Appendix to the Annual Performance Report

Electricity Transmission: 2024 / 2025

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for energy consumers

Introduction

In July of each reporting year, each electricity transmission owner (TO) business must submit information outlining their performance in relation to:

- their actual costs incurred up to 31 March of that year and forecast costs to the end of the price control period, and
- the outputs we set under the RIIO (Revenue = Incentives + Innovation + Outputs) framework.[1]

We analyse this information and examine any variations in TO performance against their annual output targets, as well as the expected under and over-spend across specific activities and cost categories. Additionally, we engage with each TO to discuss the technical aspects of their submissions, known as Supplementary Questions, or SQs, and participate in direct discussions at annual company visits on specific points. This process helps us gain a deeper understanding of the factors influencing delivery to date and looking forward.

Separate annual reports are produced for each energy sector (Electricity Transmission, Gas Transmission, Gas Distribution and Electricity Distribution). This appendix is focused on the incentive, cost and output performance of the three onshore electricity transmission companies under the RIIO-ET2 framework.

Structure of the document

Section One provides background information on the design of the RIIO-2 framework.

Section Two presents the detail of TOs' performance against the annual incentive targets in the fourth reporting year of RIIO-ET2.

Section Three provides a brief explanation of the approach we have applied to establish a common view of performance across the TOs.

Section Four presents our overview of each TO's expenditure, comparing it to the adjusted allowance per cost category over the first four years of RIIO-2. It also includes projections for anticipated performance during the remaining years of the five-year price control period for each cost category.

Section Five summarises the currently anticipated level of delivery for the specific Price Control Deliverables (PCDs) for each TO.

[1] The Regulatory Instructions and Guidance (RIGs) requires TOs to provide information to Ofgem. We used the information provided in the RIGs in preparation of this Annual Report.

Section One: RIIO-2 background information

Building blocks of totex

Three main categories of allowances were established in the RIIO-2 price control:

1. Ex-ante (upfront) allowance

At the outset of the price control, we set an original 'baseline' allowance, which determines the revenue that TOs can earn. This five-year allowance value, prescribed in the FD document, was based on the knowledge of projects that were reasonably certain to proceed at the time of settlement and reflects areas of work where there was an established customer-driven need or for works not linked to specific outputs due to their unique nature (referred to as "non-variant" within the RIIO-ET2 framework).

2. Allowances driven by uncertainty mechanisms (UMs)

A range of UMs provide access to revenue during RIIO-2 as the need, cost or timing of works becomes clearer. These mechanisms ensure that RIIO-2 has flexibility to adapt as the pathways to CP30 and Net Zero become clearer and that consumers fund projects only when there is clear evidence of their benefit.

There are three main types of UM for electricity transmission.[2]

Volume drivers adjust allowances in line with actual volumes where the volume of work required over the price control is uncertain (but where the cost of each unit is stable). Further detail is provided in the section below.

Where the degree of uncertainty is too great to allow for an automatic UM, and for matters that could not be predicted with any certainty at the outset of RIIO-2, we set **re-openers** that allow us to robustly assess network companies' proposals. These mechanisms are designed to ensure efficient investment, and that consumers only fund projects when there is clear evidence of need and cost efficiency, rather than setting allowances too high to cover all potential risk, reducing the risk of consumers from overpaying. A notable example is the Medium Sized Investment Projects (MSIP) mechanism.

Use-it-or-lose-it (UIOLI) mechanisms adjust allowances where the need for work has been identified, but the specific nature of work or costs are uncertain.

There are also other elements of the RIIO-2 framework where TOs have access to revenue during the price control period.

3. PCDs

These are a key component of the RIIO-2 framework where company specific funding is linked to the delivery of outputs specified in each RIIO-2 Licence. The PCD assessment

[2] In total, there are five types of UM in RIIO-2. See para 7.2 for more detail: RIIO-2 - Core Document.

framework provides for the adjustment of the level and timing of allowances in the event the output is not delivered, not delivered to the specification required, or delivered late.

For any PCDs not delivered, the framework will protect consumers by ensuring funding is adjusted appropriately. PCDs either allow allowances to be recovered mechanistically (i.e. automatically), or evaluatively (i.e. requiring review the delivery of the PCD outputs)[3].

Other funding

Under the RIIO-2 framework, TOs can also receive revenue through the following mechanisms.

Innovation funding

RIIO-2 contains routes by which the TOs can fund high-value innovation projects that address key challenges facing energy networks in the energy system transition towards net zero. This is facilitated through the Strategic Innovation Fund (SIF) and the Network Innovation Allowance (NIA).

Output Delivery Incentives (ODI)

We have set the ODI package to focus companies on delivering objectives that matter to existing and future consumers and to drive service improvement through incentives. The incentives are discussed further in the next section.

Totex Incentive Mechanism (TIM)

This is designed to encourage TOs to deliver their required outputs efficiently by providing a financial incentive for TOs to outperform their allowed expenditure. If a TO spends less than its allowed totex, it can keep a portion of the savings, while the rest is passed on to consumers. Conversely, if a TO overspends, it bears a portion of the additional costs.

The mechanism aims to promote cost efficiency and innovation, ensuring that consumers benefit from lower costs and to encourage improvement efficiency in delivery of services. The costs of efficiently incurred overspends are also shared with consumers, providing some protection to TOs.

The incentive rate is set at 33% for NGET (67% shared with consumers), 36% for SHET (64% shared with consumers) and 49% for SPT (51% shared with consumers).

RIIO-2 volume-driven uncertainty mechanisms

New generation connections (All TOs)

Works needed to connect new generators to the national electricity transmission system and reinforcement of existing local infrastructure in some cases.

Output measures include:

[3] Adjustments to the allowance can only be exercised should the PCD not be Fully Delivered, with the meaning of Fully Delivered and its constituent parts (output and delivery date) being specified in the licence condition.

- the amount of new generation capacity connected, in Megawatts (MW), or additional infrastructure capacity installed, measured in Megavolt ampere (MVA).
- the number of kilometres of Overhead Line (OHL) associated with new build activity (SHET and SPT only).
- the number of kilometres of OHL associated with reconductoring activity.
- the additional length of new underground cables.

New demand connections (SPT and NGET only)

Works needed to connect new demand users to the NETS and reinforcement of existing local infrastructure in some cases.

Output measures include:

- the incremental increase in the offtake capacity at grid exit points.
- the number of kilometres of OHL associated with new build activity (SPT only).
- the number of km of OHL associated with reconductoring activity.
- the additional length of new underground cables.

New incremental Wider Works (NGET only)

Works to strengthen network boundaries measured by the increase in transfer capability.

Output measures include:

- non-route projects are measured in boundary capacity increase.
- route projects (OHL or cable works required) are measured in the boundary increase multiplied by the pre-set boundary length.
- length of reinforcement on OHL multiplied by a pre-set length factor, and
- length of reinforcement on cable multiplied by a pre-set length factor.

Differences between outturn costs and the calculated allowances is scaled by a "delivery adjustment factor" (DAF).

For all TOs, projects whose expected costs are beyond a defined tolerance range are considered "outliers"[4] and quality for consideration under the MSIP re-opener.

Cost categories

Network company costs are broadly categorised as two types: capital expenditure (capex), and operational expenditure (opex).

There are three main capex components.

[4] An upper and lower tolerance range based on the standard error resulting from our regression analysis was set for each TO.

Load related expenditure

This relates to investment to expand the network capacity to accommodate changes in the level or pattern of electricity generation and demand.

Non-Load related expenditure

This is investment to maintain the health of the network company's existing asset base through repair, replacement and prevention maintenance (refurbishment) activities.

Non-operational capital expenditure

This is associated with equipment not directly related to transmission operations. Costs in this area comprise the following four categories: Property, Small tools, equipment, plant and machinery, Vehicles and Transport, and Information Technology and Telecoms (IT&T).

There are two main elements of operating expenditure (opex): Network Operating Costs (NOCs) and Indirects cost.

NOCs

The costs incurred in the day-to-day running of the network, for example, rectifying faults, repairs and maintenance, vegetation management, and legal and safety. They also cover other actions directly related to maintaining a reliable network. The main activities are described below.

- **Faults**: work to investigate and rectify events which cause plant to be automatically disconnected from the transmission system (or identify further action required).
- **Inspections:** planned activities to routinely inspect assets for safety and/or legislative purposes. Inspection activities do not normally require an outage to complete; though there are isolated cases where proximity to assets may necessitate an outage to complete work.
- **Repairs**: activities that take place on detection of a defect and return the whole asset to its normal condition. The nature of work is therefore reactive.
- **Maintenance**: planned activities to maintain assets for safety and/or legislative purposes. The majority of maintenance activities on live equipment require an outage.
- **Vegetation Management**: activities include the physical felling or trimming of vegetation to ensure the reliable performance of transmission assets.
- **Legal & Safety**: work to ensure safe working and legal compliance.

Indirect costs

These encompass day-to-day spending on activities required to maintain and operate the transmission networks. This category consists of Business Support Costs (BSC) and Closely Associated Indirects (CAI).

- **BSC** are incurred supporting companies' general business activities and corporate governance,
- while **CAI** costs are those that support operational activities (i.e. back-office functions that are closely involved in the construction and operation of assets).

There are also **other one-off or bespoke costs**, such as resilience work for cyber and physical security. These costs are a mixture of capex and opex.

Load and Non-Load information (relevant to the asset health of network assets) is submitted and assessed on a direct cost basis. Direct activities are those which involve physical contact with network infrastructure assets, for example the cost of purchasing, transporting and installing an asset.

The performance information associated with NOCs and indirect activities - that do not involve physical contact with infrastructure assets and secondary systems - is reported and considered separately to the direct cost categories.

Section Two: Annual output targets performance

As part of RIIO-2, we set a range of outputs in the RIIO-2 electricity transmission licence which TOs have committed to deliver. If TOs meet their annual output targets they receive incentive payments, and where TOs fail to achieve their annual output targets they incur financial penalties.

Output delivery

In addition to ongoing compliance with legislative safety requirements[5], which remain fundamental to the RIIO price control framework, the incentive package comprises six financial Output Delivery Incentive (ODIs):

- Energy Not Supplied (ENS)
- Timely Connections, (penalty-only[6])
- Insulation and Interruption Gas (IIG) Leakage
- Quality of Connections survey
- Optimisation incentive (to encourage the TOs to identify and provide enhanced services to the NESO)
- Environmental Scorecard (there is a separate reputational obligation to report business carbon footprint).

The table below summarises the cumulative revenue rewards and penalties accrued by each TO over the four reporting years for each incentive area. Each incentive area is discussed in turn in the following sections.

Table A2.1: Additional incentive penalty/reward (2021-2025)

Mechanism	NGET	SPT	SHET	TOTAL
Energy Not Supplied	1.4	4.1	3.0	**8.5**
IIG emissions	2.9	5.3	1.3	**9.5**
Timely Connections	(0.6)	(0.03)	0	**(0.58)**
QoCSS	(13.4)	3.3	6.0	**(4.2)**
SO-TO Optimisation	20.0	11.2	6.4	**37.7**
Environmental Scorecard	3.6	n/a	n/a	**3.6**
TOTAL	**14.0**	**23.9**	**16.7**	**54.42**

[5] No explicit RIIO targets exist, although each TO seeks to reduce its overall injury metric for its workforce. Safety is regulated by the Health and Safety Executive (HSE).

[6] An efficient licensee should not expect to be penalised under this ODI. Mechanisms have been calibrated so that penalties are proportionate to the degree of deterioration in performance.

Energy Not Supplied (ENS)

Table A2.2: ENS performance 2021-2025

	Year1 MWh	Year 1 % vs target	Year 2 MWh	Year 2 % vs target	Year 3 MWh	Year 3 % vs target	Year 4 MWh	Year 4 % vs target
SPT	0.14	99.9%	0	100%	91.77	29%	27.92	79%
NGET	26.7	82%	5.2	96%	0	100%	359.2	-144%
SHET	0	100%	0	100%	5.3	95%	4.73	95%

RIIO-2 supports the delivery of a high-quality and reliable service. TOs are encouraged to improve network reliability in an efficient way by managing short-term operational risk.

The ENS incentive drives reliability by reducing supply disruptions and their impact on customers. Each TO has an annual ENS target—its 'incentive neutral point'—based on historical performance.

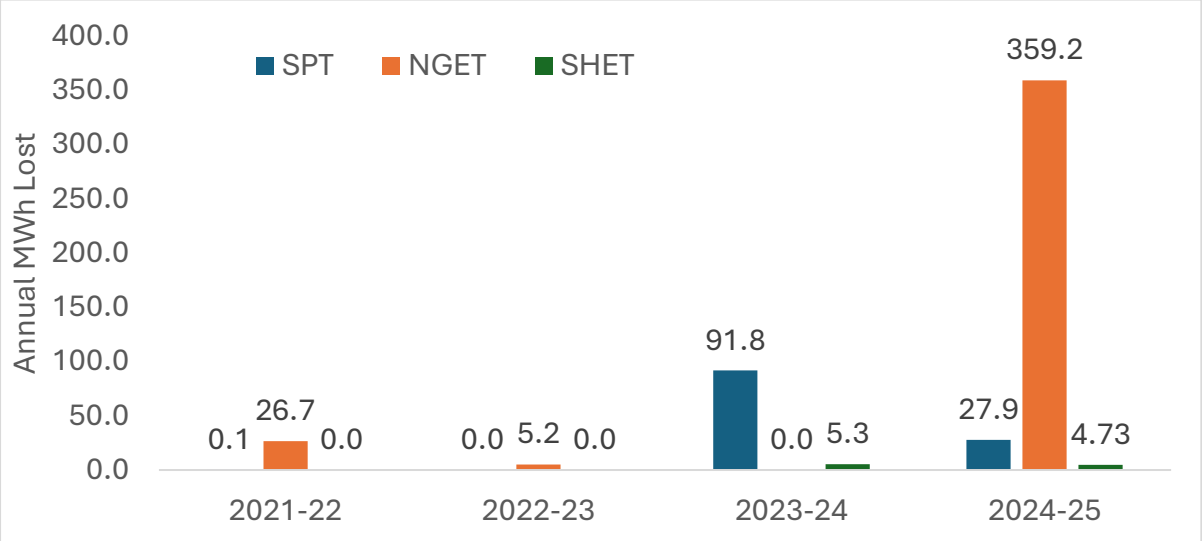
- SPT: 130MWh
- NGET: 147MWh
- SHET: 102MWh

SPT and SHET consistently delivered strong network reliability, exceeding annual targets to reduce electricity losses caused by transmission asset failures. NGET showed similar progress until 2024–25 (see details below).

