Special Condition in the RIIO-GT2 licence (SpC 5.6, Part J: Requirement to undertake work to investigate the causes of UAG and CVS) to require the licensee to report on its activities to minimise NTS Shrinkage volume from Compressor Fuel Use, Unaccounted for Gas and CV shrinkage. This includes additional requirements when compared to the RIIO-GT2 licence, which only covered UAG and CVS.
- 6.167 We propose that the NTS Shrinkage Report is published annually, by 1 June each regulatory year, instead of biennially, which is the current requirement in RIIO-GT2 licence.

Effect of this change

- 6.168 The effect of this condition is enhanced transparency, accountability, and continuous improvement in managing shrinkage across the gas transmission system. Changes to this licence condition will reduce regulatory reporting burden whilst providing comprehensive information on the reasons behind NTS Shrinkage volume.

Special Condition 5.8 Part I: Management of NTS Shrinkage Costs

Type of change: New Condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Proposed changes and reasons for change

- 6.169 We are proposing to introduce a new Special Condition to oblige the licensee maintain an internal NTS Shrinkage Procurement Strategy, which sets out how it will manage the procurement of NTS shrinkage energy (gas and electricity) each Regulatory Year.
- 6.170 The strategy must aim to minimise costs and manage risks appropriately for customers. It ensures that procurement decisions are planned and aligned with the licensee's obligations under the Act and the licence.
- 6.171 Additionally, the licence condition obliges the licensee to submit an independent examiner's statement at least once in every two regulatory years, confirming that the strategy has been properly applied and meets regulatory requirements. The licensee is also required to report annually to the Authority on how the NTS shrinkage strategy was implemented in the previous year and whether its objectives were achieved, particularly regarding volume.

Effect of this change

- 6.172 The effect of this condition is to ensure that the licensee manages and procures NTS shrinkage energy efficiently and in line with its NTS shrinkage strategy. perform according to the obligations set out by Ofgem.

Proposed gas transmission Special Conditions where there is no change from RIIO-G2

- 6.173 There are seven conditions that we have identified in RIIO-2 which we propose retaining without any amendments to the wording. Below is a list of these conditions:
- Special Condition 9.14 Prohibited procurement activities

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- Special Condition 9.15 NTS Shortfall contribution obligations
- Special Condition 9.19 Independent market for balancing (Special Condition 9.20 in RIIO-GT2 licence)
- Special Condition 9.20 Provision of information (Special Condition 9.21 in RIIO-GT2 licence)
- Special Condition 9.21 Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing (Special Condition 9.22 in RIIO-GT2 licence)

7. Proposed Changes to Standard and Standard Special Conditions

- 7.1 This chapter explains the changes to the Standard and Standard Special licence conditions, why we are making those changes, and their effect.
- 7.2 Where any of the proposed modifications impact other parts of the licence (e.g. the Gas Transporter Standard Conditions) we will consider how best to remedy that following this consultation. For example, we may consider addressing any duplication / contradiction via a separate "housekeeping" consultation or disapplying certain conditions for particular licence holders as appropriate.

Traditional gas metering obligations

- 7.3 Traditional gas metering obligations have historically been embedded within the Gas Transporter Licence, requiring GDNs and National Gas to provide metering services under regulated conditions. These obligations were introduced to ensure continuity and consumer protection during the national smart meter rollout. With the rollout now substantially complete and the current licence conditions due to expire on 31 December 2025, we recently consulted on the most appropriate framework for the future of these metering services beyond this date. Our decision is to transition from regulated obligations to a voluntary agreement from January 2026.¹⁶ This approach aims to balance flexibility for industry participants with robust consumer protection, supporting innovation and efficiency in metering services while avoiding unnecessary regulatory burden.
- 7.4 This means that the following licence conditions will expire on 31st December 2025, and will no longer be in effect:
- 7.5 For National Gas:
- Standard Special Condition B7. Provision of Meters
 - Standard Special Condition B8. Provision of Terms
 - Special 9.16 Restriction of prices in respect of Tariff Capped Metering Activities

¹⁶ [Future of gas transporter traditional metering obligations post-2025 | Ofgem](#)

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7.6 For all other GDNs:

- Standard Special Condition D17. Provision and Return of Meters
- Standard Special Condition D18. Provision of Metering and Meter Reading Services
- Special Condition 9.10 Restriction of prices in respect of Tariff Capped Metering Activities