In terms of the annual values of megawatt hours (MWh) lost on the transmission system:

- SPT reported well below the annual target, showing a significant improvement on the level reported in the third regulatory year.
- SHET has consistently reported performance below the annual target throughout the RIIO-T2 period (4.7 MWh in 2024/25).
- NGET reported significantly above the annual target due to the North Hyde substation fire, which accounted for 95% of ENS.

Figure A2.1: ENS performance 2021-2025, annual MWh lost

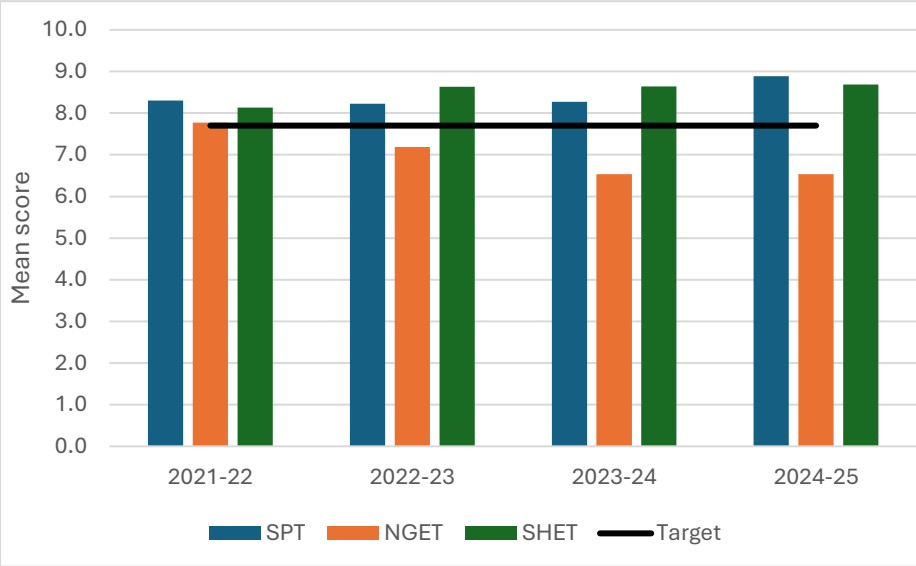


SHET and SPT received a financial reward under the ENS incentive for performing well within incentive limits. NGET received a penalty of £1.47m because of underperforming against its annual ENS target.

Quality of connection satisfaction (QoCS)

Figure A2.2: QoCS Survey – All Customers Across all Customer Milestones

Mean score per annum against target



This ODI covers the customer experience throughout the connections journey and seeks to incentivise companies to improve the quality of service delivered to connections customers.

The QoCS for the period under review (2021-2025) is based on the following scores:

- Target score – 7.7

- Reward score – 9
- Penalty score – 6.4

SPT and SHET reported strong levels of QoCS performance in the fourth regulatory year, exceeding the target and achieving a mean score of 8.9 and 8.7, respectively. This resulted in incentive rewards of £1.51m and £2.46m.

SHET maintained a consistent improvement, increasing its mean score from 8.6 in 2023-24 to 8.7 in the fourth regulatory year. SPT's performance significantly improved, increasing from a mean score of 8.3 in 2023-24 to 8.9 in 2024-25, which is the highest amongst the TOs.

In contrast, NGET fell below its 7.7 target for the second consecutive year, reporting a mean score of 6.5 and incurring a £7.37m penalty in 2024–25, up from £2.99m in 2023–24 when it achieved a mean score of 7.2. This decline is explained by delays caused by an oversubscribed connections pipeline.

The Environmental Scorecard

This ODI is designed to incentivise a reduction in carbon emissions and to improve the environment. This is currently applicable to NGET only (it is an optional incentive which SHET and SPT have opted not to switch on at present).

The incentive is calculated by comparing actual percentage change in impact areas to annual reward/penalty thresholds. A reward or a penalty is triggered if the actual percentage change is above or below the relevant threshold.

NGET is financially incentivised across six Environmental Action Plan (EAP) elements and exceeded maximum thresholds on all in the latest year.[7] It also achieved success in enhancing non-operational land through eight new Environmental Partnership Agreements, delivering biodiversity improvements and community engagement.

NGET's 2024-25 performance produced a £1.12m incentive reward payment.

Business Carbon Footprint (a reputational incentive)

Table A2.3: Business Carbon Footprint (BCF) performance 2021-2025

Total scope 1 and 2 emissions, tonnes CO_2 equivalent (excluding losses)

	2021-22	2022-23	2023-24	2024-25
SPT	14,425	9,340	18,481	14,294
NGET	274,456	266,878	261,214	209,201
SHET	9,011	10,617	9,542	8,267

[7] Business travel, operational and office recycling, office waste reduction, office water, environmental value of non-operational land, and net gain on construction projects.

The BCF ODI promotes TO accountability and transparency in mitigating environmental impacts. It tracks reductions in controllable Scope 1 and 2 emissions against a baseline, with targets validated by the Science Based Targets Initiative.[8]

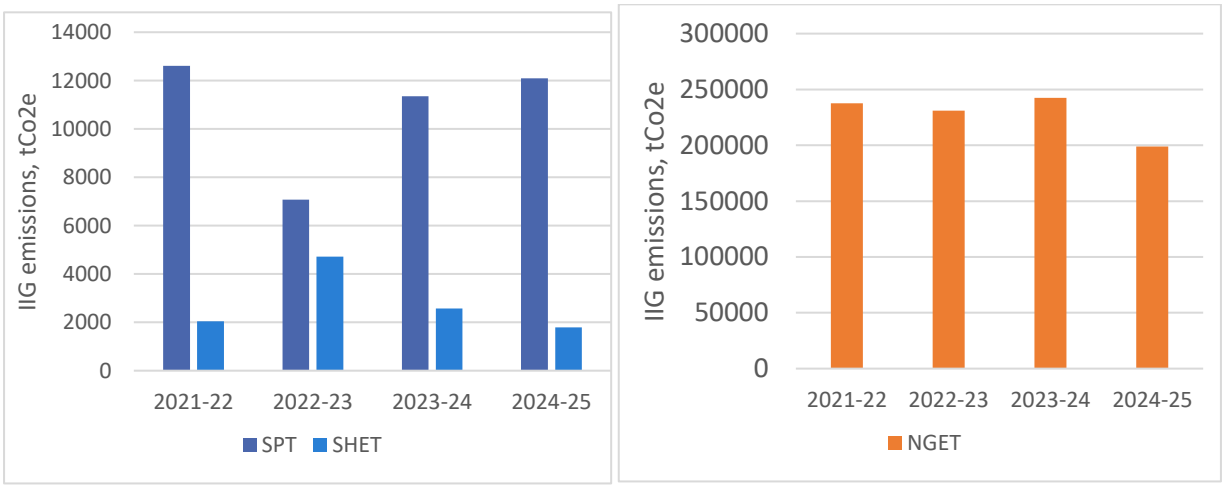
In terms of the annual emissions reported:

- SPT reported Scope 1 and 2 emissions of 14,294 tCO_2e in 2024–25, a 23% reduction from 18,481 tCO_2e in 2023–24, driven by full green tariff adoption and operational transport changes.
- NGET, targeting a 34% reduction by 2026, achieved 30% (vs. 27% target) in the fourth regulatory year. Improvements are expected in the coming years on SF_6 abatement works and NGET is expecting to meet its end of period goal.
- SHET reported Scope 1 and 2 emissions of 8267 tCO_2e in 2024–25, a 19% reduction compared to 2018-19 base year. This reduction is primarily driven by lowest SF_6 leakage rate since base year. SHET aims for a 33% cut (3,400 tCO_2e) over RIIO-2 and has reduced emissions by 19% so far though progress is hindered by rising IIG and transport emissions.

Insulation and Interruption Gas emissions

Figure A2.3: IIG performance 2021-2025

Actual IIG Emissions Excluding Exceptional Events, tonnes of CO_2 equivalent (tCO_2e)



This ODI incentivises a reduction in leakage of SF_6 and other harmful IIGs from assets on the transmission network, and to support the transition to low greenhouse gas alternative IIGs.

[8] Scope 1 emissions are direct emissions from assets owned or controlled by a TO, while scope 2 emissions are a consequence of TOs' actions but not owned or controlled by them.

Overall, all TOs have beaten their target emissions and achieved a reward in every year of RIIO-2 including 2024-25. Performance (excluding exceptional events) does however vary between the TOs and across the price control period so far.

Supporting data

tCO_2e	2021/22	2022/23	2023-24	2024-25
SPT	12,611	7,071	11,358	12,097
NGET	237,520	231,107	242,381	198,761
SHET	2,871	4,719	2,575	1,786

SPT

SPT's SF_6 emission increased from 467.4kg in 2023-24 to 497.8kg in 2024-25, mainly due to assets decommissioning and a leaking Gas Insulated Busbar (GIB) at Kilmarnock South 275kV Substation (50.4kg). SPT is still maintaining proactive intervention strategy to minimise leaks and repair declining assets such as its repair programme at Torness 400kV substation to reduce leakage risk.

SPT amended its forecast future performance to 433.8kg for the remaining of RIIO-T2 reflecting planned repairs and improved asset management.

NGET

NGET achieved 4.6% IIG emissions below the incentive target for 2024-25. Emissions continue to be on track to achieve the 33% reduction in annual emissions by 2026 in line with its Responsible Business Charter.

NGET states that it continued identification and repair of highest-leaking assets. Significant repairs carried out at substations contributed to a 16% drop since 2023-24 in SF_6 emissions.

SHET

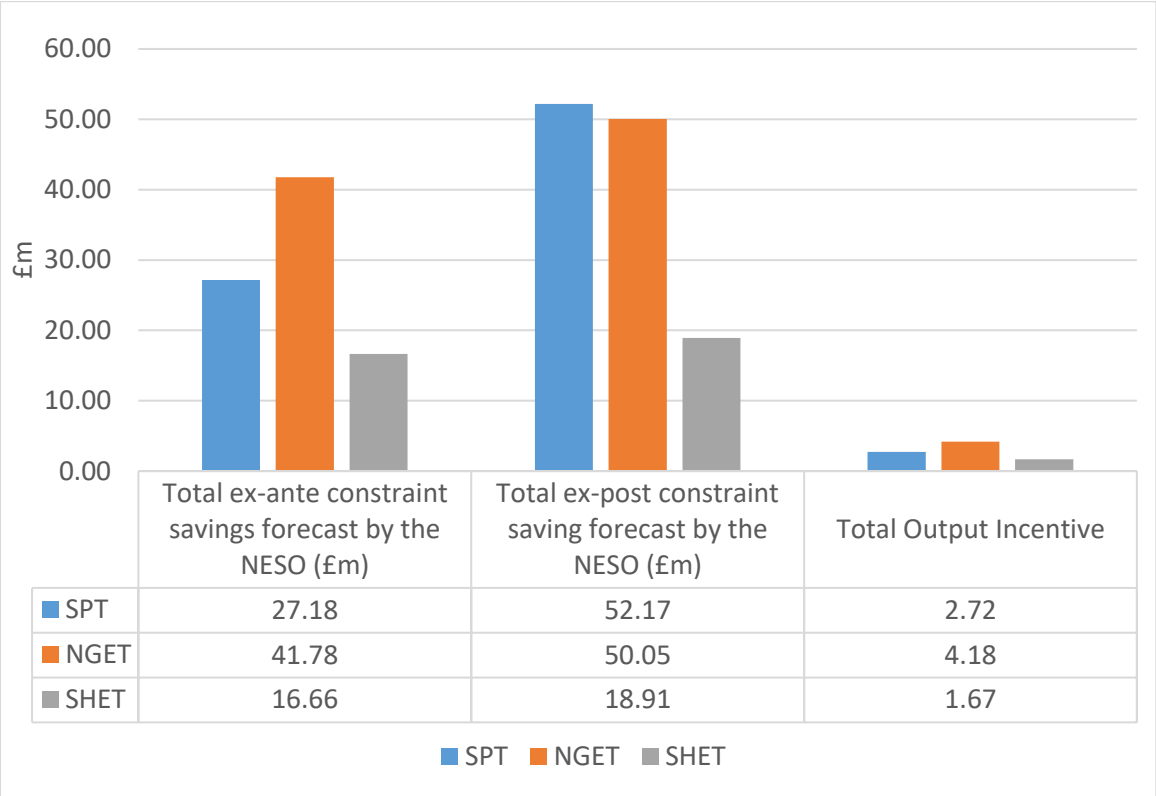
SHET recorded the lowest yearly total since 2018-19. It emitted 74kg SF_6 (equivalent to 1,786 tCO_2e) in 2024-25. The leakage rate (0.10%) is less than half of the incentive target (0.39%), earning a reward of £0.64m.

The recent movement is explained to be the result of changes around the process and treatment of SF_6 leaks driven by a change in operational practice, meaning that the operational process to identify and address leaks has improved. RIIO-2 funded interventions to address the most problematic assets are also contributing to bringing IIG leakage down.

We note that SHET has its own strategic ambition to achieve a one third reduction in its overall Scope 1 & 2 greenhouse gas emissions by the end of the RIIO-2 period against a 2018/19 base year. While SHET continues to make positive progress on its emissions performance, the ambition goal set is proving challenging and is currently unlikely to be realised in the intended timeframe. We will continue to monitor progress in this area.

SO:TO Optimisation

Figure A2.4: SO:TO Optimisation 2024-25



	Total ex-ante constraint savings forecast by the NESO (£m)	Total ex-post constraint saving forecast by the NESO (£m)	Total Output Incentive
SPT	27.18	52.17	2.72
NGET	41.78	50.05	4.18
SHET	16.66	18.91	1.67

The SO:TO incentive promotes collaboration with NESO to deliver solutions beyond business-as-usual, reducing constraint costs for consumers. Through the SO:TO Code process (11-4)[9], NESO can purchase services from TOs where these reduce GB transmission costs. Ofgem assesses consumer benefits and value for money, considering uncertainty in forecast and ex-post savings.

All TOs reported actual constraint savings under this mechanism.

NGET delivered 36 enhanced service solutions successfully, generating over £50m in forecast ex-post constraint savings.

SPT delivered two solutions in 2024-25 with a further three solutions due to become active in 2025-26, which provided £52.2m forecast ex-post constraint savings against an ex-ante forecast of £27.2m.

For SHET, consumer benefits were still evident in 2024-25 from an existing scheme (first delivered in 2021/22 and finished in 2023/24), amounting to a forecast ex-post constraint savings of £18.9m against an ex-ante forecast of £16.7m.

The total cost to achieve the constraint savings identified above is invoiced to the NESO and paid to each TO through STCP 11-4.

[9] The SO-TO Code Procedure documents are part of the TO and NESO) processes for managing new connections and modifications. STCP 11-4 can be found here: https://www.neso.energy/document/141111/download

Timely connections

The Timely Connections ODI is penalty-only, applying charges for late connection offers. In the fourth regulatory year of RIIO-2:

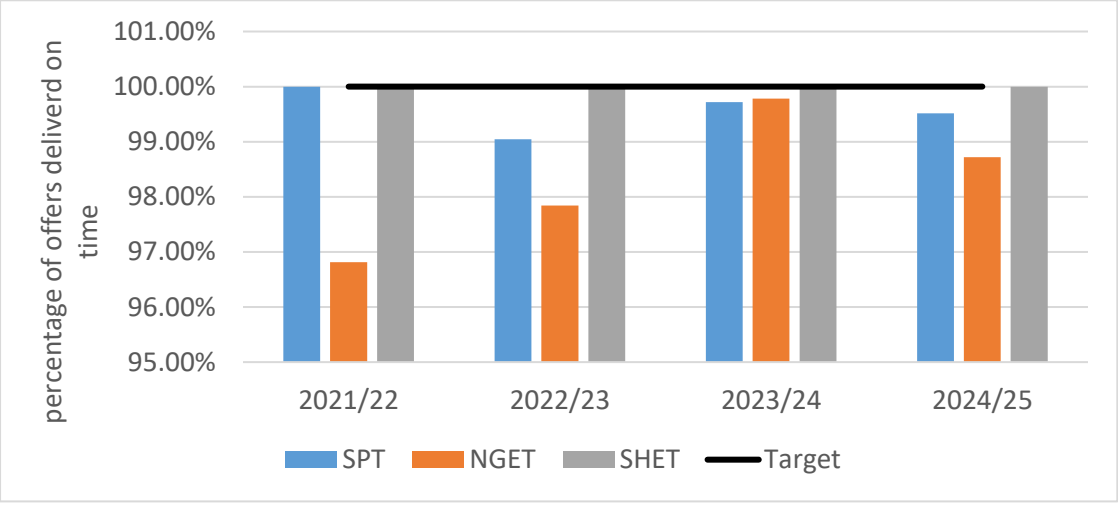
- SHET issued 272 offers, all on time.
- SPT issued 206 offers (77 for Battery Energy Storage Systems), with 205 on time (99.51%).
- NGET issued 924 of 936 offers on time (98.72%), with 12 late—two exempt from penalties[10]. NGET's penalty position for 2024-25 is £0.09m. The volume of applications saw a significant decrease from 1,375 in 2023-24 to 936 in 2024-25 due to the shift from two-step offers to single-step offers. A comparison between 2023-24 second-step and business-as-usual offers (900) and 2024-25 offers (936) indicates a modest year-on-year increase in workload.

TOs maintained strong performance, with SHET achieving zero late offers and SPT and NGET adapting to high volumes.

NGET's performance improved from 96.81% in 2021–22 to 99.78% in 2023–24, before dipping slightly to 98.72% in 2024–25, largely due to queue pressures, system-access constraints, and Connection Reform changes—indicating scope for further improvement. SPT maintained strong performance, rising from 99.04% in 2022–23 to 99.72% in 2023–24, then marginally declining to 99.51% in 2024–25.

Overall, fewer late offers across RIIO-2 indicate that incentives and TO strategies are driving better timeliness in transmission connections.

Figure A2.5: Timely connections



[10] As confirmed in Ofgem's Letter of Comfort of 28 May 2025.

Delivery performance under the applicable volume driver mechanisms

The RIIO-ET2 framework seeks to support the necessary acceleration in network deployment to meet the Government's decarbonisation targets. The transition is being supported across four areas:

- Delivering new connections to the transmission network to meet the volume of new user requests (generation and demand connections volume driver)
- The strengthening of the transmission network boundaries in England and Wales to remove bottlenecks in transporting additional generation and to accommodate changing patterns of demand (wider works volume driver, referred to as incremental wider works)
- Infrastructure works linked to the delivery of projects through the MSIP and LOTI mechanisms.
- Capacity linked to the delivery of Price Control Deliverables (PCD) specified in each RIIO-2 Licence.

The next sections provide an overview of the TOs' reported activities over the first four reporting years for each mechanism, along with their current delivery expectations for the total five-year price control period. We present a five-year overview to offer a straightforward and comparable perspective across all TOs.

We note, however, that the mechanisms apply to qualifying works anticipated to deliver within the five-year period and in year 1 and year 2 of the next price control period (referred to as the 'T2+2 period').

New connections volume driver

Connecting new generation to the grid requires infrastructure upgrades, such as installing new substations and reinforcing the network, which limits connection rates and require advance capacity booking. Historically, bookings were simply awarded on a first-come, first-served basis, with no regard to system needs or project viability.

The expansion of renewables has led to a sharp rise in bookings, many for speculative projects, with queue additions far outpacing the actual connections rate. To address this, in April 2025 we published reforms to prioritise the existing queue based on system needs and viability, and to remove stalled or speculative projects.

The process has significantly influenced the volume of outputs delivered through each volume driver mechanism, largely due to the scale of customer-driven activity changes experienced during RIIO-2.

We provide an overview of the five-year position in the tables below for each TO (where applicable).

NGET: new generation connections

Table A2.4: Generation connections capacity (actual and forecast) over the five-year period (MW)

MW	2022	2023	2024	2025	2026
actual / forecast	5,262	150	2,999	2,531	4,484
baseline	5,262	300	2,277	2,499	3,150

NGET's delivery progress is above the baseline levels initially anticipated after the fourth reporting year (10.94 GW versus a baseline level of 10.34 GW).

Across the five-year period, NGET's current expectation is for new generation connections to deliver 15.43 GW of capacity, which is higher than the initial level anticipated for this period (13.49 GW). This is primarily driven by changes in the energy landscape since the RIIO-2 baseline allowances were set and a larger than expected rise in requests for new transmission connections.

Excluding PCD-related delivery, NGET expects a further 25 projects to connect to its network in the final year of RIIO-ET2—similar to the cumulative number of connections delivered across the previous four years (26). This will drive a significant increase in capacity; 4.5 GW compared to a baseline expectation of 3.2 GW for 2025–26.

Beyond RIIO-ET2, NGET forecasts a further 34[11] projects to connect between April 2026 and March 2028 (T2+2), adding an estimated 6.73 GW of capacity through the volume driver mechanism during the period.

NGET: new demand connections

Table A2.5: Demand connections capacity (actual and forecast) over the five-year period (MVa)

MVa	2021/22	2022/23	2023/24	2024/25	2025/26
actual / forecast[12]	1,020	292	500	1,064	960
baseline	1,020	700	480	480	0 (note)

Note: A zero value was assumed for the volume of connected capacity in the final reporting year of RIIO-2 when the mechanism was set.

NGET is above the expected delivery levels of new demand connection capacity after the fourth reporting year (2.88 GVa versus a baseline level of 2.68 GVa).

[11] The count value is determined by assigning phased projects to the first year of their delivery.

[12] The annual MW value is calculated by summing all MW allocated to that delivery year; phased delivery is not collated against the first delivery year.

Across the five-year period, NGET's current expectation is for output delivery to be significantly more than the baseline targets – connecting 3.836 GVa of demand capacity compared to an expected baseline level of 2.68 GVa across the five-year RIIO-2 period.

Excluding the impact of PCD delivery, NGET expects an additional 2 projects to connect in the final year of RIIO-ET2— bringing the cumulative number of new connections delivered across the period to 14. The output capacity delivered in the fourth year is reported as 1.06 GVa compared to a baseline expectation of 0.48 GVa for 2024–25.

Beyond RIIO-ET2, NGET anticipates a further 7 projects connecting between April 2026 and March 2028 (T2+2), adding an estimated 3.24 GVa of capacity through the volume driver mechanism during the period.

SPT: new generation connections

Table A2.6: Generation connections capacity (actual and forecast) over the five-year period (MW)

MW	2021/22	2022/23	2023/24	2024/25	2025/26
actual / forecast	354	980	660	1,431	5,000
baseline	1,015	1,120	191	0	0

Note: A zero value was assumed for the volume of connected capacity in the final two reporting years of RIIO-2 when the mechanism was set.

SPT's delivery progress is below the baseline levels initially anticipated after the fourth reporting year (2.325 GW expected against 3.425 GW delivered).

Across the five-year period, SPT's current expectation is a significant increase in the delivery of new generation capacity. SPT's currently expects to connect a further 12 projects with an additional 5 GW of generation capacity before the end of the five-year RIIO-2 period.

Beyond RIIO-ET2, SPT anticipates a number of projects (29) connecting to its network between April 2026 and March 2028 (T2+2), adding an estimated 6.25 GW of capacity through the volume driver mechanism.

SPT: new demand connections

Table A2.7: Demand connections capacity (actual and forecast) over the five-year period (MVa)

MVa	2021/22	2022/23	2023/24	2024/25	2025/26
actual / forecast	0	0	300	190	120
baseline	0	652	0	0	0

SPT is below the expected delivery levels of new demand connection capacity after the fourth reporting year (0.65 GVa expected against 0.49 GVa delivered).

This is the result of movement within the original baseline plan driven by changes to demand customer-driven schemes (e.g. Network Rail) and the broader updates through the NOA and Holistic Network Demand (HND) processes led by the NESO.

Across the five-year period, SPT's current expectation is for output delivery to be marginally below the level initially anticipated when the mechanism was set – connecting 12 projects (baseline expectation of three) with a total capacity of 0.61 GVa (baseline expectation of 0.65 GVa).

No projects are currently expected to connect within the T2+2 period.

SHET: new generation connections

Table A2.8: Generation connections capacity (actual and forecast) over the five-year period (MW)

MW	2021/22	2022/23	2023/24	2024/25	2025/26
actual / forecast	0	0	50	106	36

Note: The anticipated level of baseline capacity was set at zero across RIIO-2 when the mechanism was set.

The activity progressed is currently on track with the delivery trajectory anticipated when the mechanism was established. Across the five-year period SHET's current expectation is for output delivery to connect 192 MW of new generation capacity (the baseline expectation was set at zero).

Forecasted generation is based on SHET's internal Likely Outturn Assessment (LOA).

We note that SHET has received a larger number of new generation connection requests to its network since the beginning of RIIO-2 than initially expected, a trend that is expected to continue. The impact of the connections reform is expected to see connection dates predominantly in latter stages of RIIO-ET3 and beyond. At the time of reporting, SHET provided only a five-year view, excluding Crossover for Volume Driver Connections, as they proposed that future Volume Driver projects would be delivered under the RIIO-T3 price control. Consequently, no projects were reported for connection within the T2+2 period.

Incremental wider works volume driver (NGET only)

Table A2.9: Cumulative boundary capacity (MW) in NGET's network (actual and forecast) over the five-year period

MW	2021/22	2022/23	2023/24	2024/25	2025/26
actual / forecast	0	130	716	2,858	3,878

The mechanism designed to strengthen work on network boundaries across E&W is currently tracking below the anticipated delivery trajectory, primarily due to changes in the Network Options Assessment process led by NESO and the resulting impact on several planned investments. However, NGET expects the scale of delivery to recover and for the delivery position to exceed the anticipated level across the full five-year period.