7.7 With the expiry of Standard Special Conditions B7 and B8, we also propose to remove conditions which form part of the traditional metering obligations for National Gas but do not expire. Without the obligations in B7 and B8 being active, these conditions are no longer applicable to any activity undertaken by National Gas. This relates to:

- Standard Special Condition B6. Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12.
- Standard Special Condition B9. Non-discrimination in the Provision of Metering Activities.
- Standard Special Condition B10. Provision of services for specific domestic customer groups
- Standard Special Condition B11. Arrangements for access to premises
- Standard Special Condition B12. Reporting on Performance

Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.8 We propose to remove this condition, as per paragraph 8.5 above.

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Effect of this change

7.9 The effect of this change is the removal of the condition from the licence.

Standard Special Condition B7 (Provision of Meters)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.10 We propose to remove this condition as per paragraphs 8.1 – 8.3 above.

Effect of this change

7.11 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B8 (Provision of Terms)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.12 We propose to remove this condition as per paragraphs 8.1 – 8.3 above.

Effect of this change

7.13 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B9 (Non-discrimination in the Provision of Metering Activities)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

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Final Determinations Reference: N/A

Proposed changes and reasons for change

7.14 We propose to remove this condition, as per paragraph 8.5 above.

Effect of this change

7.15 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B10 (Provision of services for specific domestic customer groups)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.16 We propose to remove this condition, as per paragraph 8.5 above.

Effect of this change

7.17 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B11 (Arrangements for access to premises)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.18 We propose to remove this condition, as per paragraph 8.5 above.

Effect of this change

7.19 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B12 (Reporting on Performance)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.20 We propose to remove this condition, as per paragraph 8.5 above.

Effect of this change

7.21 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition D17 (Provision and Return of Meters)

Type of change: Removal

Relevant to: GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.22 We propose to remove this condition as per paragraphs 8.1, 8.2 and 8.4 above.

Effect of this change

7.23 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition D18 (Provision of Metering and Meter Reading Services)

Type of change: Removal

Relevant to: GDNs

Associated document: N/A

Final Determinations Reference: N/A

Proposed changes and reasons for change

7.24 We propose to remove this condition as per paragraphs 8.1, 8.2 and 8.4 above.

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Effect of this change

7.25 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition D10 (Quality of service standards)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Proposed changes and reasons for change

7.26 We propose to amend the defined term of “Land Enquiry” to “Land Enquiries” to reflect the term used in the licence text. We also propose to define this term as having “the same meaning as "Land Enquiry" in Standard Special Condition A3”. This will improve alignment with the broader licence and provide additional clarity.

7.27 The following proposed changes to this licence condition relate to the Emergency Response Time Licence Obligation (ERTLO) and include:

- introducing a requirement that licensees must not retrospectively reclassify an Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency as a Controlled Gas Escape or Other Controlled Gas Emergency following its initial categorisation by the emergency telephone service. This change is intended to protect consumer safety, as we consider that some customers may struggle to assess or communicate the severity of a gas escape, or take unnecessary risks which pose a danger to themselves or others;
- providing additional clarity by introducing a defined term of Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency. We propose the term “means any gas escape which is not considered a Controlled Gas Escape or Other Controlled Gas Emergency”;
- explicitly requiring the emergency telephone service to take all reasonable steps to proactively identify Domestic Customers in Vulnerable Situations

in 2(g)(b)(ii). This change is intended to ensure that consumers in vulnerable situations receive the support they need during a gas escape.

- explicitly requiring the licensee to take all reasonable steps to account for consumers' vulnerabilities in its response to a gas escape. This change is intended to ensure that consumers in vulnerable situations receive the support they need during a gas escape;
- providing additional clarity by using the defined terms of "Domestic Customer" and "Vulnerable Situation" in 2(g)(b)(ii) and 2(h)(v);
- requiring the licensee to record a detailed identification of each gas escape event where it has exceeded the target time, and provide this to Ofgem in a timely manner on request. This change is intended to ensure consistent and comparable reporting of these gas escape events to enable greater insights and understanding of the licensee's performance, the factors which have resulted in them failing to meet their target time, and to aid any further investigation by Ofgem (e.g. following a potential breach of the ERTLO); and
- requiring GDNs to provide an annual summary of the key issues related to emergency response delivery during the previous year, including emerging trends, and actions taken to mitigate the issues identified in future.