In 2024-25 NGET delivered 4 projects to strengthen network boundaries through the volume driver mechanism, adding 2.858 GW of additional boundary capability within the reporting year. This brings the total projects delivered within the first four years of the RIIO-2 period to 7, and the total boundary capacity uplift delivered to 3.7 GW during this period.

NGET currently expects delivery to significantly increase over the final year of the five-year period – a further boundary capacity increase of 3.88 GW is anticipated from the completion and delivery of a further 3 projects across the full five-year period.

Excluding the impact of PCD delivery, NGET's current forecast for the five-year period is for 7.58 GW of additional boundary capacity to be delivered through the volume driver, which is below the baseline levels initially anticipated when the mechanism was set (7.58 GW versus a baseline level of 8.81 GW).

Beyond RIIO-ET2, NGET anticipates a further project is expected to complete between April 2026 and March 2028 (T2+2), adding an estimated 0.83 GW of boundary capability through the volume driver mechanism.

PCDs

PCDs either allow allowances to be recovered mechanistically (i.e. automatically), or evaluatively (i.e. requiring review the delivery of the PCD outputs).

The performance against the range of all PCDs applicable to each TO is set out in section five.

Section Three: A common approach to assessing TO cost performance

While the data templates provide a consistent form in which each TO categorises and presents financial and output information, we note that the manner in which each of the TOs have collated and explained the drivers of their performance differs through the data and narrative explanations received (reflecting different business models and the different challenges and opportunities experienced in implementing the RIIO-2 settlement).

This report aims to provide a consistent assessment and view of each TO's regulatory performance[13] under the RIIO-T2 framework. To achieve this, we first outline the key elements that informed the derivation of the original baseline allowances set out in the FD for each TO.

NGET

Two types of adjustment were applied to NGET's request for RIIO-2 funding provision when setting the original baseline totex allowance: a cost efficiency adjustment to the value of the requested capex costs and an ongoing efficiency (OE) challenge across all categories.

- The cost efficiency adjustment was made to reflect the proportion and prevalence of lower confidence capex costs contained in NGET's business plan submission. We decided to impose an overall 5% reduction across all lower-confidence capex elements of NGET's submission informing our view of the appropriate level of efficient LR and Non-Load (NLR) related costs.[14]

- We also included an OE challenge as part of setting the final allowance across each cost area. The challenge reflects the productivity improvements that we consider even the most efficient company can achieve throughout RIIO-2 as they are largely within a company's control (e.g. through effective management of capital, effective investment in innovation etc). We applied the OE challenge as a compounding annual reduction throughout the RIIO-2 period.[15]

There are two further adjustments detailed in the FD that were applied in the derivation of NGET's original baseline totex allowance: a provisional positive adjustment to acknowledge a shortfall in allowances for load-related capex work expected to straddle the RIIO-1 and RIIO-2[16] periods, and a negative adjustment for excess allowance in RIIO-1 for non-load related capex work that straddled RIIO-1 and RIIO-2.

[13] Company reports for 2024-25 are available directly from the respective TO websites: SHET, SPT and NGET

[14] More detail can be found in: RIIO-2 Final Determinations. No adjustment was made to the funding requests of SPT or SHET.

[15] The OE challenge for all TOs was originally set to apply 1.15% to all capex costs (excluding those subject to UIOLI conditions) and 1.25% to all opex costs. SPT's values were updated following the 2021 CMA Decision.

[16] More detail on these adjustments can be found in paragraphs 3.35-6 and paragraph 3.72-4 of the FD annex, respectively.

A provisional value was included within the original baseline allowance by 'netting off' these adjustments and the offset value was captured in Special Licence Condition (SpC) 3.38 of NGET's RIIO-2 licence.

The combination of the above adjustments is summarised in the table below. The value of £5,377m represents the updated totex baseline for NGET including the provisional allowance adjustment (column D in the table below).

The original baseline value was then the subject of further update to reflect the impact of the 'close-out' adjustments for the previous price control.[17]

Table A3.1: Evolution of NGET's five-year baseline allowed totex

Note 1: This includes 'Replacement', 'Refurbishment Major' and 'Minor' cost categories.
Note 2: This includes allowances provided for Physical Security and Cyber Security activities.
Note 3: The costs associated with 'contractor indirects' have not been removed from direct capex categories and reallocated to CAI/BSC.

£million, 2018-2019 prices	**(A) Final cost assessment position[18]**	**(B) Cost efficiency adjustment**	**(C) OE adjustment**	**(D) Net Provisional adjustment**	**(E) Impact of RIIO-1 closeout included**
		-172.6	-316.9[19]	-78.4	
1. Original Totex	**5,945**	**5,772**	**5,456**	**5,377**	
Load related					1,454
Non-Load related [Note 1]					1,630
Spares					33
Non-op capex					259
NOCs (excluding Visual amenity)					617
Indirect (CAI & BSC)					1,288
Other [Note 2]					165
2. Total					5,446
3. Revised Totex					**5,460**[20]

The value of £5,460m represents the updated totex baseline for NGET, including the revised adjustment under SpC 3.38 of the RIIO-2 transmission licence (column E in the table above). This value does not include the impact of any reconciling adjustments separately agreed with NGET (e.g. transfer of pension administration costs), end-of-period PCD adjustments or the impact of re-opener or volume driven adjustments.

[17] More information can be found here: RIIO-ET1 Close out: Decision on proposed adjustments | Ofgem and Decision on modifying the special conditions of National Grid Electricity Transmission Plc's electricity transmission licence | Ofgem

[18] This is not the number submitted in NGET's December 2019 business plan. It is the value resulting from our cost assessment process reflecting modifications received to NGET requests (up or down) in a number of areas.

[19] See table 1: https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf

[20] This includes the direct cost baseline value attributable to visual amenity works (£14m).

SHET

An ongoing efficiency challenge was applied to SHET's request for RIIO-2 funding provision when setting the original baseline totex allowance. Unlike NGET, a cost efficiency adjustment was not applied to SHET's requested RIIO-2 capex costs.

Table A3.2: Evolution of SHET's five-year baseline allowed totex

Note: The costs associated with 'contractor indirects' have not been removed from direct capex categories and reallocated to CAI/BSC.

£million, 2018-19 prices	**(A) Final cost assessment position**[21]	**(B) Cost efficiency adjustment**	**(C) OE adjustment**
		n/a	-126.7[22]
1. Original Totex	**2,285**	**n/a**	**2,158**
Load related			774
Non-Load related			685
Pre-con, Op Measures & Op IT			74
Spares and Black Start			55
Injurious affection			30
Non-op capex			99
NOCs (excluding Visual Amenity)			90
Indirect (CAI and BSC)			336
Other			15
2. Revised Totex			**2,158**

The value of £2,158m represents the updated totex baseline for SHET including the impact of the OE challenge across all cost categories (column C in the table above).

SPT

An ongoing efficiency adjustment was made to SPT's request for RIIO-2 funding provision, across all cost categories, when setting the original baseline totex allowance. Similar to SHET, a cost efficiency adjustment was not applied to SPT's requested RIIO-2 capex costs.

SPT's RIIO-2 baseline value was not the subject of further update to reflect the impact of the closeout adjustments in the previous price control period. This is due to differences in the mechanisms and the framework design of SPT's RIIO-1 price control.

The decision set out in the FD was subject to an appeal and the impact of the resultant CMA decision was to implement a remedy which changed the OE values to 0.95% per year for capex and 1.05% for opex. The impact of this decision is shown between column C and column D in the next table (Table A3.3).

[21] This is not the number submitted in SHET's December 2019 business plan. It is the value resulting from our cost assessment process reflecting modifications received to SPT requests (up or down) in a number of areas.

[22] See table 1: https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determinations_-_shet_annex_revised.pdf

Table A3.3: Evolution of SPT's five-year baseline allowed totex

£million, 2018-19 prices	**(A) Final cost assessment position**[23]	**(B) Cost efficiency adjustment**	**(C) OE adjustment pre-CMA**	**(D) OE adjustment post CMA**
		n/a	-69.9[24]	-58.2
1. Original Totex	**1,296**	**n/a**	**1,226**	**n/a**
Load related			411	417
Non-Load related (including 'spares')			433	437
Non-op capex			9.5	9.6
NOCs			104	105
Indirect			246	247
Other			22	22
2. Revised Totex				**1,238**

The value of £1,238m represents the updated totex baseline position for SPT (column D in the table above). The allowance value breakdown in Column D is calculated by applying a proportional share of the adjusted OE challenge (-£58.2m) across each cost category.

Our baseline approach

Our review of the performance across all costs categories represents the totex baseline position including the impact of:

- the cost efficiency adjustment (NGET only)
- the OE challenge (all TOs), and
- CMA decision to revise the ongoing efficiency rates (SPT only).

It is important to note that our decision to present our overview in this way is not an indication that the company values submitted as part of the reporting pack are not an accurate forecast of the required activities or suggest that the activities they are associated with are inefficient.

Our presentational adjustments have been made only to assist and provide an additional level of transparency and understanding of drivers of the current forecast of under- and over-spend across the RIIO-2 period. Our presentational approach also serves to further highlight and reflect the ongoing uncertain nature of certain costs and the associated assessments that have yet to take place or not yet concluded.

[23] This is not the number submitted in SPT's December 2019 business plan. It is the value resulting from our cost assessment process reflecting modifications received to SPT requests (up or down) in a number of areas.

[24] See table 6: RIIO-2 Final Determinations – SPT Annex (REVISED)

Contractor indirects

Indirect activities are those that support work on network assets but do not involve physical contact with them.

The sub-category of "Contractor Indirects" (CIs) refers to specific costs incurred on activities performed by external third parties on behalf of the TO and/or agents engaged to provide distinct CAI services under instruction from a TO.[25]

The RIGs currently requires clear delineation between direct and indirect activities, regardless of whether they are performed by the TO or external contractors. The aim of delineating these costs through the annual reporting submission is to ensure transparency and comparability of costs across TOs and avoid misclassification.

The previous annual update to the RIGs reinforced the position that activities considered part of a contractor's own overhead (e.g., training their staff for internal purposes) should not be reported as TO indirects.[26] It also made further clarification that reinforced the requirement for CI costs to be separately identified and reported where contractors perform activities that support network delivery but do not involve direct physical work on assets (e.g., project management, design, planning).

TOs are requested to apply reasonable endeavours when providing the data. Where detailed contractor cost breakdowns are unavailable (e.g., projects not yet in delivery), TOs may therefore use a proportionate allocation process, and demonstrate that allocation methods reflect actual effort and cost attribution. Assumptions and methodologies must also be documented, justified, and subject to governance.

For 2024/25, Ofgem allowed continued use of allocation methods adopted in 2023/24 due to practical challenges. Full compliance with definitions and system-based reporting is expected as processes mature. The current approach taken by each TO is outlined below.

SHET

SHET's methodology for reporting CIs applies a flat allocation rate of 8.74% across the T2 portfolio. This approach:

- uses a fixed percentage ensures year-on-year consistency and avoids distortions in trend analysis across RIIO-T2.
- limits manual intervention and reduces risk of inconsistent allocations between projects (noting that contractors were not required to provide indirect cost breakdowns at source when setting allowances).

However, SHET recognises the limitations of the current approach:

[25] Contractor overheads for TOs own staff (e.g., internal training) are to be treated as part of direct activity costs (and not reported separately).

[26] https://www.ofgem.gov.uk/decision/modifications-electricity-transmission-regulatory-instructions-and-guidance-and-regulatory-reporting-packs-riio-2-year-4

- Flat allocation creates apparent outperformance in Capex reporting and overspend in CAI, which could mislead performance assessments.
- A lack of project-level granularity prevents meaningful benchmarking across schemes or against other TOs.

We acknowledge SHET's current approach as a transitional measure; however, it is not viable on an enduring basis. Our clear intent is to transition toward more accurate, activity-based reporting of contractor indirect costs. Continuing with a flat allocation beyond RIIO-T2 is unlikely to satisfy future compliance requirements. Further work is necessary to:

- explore and implement contractual requirements for contractors to provide indirect cost data at source.
- develop integrated cost databases and tender benchmarking tools.
- ensure real-time data capture to support transparency and compliance.

SPT

SPT acknowledges the reporting requirement to distinguish CIs from direct project costs but notes that contractors do not provide a breakdown of these costs under current contractual terms.

SPT has therefore adopted a statistical estimation approach, commissioning an external party to calculate contractor indirects as a percentage of total project value (10.29% of a projects total value, with a 95% confidence interval of 8.11%–12.36%). This estimate was applied across all projects and used to forecast future years on a top-down basis. For 23/24, further rework and analysis adjusted the original rate to 6.7% for 24/25 reporting.

SPT's transformation programme and digital initiatives (e.g., BIM) suggest readiness to improve cost transparency. However, to meet future compliance standards, SPT must:

- require contractors to provide indirect cost breakdowns at source.
- develop integrated cost databases and tender benchmarking tools.
- transition from aggregated CAI reporting to bottom-up, activity-based allocation.

NGET

NGET apply an 84:16 direct-to-indirect cost split for projects. This is adopted as it aligns with the principles agreed during RIIO-T2 allowance setting and guidance applied at that time. This method is explicitly justified on the basis that:

- it maintains consistency with how RIIO-T2 allowances were determined (i.e. detailed contractor cost breakdowns were not requested or provided through this process) and preserves comparability between reported costs and RIIO-T2 allowances.

- it reflects practical limitations in retrospectively applying new definitions to projects already in delivery.
- avoids retrospective rework that would be resource-intensive and potentially inaccurate (CIs cost data is not available for many projects already in delivery) and facilitates timely submission of RRP data without requiring complex system changes.

NGET is of the view that as an allocation process for projects was originally accepted without detailed contractor cost breakdowns, for 2024/25, this approach is deemed to remain compliant, provided assumptions and methodologies are documented and subject to governance.

We note that this approach has limitations. These include:

- The 84:16 split is a high-level proxy and does not reflect actual contractor indirect cost structures, limiting cost reflectivity.
- For pre-delivery projects, reliance on allocation rather than actuals reduces transparency.
- There is a reliance on guidance which has since been superseded and replaced.
- Lack of granular data will hinder any future ability to benchmark across TOs.

We acknowledge NGET's current approach as a transitional measure; however, it is not viable on an enduring basis as it poses challenges for transparency, benchmarking, and regulatory compliance in future price controls. Our clear intent is to transition toward more accurate, activity-based reporting of contractor indirect costs. Continuing with a flat allocation beyond RIIO-T2 is unlikely to satisfy future compliance requirements. We note, however, system enhancements developed by NGET aimed at delivering more project-specific reporting of indirect costs and acknowledge the process and system changes being implemented to achieve this for new projects currently in delivery. This development supports enduring requirements, and further work is necessary to:

- explore and implement contractual requirements for contractors to provide indirect cost data at source.
- develop integrated cost databases and tender benchmarking tools.
- ensure real-time data capture to support transparency and compliance.

We will maintain engagement with all TOs to support development of practical and deliverable solutions.

Section Four: cost category performance

This section examines TOs' total expenditure (totex) in comparison to the adjusted totex allowance for the first four years of the RIIO-2 price control period (2021-2025) and evaluates TO's anticipated performance for the five-year price control period (2021-2026). It then presents a further breakdown of each component of TOs' expected performance.

We conclude the chapter with a summary of the drivers identified by the TOs of the differential between their forecast totex and their allowances over the RIIO-2 period.

Points to note:

- Minor rounding discrepancies may be present in the values shown in the tables within this section.
- Expenditure values are not adjusted for the impact of actual/forecast customer contributions.
- Allowance values exclude funding for Real Price Effects (RPEs).
- Expenditure values include costs associated with schemes that have delivered an output (via a T1 mechanism) but are continuing to incur costs in RIIO-2. These 'carry-over' schemes have no allowance in RIIO-2.
- The five-year performance position includes the estimated impact of allowance adjustments forecast by the TOs, where relevant. The four-year position does not reflect the TO's estimated adjustments.

NGET's totex performance

Based on the information provided to us, NGET currently expects to receive £8.4 billion over the entire five-year price control period and currently anticipates an underspend of £0.2 billion (3%). This is before the operation of the Totex Incentive Mechanism, which would return 67% of this to consumers.

The expected total allowance value represents baseline allowance (£5.7bn) updated to reflect:

- movements including re-openers submitted and other project specific additional allowance decisions (c.£2bn)
- the operation of uncertainty mechanisms (£0.6bn)
- NGETs view of anticipated end of price control adjustments via PCD mechanisms (£0.8bn), and
- NGETs view of assumed Pipeline Log allowances (£0.9bn).[27]

[27] The Pipeline Log records incurred totex for projects that are planned or in progress but not yet complete (e.g., re-opener submissions or ASTI projects). These projects sit outside the RIIO-2 settlement, so their values are excluded from Totex and Allowance Tables in the RRP template. Its purpose is to provide visibility of the future electricity transmission delivery pipeline.

Our adjusted presentation shows that NGET currently expects to receive £8.4 billion over the entire five-year price control period and currently anticipates an underspend of £0.2 billion (3%). Our assessment does not include the value of the assumed pipeline log allowances, and the value of total expenditure does not include the impact of customer contributions.

Table A4.1: Current view of totex and adjusted totex allowance

£ billion, 2018-19 prices	Five-year total
Current forecast of expenditure	8.2
Current forecast of adjusted allowance	8.4
Performance	- 0.2
Performance, %	-3%

NGET's load related (LR) performance

NGET is currently forecasting to spend close to £2.2 billion[28] by the end of RIIO-2 on load related activity; 12% below the expected adjusted allowance of £2.51 billion[29].

To explain NGET's LR performance we have used the same "investment category" groupings used by NGET in its stakeholder publication. These are briefly summarised below.

Generation

This combines the cost categories that represent expenditure triggered by individual generation connection projects that provide assets or reinforcements which are shared by users of the transmission network ('Local Enabling entry') or expenditure on infrastructure assets that are covered by connection charges (assigned to the 'Local Enabling entry sole use' category).

Demand

This combines the cost categories that represent expenditure triggered by individual demand connection projects that provide assets or reinforcements which are shared by users of the transmission network ('Local Enabling exit') or expenditure on infrastructure assets that are covered by connection charges (assigned to the cost category 'Local Enabling exit sole use').

[28] The total expenditure value incorporates the impact of one-off contributions across the period (£102m). Without this adjustment, the total expenditure is £2.51bn.

[29] The total allowance value incorporates adjustments associated with the operation of the UMs (£63m 'DAF' adjustment) and via the PCD mechanisms (£174m) plus the estimated impact of edge effects (£113m) and reconciliation of bridging projects (£256m) and a true-up of easements (£48m).

Wider Works

This represents expenditure required for customer driven reinforcement of the transmission system to meet security standards and to fulfil licence obligations.

- **Baseline PCD projects.** These are projects where our assessment of the technical needs case and associated high-confidence costs and delivery timeline enabled a specific funding decision to be made.
- **Baseline "Bridging" projects.** Allowances were set to fund only the efficient costs of the T2 portion of these Infrastructure projects, creating a "bridge" for projects spanning RIIO-2 and RIIO-3 price control periods. **Wider Works.** Projects eligible for funding through the volume driver.
- **Wider works**. Projects eligible for funding through the volume driver mechanism.

General Wider Works (GWW)

This category covers LR investments that do not fall into any of the categories above (e.g. Permanent Easements[30]). This category also includes investment carried out by the TOs driven by NESO requirements.

- **Pre-construction:** funding the cost of pre-construction works incurred.
- **TSS infrastructure:** is investment that supports the operation of the transmission system.
- **Multi driver: this relates to** four new multi driver investments at Necton, Norwich, Penrhos and Wallend, which were submitted as MSIP re-openers.

Tables A4.2 and A4.3 below present an overview of NGET's assessment of LR performance across (i) the four-year period, and (ii) the five-year RIIO-2 period comparing expenditure level to the adjusted allowance for each LR grouping.

[30] This is activity related to access and legal agreements where both parties agree to remove the easement, or if the easement is no longer needed due to changes in property ownership or layout.

Table A4.2: NGET LR performance (four-year actual expenditure vs allowance)

Expenditure

£million, 2018/19 prices	Baseline	UM	Re-opener	T1 carry-over	Total
Generation	127	176	-	7	**310**
Demand	122	112	106	2	**343**
Wider Works	155	84	-	2	**240**
General WW	59	8		8	**74**
Pre-con	155	0	12	-	**166**
TSS	1	-	-	-	**1**
Multi Driver	-	-	121	-	**121**
Sub total					**1,643**
"One-off" contributions					**-75**
Total 1					**1,568**

Adjusted allowance

	Baseline	UM	Re-opener	T1 carry-over	Total
Generation	171	197	-	n/a	**369**
Demand	105	132	64	n/a	**301**
Wider Works	372	279	-	n/a	**650**
General WW	200	-	-	n/a	**200**
Pre-con	372	-	11	n/a	**383**
TSS	32	-	-	n/a	**32**
Multi Driver	-	-	84	n/a	**84**
Total 2					**2,327**
Performance (1-2)					**-759**

Over the four-year period, total spending on the LR portfolio reached £1,643m (£1,568 including the impact of cumulative one-off charges). This is £759m (31%) less than the LR allowances of £2,327m (excluding NGET's estimated end-of-period adjustments).

We note that factoring in a pro-rata value of NGET's expected end-of-period adjustments will further reduce allowance and result in a smaller underspend (£428m or 18%).

The key points of note from the first four years of RIIO-2 are:

- the baseline plan has undergone significant changes and is a major factor in the observed LR underspend to date. NGET notes that customer-driven activities have caused the connection landscape to evolve differently than anticipated, leading to adjustments in the investment portfolio and associated allowances.
- underspend is particularly evident in Wider Works (£410m) and Pre-con activity (£216m), which is linked to the above changes in customer driven activity and the annual updates to the NOA process (led by the NESO).
- spending under Re-opener mechanisms has delivered modest savings (c.£60m).

Table A4.3 presents an overview of NGET's assessment across the five-year RIIO-2 period. The assessment therefore includes NGET's forecast expenditure and allowances across the 2024-2026 period and incorporates NGET's current estimate of adjustments.

Table A4.3: Expenditure and adjusted allowance by LR grouping (five year)

Note 1: Generation baseline value includes the Hinkley connection project.
Note 2: The allowance values include adjustments embedded in the operation of the UMs.

A. Five-year Expenditure

	Baseline	UMs	Re-op	Other	(A) Total
Generation	146[note 1]	320	0	7	**473**
Demand	138	166	132	2	**438**
WW	211	111	-	2	**324**
LOTI	-	-	486	-	**486**
MSIPOt	7	-	93	-	**100**
GWW	74	10	-	8	**91**
Pre-con	207	0	13	-	**220**
TSS	10	-	-	-	**10**
Multi driver	-	-	163	-	**163**
Total					**2,306**[31]

[31] The total expenditure value incorporating the impact of one-off contributions across the period is £2,204m.

B. Five-year Adjusted Allowance

	Baseline	UMs	Re-op	(B) Total	A – B
Generation	219	288	-	**508**	
Demand	113	197	81	**390**	
WW	572	310	-	**882**	
LOTI	-	-	490	**490**	
MSIPOt	-	-	165	**165**	
GWW	126	-	-	**126**	
Pre-con	384	-	11	**395**	
TSS	40	-	-	**40**	
Multi driver	-	-	170	**170**	
Framework adjustments				**-237** [note 2]	
Total 1				**2,930**[32]	**-625**

Over the five-year period total spending on the LR portfolio is expected to reach £2,306m, (£2,204m including the impact of one-off contributions). This is £625 m (21%) less than the LR allowances of £2,930 m before including the impact of NGET's expected end-of-period adjustments. Including the current estimated adjustment (£416m) reduces the estimated underspend to £310m, or 12%.

We note that this performance is also expected in a challenging period of economic conditions, with several upward cost pressures (e.g. rising commodity prices and additional development costs) that are likely to continue to impact across the RIIO-2 period.

The key points of LR performance, based on incorporating NGET's delivery expectations for the LR portfolio over the final year of the price control period, are:

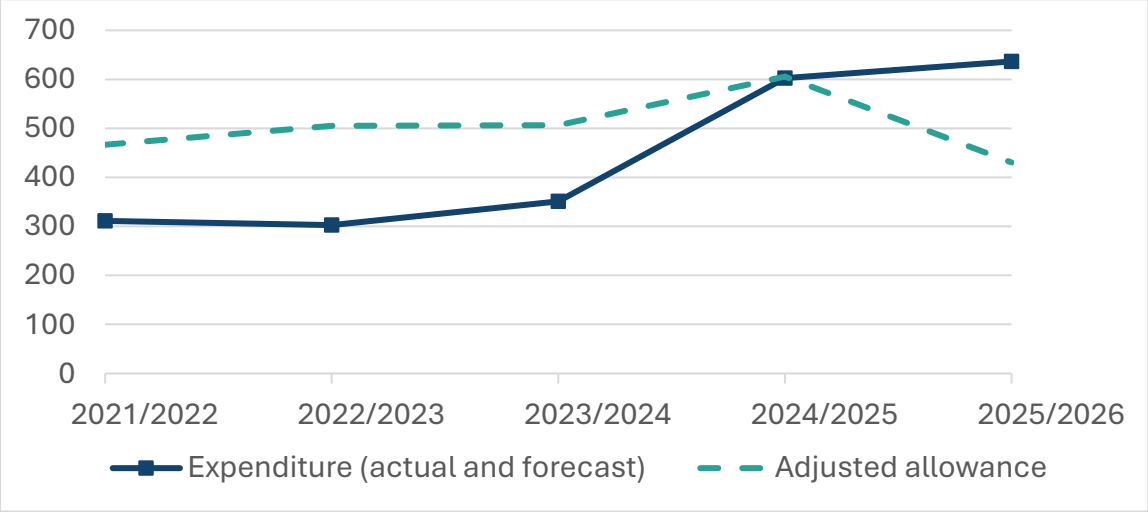
- The difference between costs and allowances varies by investment portfolio. As we progress further into the T2 period, various volume driver mechanisms will automatically adjust allowances to match the required output levels. An increase in activity and delivery is anticipated before the end of March 2026, leading to a rise in both compared to the levels anticipated when the RIIO-2 settlement was reached.

[32] Including NGET's estimated adjustments for Edge effects, Bridging projects and Easements the total adjusted allowance is £2,514m.