Additional clarity will be provided through the RIGs.

Effect of this change

- 7.28 By preventing retrospective downward reclassification of gas escapes, gas escapes which are initially classified as Uncontrolled would always be treated as such under the ERTLO, with a performance threshold time of 1-hour ensuring customer safety.
- 7.29 The explicit requirement for the emergency telephone service and licensee to take all reasonable steps to identify and account for consumer vulnerability respectively when responding to a gas escape would align with Standard Special Condition Part D21.

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- 7.30 Compliance with the requirement for the licensee to record a detailed identification of each gas escape event where it has exceeded the relevant performance threshold would be confirmed through a statement in the RRP. We will engage with stakeholders to determine what should be included in this detailed identification, and set this out in the RIGs.

Condition 4B: Connection Charging Methodology

Type of change: Amendment

Relevant to: GT, GD

Associated document: Gas Transporter Standard Conditions

Final Determinations Reference: GD Annex; Chapter 3; High quality of service from regulated firms; 'Close out of the Domestic Load Connections Allowance'

Proposed changes and reasons for change

- 7.31 Regarding the Domestic Load Connection Allowance (DLCA), we propose amending this condition to remove the restriction that licensees can only charge for pipe laid beyond 10 meters. This aligns with government ambitions to achieve net zero targets by facilitating more effective competition among low carbon energy options and natural gas.
- 7.32 Regarding connection charging methodology (CCM) modifications, we propose amending this condition to require licensees to use reasonable endeavours to give Ofgem notice of any CCM modification report which they have decided to furnish, together with a summary of the proposed modification, at least 28 days before the report is furnished. This proposal would be to enable Ofgem to allocate resources to work with licensees and deliver the decisions within the statutory timeframe.
- 7.33 We propose to slightly extend the decision-making timeframe on CCM modifications from 28 days to 30 working days where an impact assessment is not required, and from three months to four months where an impact assessment is required. This proposed change would provide Ofgem with a more reasonable timeframe to assess and deliver decisions on CCM modifications.

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- 7.34 We propose to introduce a mechanism for Ofgem to ‘pause the clock’ if further information is required for our assessment on CCM modifications. The proposal is that Ofgem would ask the licensee in writing to provide such information. The purpose of this proposed amendment is that the new licence provision would provide opportunities for licensees to submit supplementary information as requested by Ofgem without the need to withdraw and resubmit their CCM modification reports.

Effect of this change

- 7.35 The effect of the proposed changes to the DLCA licence condition is that if implemented this licence condition would allow licensees to charge customers for all the costs associated with the relevant connection.
- 7.36 The effect of the proposed changes to the CCM modification process is that licensees would need to take reasonable endeavours to give advance notice to Ofgem on proposed CCM modifications and would have a slightly extended Ofgem review period. Further, licensees would need to respond to any Ofgem requests for additional information.

Condition A28: Gas Network Innovation Strategy

Type of change: Amendment

Relevant to: GT, GD

Associated document: NIA Governance Document, SIF Governance Document

Final Determinations Reference: NA

Proposed changes and reasons for change

- 7.37 The licence condition remains largely the same. We propose including the National Energy System Operator (NESO) to the list of ‘Interested Parties’ that companies should consult with on their Innovation Strategies. This aligns with government ambition for a single, whole-system plan and coordinated approach to achieving net zero.

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- 7.38 We propose updating licence condition terminology in line with RIIO-3, including removing references to the Network Innovation Competition (NIC) and RIIO-1 Network Innovation Allowance, as these terms will no longer be relevant in RIIO-3.
- 7.39 We also propose changes to align the text of this condition with the text of the version of this condition for electricity companies (Sc B16)

Effect of this change

- 7.40 The effect of adding NESO to the list of ‘Interested Parties’ is that companies will need to consult with this body as part of their Innovation Strategy drafting. This change will promote whole-system coordination and ensure innovation strategies support future system planning.

7.41

Condition A37: Availability of Resources

Condition B7: Availability of Resources

Type of change: Amendment

Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Proposed changes and reasons for change

- 7.42 We propose amending this condition to include a new obligation on licensees to provide an extended version of the existing certificate related to financial resources. This measure is intended to provide the Authority with early indication of potential financial distress and to incentivise company directors to take a medium-term view of financing plans.
- 7.43 We propose the new certificate is approved by a resolution of the licensee’s board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the forms specified in the licence conditions draft. This ensures

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consistency with the existing certificate requirements and provides legitimacy to the certificate.