- LR spending has increased significantly over the last year (as predicted) and this trend is expected to continue in the final year of the current price control period, incurring a total £1.24bn within this two-year period leading to the end of the five-year period (versus £0.97bn in the first three years of RIIO-ET2).
- While the anticipated underspend in Generation activity is expected to be largely offset by the overspend expected in Demand activity across the period the performance of the wider works and pre-construction categories are expected to remain a major source of underspend. NGET explains that underspends across the Wider Works portfolio have been driven by projects being delivered at lower costs than either Baseline or UM allowances (e.g. using power control devices instead of the original solution anticipated when the RIIO-2 settlement was set).
- Despite the potential for some projects to benefit more than others with unit costs set on an average basis, the T2 volume drivers for generation and demand remain broadly cost-reflective, as evidenced by the relatively low number of 'atypical schemes' triggering MSIPs. Given the extent of the change in outputs, the volume drivers have worked well at adjusting allowances.
- Re-opener mechanisms are expected to remain a significant source of additional allowance across the five-year period. However, the current expectations are that spend will be marginally below the expected funding by £30m (3%).
- The current value of NGET's adjustments at the end of the period are expected to reduce the level of LR underspend by approximately 50%.

The figure below compares the actual LR spent to date and NGET's current expectations of the spend to be incurred across the remainder of RIIO-2 against the anticipated allowance across the period. It highlights an underspend during the first four years of RIIO-2, followed by a shift in the final reporting year where total expenditure is expected to exceed the allowance.

Figure A4.1: Comparison of LR costs vs adjusted allowance



Supporting data (including the impact of one-off charges and NGET estimated end-of-period adjustments)

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	311	303	351	602	636
Adjusted allowance	466	505	506	606	430

NGET's Non-Load Related (NLR) performance

Non-load activity mainly involves capital investment on replacement and prevention maintenance (refurbishment) to keep existing assets in good condition. The activities are summarised below.

- Replacement. This relates to TO action to replace an existing asset due to it being at its end of life or uneconomic to repair.
- Refurbishment major. This relates to major planned activities that change asset condition (e.g. major overhaul of a circuit breaker).
- Refurbishment minor. This relates to minor planned activities that change asset condition (e.g. tower steelwork recovery).

NGET forecasts spending of £1.704bn on its asset health plan by the end of RIIO-2—£112m (7%) above the expected £1.592bn allowance, including the impact of NGET's estimated adjustments. When excluding the impact of unfunded "costs outside submission" (CoS) activity, total spend is projected at £1.562bn, representing a 2% (£30m) underspend against the adjusted allowance over the five-year period.

We set out NGET's view of adjusted NLR performance in the tables below, starting with the performance across the four-year period of RIIO-2.

Table A4.5: NGET NLR performance (four-year actual expenditure vs allowance)

Expenditure *(impact of expenditure on Strategic Spares not included)*

£million, 2018/19 prices	Baseline	UM	Re-opener	T1 carry-over	Total
Replacement	1,194	0	114	-5	**1,303**
Refurb Major	69	0	0	1	**71**
Refurb Minor	11	0	3	0	**14**
Total 1					**1,387**

Adjusted allowance *(impact of Strategic Spares and NGET's end-of-period estimated adjustments not included)*

	Baseline	UM	Re-opener	T1 carry-over	Total
Replacement	1,258	0	99	n/a	**1,356**
Refurb Major	212	0	14	n/a	**225**
Refurb Minor	67	0	2	n/a	**69**
Total 2					**1,650**
Performance (1-2)					**-262**

Over the four-year period, total spending on the NLR portfolio reached £1,387m. This is £262m (16%) less than the unadjusted NLR allowance of £1,650m (excluding activity associated with the baseline funding category of Strategic Spares and the impact of NGET's estimated end-of-period adjustments).

When excluding the impact of unfunded CoS, cumulative spend across the four-year period is £1.262bn, representing a 5% (£72m) underspend against the allowance over the period.

We note that factoring in a pro-rata value of NGET's expected end-of-period adjustments will significantly reduce allowance and result in an overspend for the period (£54m or 4%).

NGET explains that the performance reflects the considerable change to the baseline delivery plan relative to what was originally anticipated when the RIIO-2 settlement was reached. The change has impacted the timing and internal processes to monitor, maintain and replace existing assets.

NGET's view is that much of this has been caused by changes in external circumstances which has driven reductions in replacement/refurbishment activity and associated spend in the first four years of RIIO-2. These circumstances include:

- difficulties with contractor availability and equipment supply delays due to increasing lead-times in a globally constrained market.
- the evolving nature of customer projects impacting on system access for asset health interventions.
- some planned asset health replacement activities being superseded by LR investments and therefore removed from NGET's asset health plan.

We set out NGET's view of adjusted NLR performance across the five-year period below.

Table A4.6: NGET NLR performance (five-year expenditure vs adjusted allowance)

Expenditure *(impact of expenditure on Strategic Spares not included)*

£million, 2018/19 prices	Baseline	UM	Re-opener	T1 carry-over	Total
Replacement	1,426	0	149	15	**1,590**
Refurb Major	89	0	0	3	**91**
Refurb Minor	15	0	5	2	**22**
Total 1					**1,703**

Adjusted allowance

	Baseline[33]	UM	Re-opener	T1 carry-over	Total
Replacement	1,441	0	135	n/a	**1,576**
Refurb Major	273	0	17	n/a	**290**
Refurb Minor	83	0	3	n/a	**86**
Sub total					**1,952**
NLR adjustments					**-395**[34]
Total 2					**1,557**
Performance (1-2)					**+146**

NGET forecasts total spending on the NLR portfolio is expected to reach £1,703m. This is £249m (13%) less than the total unadjusted NLR allowance value of £1,952m.

As noted above, NGET considers that to provide an accurate performance measure, end-of-period adjustments should be reflected in the RIIO-2 allowance. Whilst some of the adjustments are not available due to timing of reporting submissions (i.e. NARM), those that are available have been incorporated and reduce allowances by £395m.

After accounting for NGET's anticipated end-of-period adjustments, the allowance decreases to £1,557m, leading to a forecast overspend of £146m (9%).

The estimated overspend position is further reduced to £112m (7%) when the Strategic Spares allowance and related spend are included.

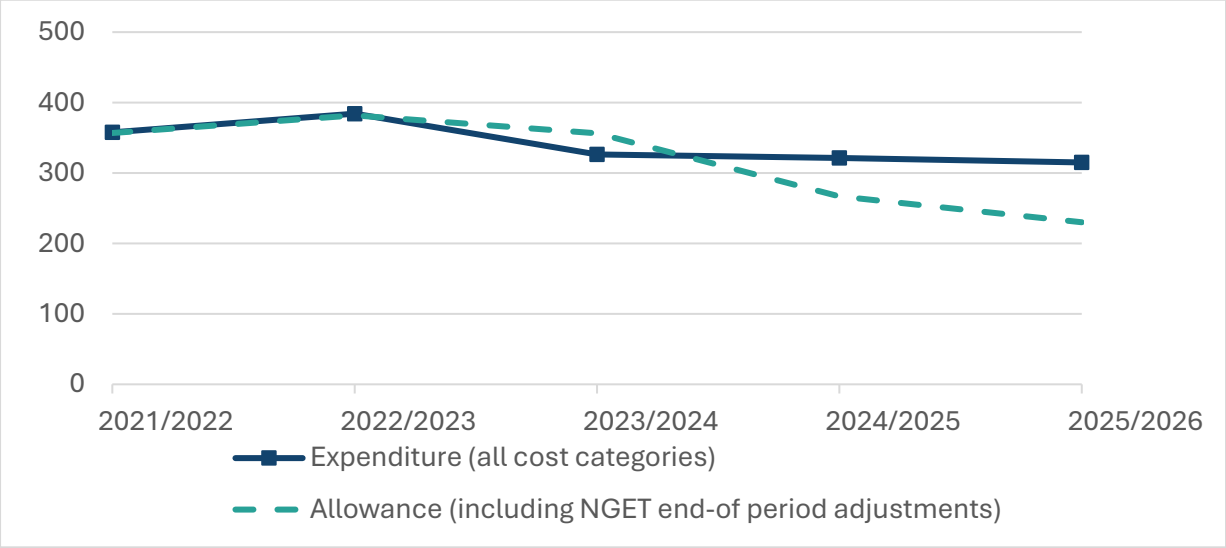
The figure below compares the actual spend to date on asset health activity and NGET's current expectations of the expenditure across the remainder of RIIO-2 against the adjusted allowance for this period. It confirms the underspend observed so far and the

[33] £1,797m is the total value of baseline allowances, including the impact of ongoing efficiency, across the cost categories of Replacement and Refurbishment only. It does not include baseline funding provision for spares (£34m), nor does it incorporate the impact of the NLR offset value captured in SpC 3.38 of NGET's Licence.

[34] This reflects NGET's anticipated adjustments through the PCD process and the Use-It-Or-Lose-It mechanism.

actual and forecasted uplift in the fourth and final years of the RIIO-2 period, pushing total expenditure above the allowance.

Figure A4.2: Asset Health five-year cost vs adjusted allowance performance



Supporting data (impact of NGET's estimated allowance adjustment and Strategic Spares included. Expenditure values include the impact of CoS and Strategic Spares)

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	358	384	326	321	315
Adjusted allowance	357	382	356	267	230

The variance between NGET's current view of NLR spend and allowance across the full RIIO-2 period, after incorporating NGET's delivery expectations final year, is due to the following factors.

- **Activity Basis**: NGET is projecting an overspend of £13m (pre-adjustment) for its replacement program over the five-year price control period, driven by increased baseline activity and associated costs in the remaining year of the RIIO-2 period. This is offset and outweighed by a c.£260m (pre-adjustment) underspend in the refurbishment portfolio due to lower-than-expected baseline activity.
- **NARM:** A modest net overspend of £19m[35] is anticipated for the delivery of NARM works, primarily due to delays in major site-based schemes for circuit breakers, which are increasing costs. This is offset by a reduction in total activity and associated spend across other NARM categories due to delivery challenges.

[35] Five-year spend of £310m is currently expected to be above the allowance value of £292m.

- **London Power Tunnels 2 (LPT2):** This ring-fenced NARM project is showing a £13m[36] increase in spend compared to RIIO-T2 allowances, mainly due to the decision to bring forward decommissioning works into the RIIO-2 period.
- **NLR PCD Categories**: An underspend is expected, partly because allowances are not fully adjusted and due to delivery efficiencies achieved by NGET. More details are provided in section three.
- **Efficiency** has played a role too in the delivery of work progressed through the re-opener mechanism, but the estimated levels are small and difficult to independently verify.
- **Other**: The main factors contributing to NGET's forecast under-performance (spend exceeding allowance) in RIIO-2 are activities without RIIO-2 baseline allowances. This includes spending in RIIO-2 for outputs expected in RIIO-3 and a category called 'Costs outside submission' (CoS), which is discussed further below.

Costs outside submission (CoS)

Allowances under the RIIO-T1 framework were set at an asset category level (cables, switchgear, etc.) and were not allocated against specific, named asset interventions. TOs had an element of autonomy to re-prioritise and optimise replacement and refurbishment plans in the delivery of efficient network as the intelligence used for decision making evolved.

Changes in NGET's delivery plan after its RIIO-2 submission resulted in a delay to these interventions. These changes were primarily driven by a mix of system access considerations, and resource constraints (internal NGET staff and external contractor availability).

In RIIO-2, NGET are completing the work originally planned and funded in RIIO-1. This work is not part of the RIIO-2 regulatory outputs and NGET is delivering this work without any new baseline allowances in RIIO-2. The current allocation is summarised below.

Table A4.7: NGET's current view of five-year CoS actual and forecast expenditure

£ million, 2018/19 prices	Baseline	UMs	Re-op	T1 carry over	Total
Replacement	130	0	0	-8	**121**
Refurb Major	17	0	0	1	**19**
Refurb Minor	2	0	0	0	**2**
Total					142

NOTE: Baseline in this context is a presentational position, the activity is unfunded in RIIO-ET2.

Total spending of £142m is expected to deliver the asset-health work outstanding from RIIO-1. NGET notes that a portion of the unfunded work has already been completed

[36] Five-year spend of £530m is currently expected to be above the allowance value of £517m.

(c.90% or £132m) in the first four years of RIIO-2. The vast majority of these costs are driven by replacement activity.

NGET's intention remains to complete the remainder of the CoS work across the rest of the RIIO-2 period and to minimise the impact on delivering RIIO-2 outputs. To complete the outstanding work within the RIIO-2 period, NGET plans to increase the activity rate and associated expenditure across the final year of the RIIO-2 period.

Excluding the impact of CoS across all costs categories, total spending on work across the asset-health portfolio that is in receipt of funding through the RIIO-2 settlement is expected to reach £1,562m[37] across the RIIO-2 period. This is £30m below the adjusted allowance of £1,592m (value includes the impact of NGET's estimated end-of-period adjustments and the original funding for Strategic Spares).

We will continue to closely monitor progress in the delivery of NGET's asset health program of works and the ongoing interaction with the CoS work.

Spares

Strategic spares have a critical role to play in maintaining the reliability and efficiency of the electricity transmission network.

A baseline allowance of £34m was allocated to the provision of strategic spares activity across the RIIO-2 period. This relates to the purchase, storage, management, and utilisation of whole assets only that are strategic in nature (and differentiate from sub-component parts of assets which are considered to be stock items).

This item is reported separately to the asset health activities described in the previous section.

Over the four-year period, total spending on strategic spares activity reached £1.24m, reflecting the use of 5 whole asset strategic spares and the acquisition of 8 strategic spares. This is below the allowance for this four-year period of £21m. No forecast spend is included because of the lead times for replenishment (i.e. the costs of replacing spares used in the current reporting year will largely be reflected in next year's submission).

The reported spend reflects the "whole asset" [38] strategic spares approach and is a subset of what NGET considers to be strategic spares (i.e. includes component parts).

NGET notes that the majority of the utilised spares were asset subcomponents (e.g., bushings, circuit breaker mechanisms), not whole assets. Applying NGET's view of strategic spares, it reports:

- utilisation of 557 spares on the network to date. In addition, NGET used 1,699m of underground cable and 200m of conductor.
- replenishment of 1,576 strategic spares, 7,398m of underground cable and 7,200m of conductor during the same period.

[37] Five-year expenditure of £1,703m plus £1m spend on Spares minus five-year CoS expenditure £142m.

[38] RRP guidance stipulates reporting the use of "whole assets only".

NGET's non-operational capex performance

Table A4.8: NGET's non-op capex spend compared to allowance

£million 2018/ 2019 prices	Four-year actual	Final-year forecast	Five-year total
Expenditure			
Baseline	220	69	**288**
Re-Opener/UM	91	80	**171**
1. Total Spend	311	149	**460**
Adjusted allowance			
Baseline	219	40	**259**
Re-opener/UM	126	67	**193**
2. Total Allowance	345	107	**452**
Performance (1-2)			**8**

Non-operational capex is reported to be £8m overspent against adjusted allowances of £452m (including re-openers[39]) for the RIIO-T2 period.[40]

The overall overspend is attributable to the IT and Telecoms portfolio, reflecting additional IT capabilities necessary to support delivery of the portfolio of ASTI investments, together with EV charging infrastructure and vehicle purchases.

Focussing on baseline activity, NGET forecast RIIO-T2 expenditure of £288m against allowances of £259m, resulting in an overspend of £29m (11%). This variance is primarily driven by additional investment in IT capabilities to support the delivery of the extensive ASTI portfolio (funding arrangements are under separate discussion).

Non-Operational IT & Telecoms

NGET notes that £97m was spent on IT & Telecoms investments in the 2024-25 reporting year, exceeding the adjusted allowances, including re-openers of £59m, resulting in an overspend of £38m (64%), offsetting underspend across previous years. This annual overspend is primarily attributable to two factors:

- investment of £33m in the delivery of the key strategic SCADA program, which is £16m above the annual allowance, and
- an annual overspend in core IT investment, exceeding annual allowance by £18m.

[39] This includes a baseline allowance of £259m and funding of £136m across RIIO-T2 for a new Supervisory Control and Data Acquisition (SCADA) system.

[40] The Electricity Transmission Cyber Security (ETCC) re-opener appears for the first time in the reporting of non-operational capex. It allows NGET to request additional funding for cyber security investments and has a total value of £57m. The decision can be found here: https://www.ofgem.gov.uk/decision/final-determinations-riio-2-re-opener-applications-2024-electricity-transmission-electricity-distribution-and-gas-distribution

Across the five-year period NGET currently expects a £53m overspend (15%), reflecting NGET's strategic approach to flatten the actual spend curve against the baseline allowance profile, which declines in regulatory years 2024-25 and 2025-26. Year-on-year spend on core IT (excluding SCADA, ETCC, and ASTI enabling) has also increased as NGET continue embedding a digital operating model and enhancing digital capabilities.

NGET believes that it is on-track to deliver the commitments associated with the delivery of the re-baselined SCADA solution[41]. Product configuration and business process development all delivering to enable the start of System Integration Testing.

Non-Operational Property and Vehicles

The current forecast is that overall spend in the RIIO-T2 period, including 'Return to Office' costs, will be £9.4m which is in line with RIIO-T2 allowances. It was initially anticipated that significant investment would be required at National Grid House. However, NGET has since decided to extend the operational life of certain assets and restrict activity to essential works only.

Investment in EV charging during RIIO-T2 is forecast at £14m, which is £3m above the baseline allowance of £10m. NGET have utilised an additional £3.3m of allowances (resulting from a review of Productive Work Environment and EV charger costs)[42]. This programme will deliver 1,430 7kWh AC charging bays and 40 50kWh rapid DC chargers across the ET operational estate.

Small Tools, Equipment, Plant, and Machinery

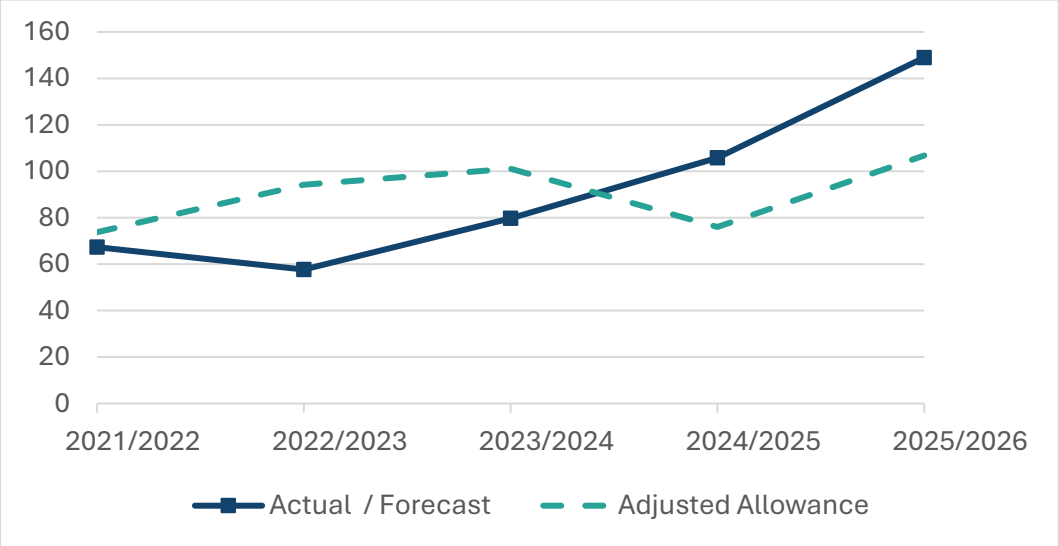
Additional equipment was purchased resulting in expected costs exceeding the allocated allowance by £6m.

As shown in the figure below, the trend in underspend reported across the first three reporting years (£64m) has been replaced by an actual overspend (£30m) in 2024/25, with further overspend (£42m) forecast in 2025/26. The result is a forecast overspend across the RIIO-2 period of £8m.

[41] NGET cites a review that resulted in a "once-in-a-generation" change to its SCADA program. This transformation involved onboarding multiple vendors for key components of the solution and strengthening the infrastructure build to ensure cyber resilience is fully embedded.

[42] This is not reflected RRP data template against non-operational capex - it is split across the Property and NOC tables.

Figure A4.3: Non-operational capex cost vs adjusted allowance performance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	67	58	80	106	149
Adjusted allowance	74	94	101	76	107

NGET's NOCs performance

These are the costs incurred in the day-to-day operation of the network and other activities directly related to maintaining its reliability.

Total spend across this portfolio of activity is forecast to be £762m, which is £108m (16%) above the adjusted allowance of £654 million for the RIIO-2 period.

The £108m overspend in the NOCs cost category is primarily driven by high-cost events requiring urgent repairs and maintenance, as well as increased expenditure within the Legal and Safety portfolio. This includes a rise in electricity costs for 'own use' at substations and an overspend in flood defence measures. This position is only partially offset by a forecasted underspend across the Inspections portfolio (£29m) and reduced costs associated with vegetation management (£2m).

Below is NGET's assessment of NOC's performance over the five-year RIIO-2 period.

Table A4.9: NGET NOC performance (five-year expenditure vs allowance)

£million, 2018/19 prices	Baseline	UM	Re-opener	Total
Faults	1	0	0	**1**
Inspections	62	0	0	**62**
Repairs	350	0	5	**355**
Maintenance	82	0	0	**82**
Vegetation management	26	0	0	**26**
Legal & Safety (excl. electricity)	158	0	3	**161**
Electricity costs only	75	0	0	**75**
Total (1)				**762**

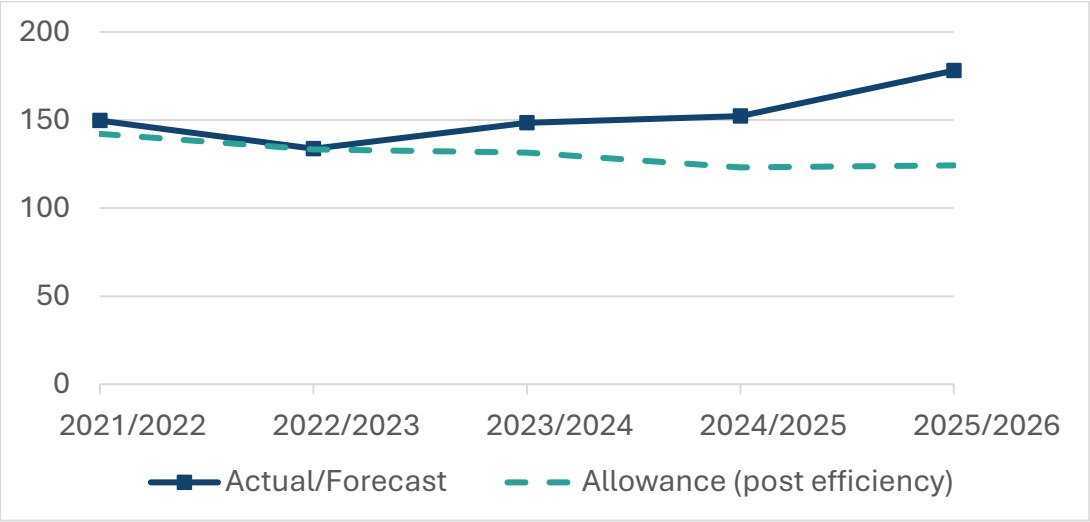
Adjusted allowance

	Baseline	UM	Re-opener	Total
Faults	1	0	0	**1**
Inspections	91	0	0	**91**
Repairs	293	0	24	**317**
Maintenance	75	0	0	**75**
Vegetation management	28	0	0	**28**
Legal & Safety (excl. electricity)	97	0	3	**100**
Electricity costs only	32	0	10	**42**
Total (2)				**654**
Performance (1-2)				**+108**

NGET's own-use electricity consumption across its substations is forecast to exceed the RIIO-2 allowance by approximately £33m, with projected expenditure of £75 million against an allowance of £42m. This overspend is primarily driven by increased electricity usage required to support infrastructure, operations, and regulatory obligations, as well as wholesale electricity prices rising above inflation since the beginning of the RIIO-2 period.

The figure below shows a comparison of expenditure against the corresponding allowances for NOCs over the RIIO-2 period. It also includes NGET's substation electricity costs for own use, alongside the associated allowances over the same period.

Figure A4.4: Comparison of NOCs spend vs adjusted allowance (Incl. own use electricity)



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	150	134	148	152	178
Adjusted allowance	142	133	132	123	124

The NOC data indicates an overspend in each year of the five-year RIIO-2 period, with the highest overspend forecast in the final year.

The reasons for the variance between expenditure and allowances across each NOC cost category are outlined below.

Faults

Spending is expected to be broadly in line with the allowance across the RIIO-2 period, primarily due to a lower number of faults. The forecasted fault volume for RIIO-2 is 691, which is 44 fewer than the originally budgeted volume of 735.

Inspections

NGET is forecasting an underspend of £29m in inspection activities. This efficiency is largely attributed to enhanced capabilities and increased investment in inspection methods and equipment such as helicopter-mounted cameras which have improved asset condition monitoring and enabled more effective surveys. An over-delivery of volumes is currently anticipated (62,825 vs. 30,935), as highlighted in Table A4.13 below.

Alongside routine inspections, NGET conducted visual surveys of civil structures at every high-voltage substation where it owns assets during the regulatory period. NGET reports that:

- 88% of NGET-owned sites were inspected within the first four reporting years, with 12% still outstanding.

- For third-party-owned sites, 78% have been inspected to date, leaving 22% remaining.

Overall, NGET is on target to complete these civil structure survey activities within the five-year period. This has required the training of new personnel, including the addition of a dedicated supervisor to drive delivery.

Maintenance

An overspend of £6 million is forecast by the end of RIIO-2 for maintenance activities. This is primarily due to policy compliance and improved alignment of delivery with outages and site strategies. The policy change involves a shift from a variable to a fixed maintenance approach for certain asset categories, resulting in more frequent maintenance activities and, consequently, higher costs.

Repair

NGET is forecasting an overspend of £38m in repair activities. The key drivers of this overspend include two cable incidents at Highbury and Walham, which together contributed £23m. Additional drivers include increased battery replacements and a high level of asset interventions, resulting in a significant volume of repair work at substations—particularly due to SF6 leakage and initiatives under the Operational, Engineering & Safety Bulletin (OESB). The increased volume of repair work has contributed to a 16% year-on-year reduction in SF6 emissions. The reasons for the overspend are reflected in the volume of NGET repair works, which is expected to exceed the target agreed in the RIIO-2 Final Determination by 42,169 interventions (110,097 vs. 67,928).

Vegetation management

The RIIO-2 spend is forecast to be £2m below the allowance. This underspend is attributable to collaboration with contractors, which led to the identification of a more efficient and flexible approach to tree management. Although the method resulted in a higher cost per span, it has reduced the overall annual vegetation management cost and delivered a more desirable outcome.

Legal & Safety

Over the RIIO-2 period, legal and safety activities are forecast to exceed the allowance by £94m, resulting in a higher volume of work than originally anticipated at Final Determination. Of this overspend, £33m relates to electricity own-use, while the remaining £61m is driven by the following factors:

- Completion of flood defence works carried over from the RIIO-T1 period has resulted in an overspend of £32m.
- An increase in operational property rents has resulted in an overspend of £10m.
- £6m overspend is attributed to environmental cleanup and response activities following the high-profile substation fire incident on 20 March 2025.
- An overspend of over £11m relates to operational site care, driven by additional security system upgrades and fire protection measures across more sites than initially anticipated.