- 7.44 We propose the new certificate is accompanied by a statement of factors that licensees have taken into consideration when issuing the certificate. This must refer to financial stress tests undertaken by licensees, assumptions made in relation to access to financial markets, and information regarding credit facilities and financial covenants. This enables the Authority to have sight of potential financial distress of licensees, achieving the objectives of the financial resilience measures.
- 7.45 We also propose to include an obligation to perform stress tests prior to issuing the existing and new certificates in relation to financial resources. This is intended to make the requirement to undertake stress tests explicit rather than keep it implicit as it currently stands.

Effect of this change

- 7.46 This change will require licensees to provide the Authority with an annual certificate in relation to financial resources that covers the whole price control period or a minimum of three years ahead. This certificate will have to be accompanied by a statement of factors that licensees considered when issuing the certificate, as described in the above section.
- 7.47 Issuing this certificate to the Authority will be done in a similar process to the one that licensees have been undertaking when issuing the existing certificates captured under this condition.

Condition A38: Credit Rating of the Licensee and Related Obligations

Condition B10: Credit rating of the licensee and related obligations

Type of change: Amendment

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Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Proposed changes and reasons for change

- 7.48 We propose amending this condition to require licensees to maintain more than one investment grade issuer credit rating at all times. This measure strengthens financial resilience provisions and therefore enhances consumer protection from a regulated entity's risk of defaulting on its debt.
- 7.49 We propose requiring licensees to comply with the issuer credit rating definition from the current licence conditions, with ratings provided by the credit rating agencies listed in the existing A3: Definitions and interpretation.

Effect of this change

- 7.50 This change will require licensees to make any necessary arrangements with credit rating agencies to get at least two issuer credit ratings.
- 7.51 Licensees must ensure that their actions allow them to maintain an investment grade for at least two issuer credit ratings at all times.

Condition B16: Electricity Network Innovation Strategy

Type of change: Amendment

Relevant to: ET

Associated document: NIA Governance Document, SIF Governance Document

Final Determinations Reference: N/A

Proposed changes and reasons for change

- 7.52 The licence condition remains largely the same. We propose minor additions to align with the text of the version of this condition for gas companies (Sc A28), as well as changes to update in line with RIIO-3 terminology.

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- 7.53 We propose including NESO to the list of ‘Interested Parties’ that companies should consult with on their Innovation Strategies. This aligns with government ambition for a single, whole-system plan and coordinated approach to achieving net zero.
- 7.54 Parts in the text relevant to electricity distribution companies have been left intact, as they will be reviewed under ED3.

Effect of this change

- 7.55 The effect of adding NESO to the list of ‘Interested Parties’ is that companies will need to consult with this body as part of their Innovation Strategy drafting.
- 7.56 This change will promote whole-system coordination and ensure innovation strategies support future system planning.

Condition A39: Indebtedness

Condition B9: Indebtedness

Type of change: Amendment

Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Proposed changes and reasons for change

- 7.57 We propose amending this condition to include a distributions lock-up trigger when the licensee has or, based on reasonable assumptions, is projected to have a regulatory gearing ratio (Net Debt / RAV) of 75% or higher. This change is aimed at preventing resources flowing out from the business when the licensee’s finances are under pressure.
- 7.58 We propose to implement this measure by adding a new circumstance in the licence conditions, alongside the existing ones, covering circumstances in which the licensee exceeds the gearing ratio as set out above. This enables the distributions lock-up trigger to achieve its intended aim.

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Effect of this change

- 7.59 This change will limit the ability of licensees to pay out dividends / make distributions if their gearing ratio is or is projected to be 75% or higher.

8. Send us your feedback

8.1 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. 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.

Privacy policy

Personal data

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

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

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

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”).

The Data Protection Officer can be contacted at dpo@ofgem.gov.uk.

2. Why we are collecting your personal data

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

3. Our legal basis for processing your personal data

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

4. With whom we will be sharing your personal data

We will not share your personal data.

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

Your personal data will be held for 12 months.

6. Your rights

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

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

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

7. Your personal data will not be sent overseas

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

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

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