Table A4.10: NGET NOC volumes by category (five-year total)[43]

	2022	2023	2024	2025	2026	TOTAL	FD
Faults	147	122	141	143	138	**691**	**735**
Inspections	13,912	12,956	9,515	14,060	12,383	**62,825**	**30,935**
Repairs	22,495	23,017	20,594	21,059	22,932	**110,097**	**67,928**
Maintenance	23,161	22,809	20,081	19,804	21,472	**107,327**	**47,745**
Veg Mgmnt	997	1,083	1,108	1,144	1,083	**5,415**	**7,258**
Legal & Safety	471	527	602	565	547	**2,712**	**680**

Visual Amenity and the Landscape Enhancement Initiative (LEI)

These activities aim to reduce the visual impact of transmission investments and deliver better outcomes for communities potentially affected by major construction projects.

The Visual Amenity includes five projects. Dorset and Peak District National Park have been completed, while Eryri (Snowdonia) National Park and North Wessex Downs remain on track.

The total project cost forecast over the RIIO-2 period is £292m, which is £19m below the allowance of £311m, representing a 6% underspend. This underspend is primarily attributed to a re-profiling of spend within the Snowdonia project.

Table A4.11: NGET's current view of five-year expenditure and adjusted allowance

£million 2018/ 2019 prices	**Five-year total**
Baseline Spend	3
UM spend	0
Re-Opener Spend	289
1. Total Spend	**292**
Baseline Allowance	14
UM allowance	0
Re-opener allowance	297
2. Adjusted Allowance	**311**
Performance (1-2)	**-19**

[43] The historical volume values reported for NGET in the 2023/24 annual report have been revised. We identified issues in how NGET reported volumes for inspections, R&M and Legal & Safety activities, noting deviations from the agreed volume classifications. In response, a roadmap with NGET has been agreed to align with the classifications set out in the FD and RIGs.

Smaller projects are awarded funding through the LEI, covering activities such as fencing improvements, woodland restoration, and grassland management. Since the initiative began, a total of 67 projects has been awarded, with 51 completed. A provision of £11.6m was set aside for LEI projects over the RIIO-2 period. NGET forecasts a total spend of £6.4m, resulting in an underspend of £5.2m.

NGET's indirect performance

This includes spending on day-to-day activities required to maintain and operate the transmission networks. These include Closely Associated Indirect (CAI) and Business Support Costs (BSC).

CAI costs support operational activities and the internal resource needed to facilitate the delivery of a company's capital delivery programme of works (i.e. back-office functions closely involved in the construction and operation of network assets, such network design). Lower indirect costs will therefore be driven by developing or delivering lower levels of capital investment (and vice versa).

BSC costs are incurred supporting companies' general business activities and corporate governance. The scale of BSC is a consequence of the TO business changing in size relative to other business areas (e.g. growth may require additional IT business support functions).

NGET total expenditure on indirect baseline activity (CAI and BSC) for RIIO-2 is forecast to be £1.57 billion, which is 19% higher than the total baseline allowance of £1.32 bn.

Incorporating the additional funding through the applicable re-opener mechanisms - the opex escalator and indirect costs relating to LOTI projects – total spend is expected to be 5% lower than the total adjusted allowances of £1.65 billion.

The forecast total underspend of almost £88m is driven by an anticipated underspend on Closely Associated Indirects. This has been driven by an underspend across the Load and Non-Load portfolio and an underspend on Optel.

Below we set out NGET's view of CAI and BSC performance across the entire five-year RIIO-2 period (i.e. includes NGET's current expectations of forecast expenditure and allowance between 2025-2026).

Table A4.12: NGET indirect performance (five-year expenditure vs allowance)

Note: includes the impact of ESO separation costs only. It does not include beyond 31 March 2026 funding for Harker LOTI being brought forward to RIIO-2 timescales (£8m).

A. Five-year Expenditure

£million, 2018/19 prices	Baseline	UMs	Re-opener	(A) Total
CAI	1,100	0	0	**1,100**
BSC	471	0	0	**471**
Total				**1,571**

A. Five-year Adjusted Allowance

	Baseline	UMs	Re-opener	(C) Total	A – C
CAI	880	0	307	**1,187**	-88
BSC	441	0	22 (Note)	**463**	+8
Total				**1,650**	-79.5

CAI

Total CAI spend for RIIO-T2 is forecast at £1,100m, compared to adjusted allowances of £1,187m, resulting in an underspend of £88m (7%).

The increase in expenditure during the later years of RIIO-T2 reflects the timing of capital project development and delivery versus allowances. This is evident in the underspend during the first three years and the higher spend reported in 2024–25 and 2025–26.

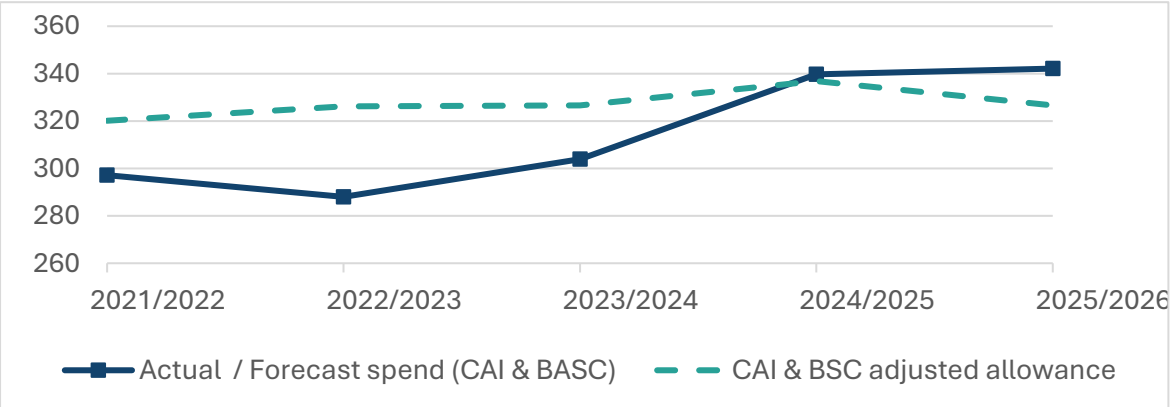
NGET notes that, despite unforeseen challenges such as rising costs and the need to recruit and train additional staff for RIIO-T3, totex is expected to remain within forecasted levels for the RIIO-T2 period. This is primarily due to the extended scheduling of development and implementation phases for capital projects compared to initial plans.

Overall, NGET anticipates that its updated delivery strategy will ensure CAI expenditure remains within allowances throughout RIIO-T2, driven mainly by a £15m underspend on Optel and "edge effects" within Load Related Capex.

BSC

Across RIIO-2, NGET anticipate BSC spend to be above the adjusted allowance (£8m overspend). This overspend is driven by IT & Telecoms costs alongside additional support functions required to deliver project work aligned with decarbonisation targets.

Figure A4.5: Comparison of Indirect spend vs adjusted allowance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	297	288	304	340	342
Adjusted allowance	320	326	327	337	327

NGET's Other performance

This includes spending across activities to strengthen critical network sites (physical security) and to improve and upgrade communication and operational systems to make them more resilient (cyber security).

An overview of the performance is provided in table A4.13 below. Due to the sensitive nature of these activities NGET's performance is not discussed further.

Table A4.13: NGET's current view of five-year other expenditure and adjusted allowance

£million 2018/19 prices	**Five-year total**
Baseline Spend	148
UM Spend	0
Re-Opener Spend	184
1. Total Spend	**332**
Baseline Allowance	175
UM allowance	0
Re-opener allowance	211
2. Adjusted Allowance	**386**
Performance (1-2)	-54

SHET

SHET's view of totex performance

Based on the information provided to us through the 2024-25 submission, SHET currently expects to receive £3.8 billion over RIIO-2 and currently anticipates a marginal underspend (0.3%). This is before the operation of the TIM, which would return 64% of this to consumers.

Table A4.14: SHET's current view of totex and adjusted totex allowance

£ billion, 2018-19 prices	Five-year total
Current forecast of expenditure	**3.51**
Current forecast of adjusted allowance	**3.80**
Performance	- 0.3 (7%)

The totex detailed within SHET's RRP is derived from its Likely Outturn Assessment (LOA) methodology. The methodology is used by SHET, alongside the underlying energy background, to identify which schemes are likely (or unlikely and considered not to sit within the LOA) to connect to its network, thereby providing a more accurate forecast of SHET's expenditure.

SHET's LR performance[44]

SHET is currently forecasting to spend close to £1.9 billion by the end of RIIO-2 on load related activity; 13% below the expected allowance of £2.2 billion.

Table A4.15: SHET's current view of five-year LR expenditure and adjusted LR allowance

A. LR expenditure

£million, 2018-2019 prices	SHET
Baseline	**537**
Uncertainty Mechanisms	**41**
Re-openers	**1,193**
Other[45]	**125**
1. Total	**1,896[46]**

[44] SHET estimates that approximately £165m has been removed from LR expenditure associated with Contractor Indirects.

[45] LR schemes that SHET deems not to sit within its LOA but are still incurring costs. For example, schemes subject to the T2 connection volume driver (not considered LOA) and schemes subject to the MSIP and LOTI re-opener (not considered LOA). The value includes T1 carry-over of £8m and costs identified as 'other' of £117m.

[46] Adjusted for the impact of forecast customer contributions reduces the total value to £1,883m. Adjusted for the estimated impact of CIs, the total expenditure value across the five-year RIIO-2 period rises to £2048m.

B. LR adjusted allowance

Baseline	**761**
Uncertainty Mechanisms	**57**
Re-openers	**1,373**
Other[47]	**1**
2. Total	**2,192**
Total expenditure less total adjusted allowance (1-2)	-295

To explain SHET's LR performance more clearly, we've used the same "investment category" groupings used for NGET, where applicable.

Note that the "General Wider Works" category is not utilised as there is no comparable activity in SHET's RIIO-2 settlement.

Tables A4.19 and A4.20 below provide an overview of SHET's assessment of LR performance across (i) the four-year period from April 2021 to March 2025, and (ii) the five-year RIIO-2 period, including forecast expenditure and allowances for the final year, 2025-2026, reported against each LR grouping.

Table A4.16: SHET LR performance (four-year actual expenditure vs allowance)

A. LR expenditure

£million, 2018/19 prices	Baseline	UM	Re-opener	Other	T1 carry-over	Total
Generation	241	19	6	59	8	**334**
Demand	0	0	72	26	0	**98**
Wider Works	185	0	629	0	0	**814**
Pre-con	49	0	0	0	0	**49**
1. TOTAL						**1,294**

[47] In the case of generation and demand connections schemes, all 'sole use' transmission connection asset (TCA) expenditure is charged back to customer. All TCA is subject to 'true-up'.

B. LR Adjusted allowance

£million, 2018/19 prices	Baseline	UM	Re-opener	Other	T1 carry-over	Total
Generation	348	33	16	0	*n/a*	**397**
Demand	0	0	79	0	*n/a*	**79**
Wider Works	260	0	742	0	*n/a*	**1,002**
Pre-con	61	0	0	0	*n/a*	**61**
2. TOTAL						**1,539**
Performance (1-2)						-245

Over the four-year period, total spending on the LR portfolio reached £1,294 m. This is £245 m (16%) less than the cumulative LR allowances of £1,539 m.

The key points of note from the first four years of RIIO-2 are:

- Customer-driven activities have caused the energy landscape to evolve differently than expected, and changes to SHET's outputs are driving changes to SHET's LR investment portfolio and the associated allowances, and this is a major driver of LR underspend.
- Underspend is observed in the categories of baseline wider works and pre-construction activities, primarily due to delays and changes in the technical scope of certain projects.
- Underspend is particularly evident in re-opener wider works investments, largely driven by the timing and phasing of expenditure across the price control periods.

Table A4.17: SHET LR performance (five-year expenditure vs adjusted allowance)

A. LR expenditure

£million,2018/19 prices	Baseline	UM	Re-opener	Other	T1 carry over	Five-year total
Generation	242	41	19	86	8	**396**
Demand	0	0	80	30	0	**110**
Wider Works	232	0	1,094	1	0	**1,327**
Pre-con	63	0	0	0	0	**64**
1. TOTAL						**1,896**

B. LR Adjusted allowance

	Baseline	UM	Re-opener	Other	T1 carry over	Five-year total
Generation	349	57	32	1	*n/a*	**438**
Demand	0	0	88	0	*n/a*	**88**
Wider Works	335	0	1,254	0	*n/a*	**1,589**
Pre-con	77	0	0	0	*n/a*	**77**
2. TOTAL						**2,192**
Performance (1-2)						-295

Over the five-year period, total spending is expected to be £295 m (13%) less than the LR allowances of £2,192 m.

The key points of LR performance (direct cost only), based on incorporating SHET's delivery expectations for the LR portfolio over the next two years, are:

- A material increase in activity and delivery is anticipated before the end of March 2026 through the generation connection volume driver mechanism. This will automatically adjust allowances to match the required output levels, leading to a rise in allowance. An underspend (c.£16m) is currently expected due largely to the impact of savings driven by a revised contracting strategy, alongside savings realised through the competitive tendering process, the early placement of material orders.
- We also note that projects subject to the volume driver are subject to movement and further performance swings are to be expected as projects mature and cost updates are made.
- The performance of the baseline wider works and pre-construction categories are expected to remain a major source of underspend.

SHET anticipates large underspends against the following projects:

East Coast 275kV (ECU2)

This work comprises three schemes: Alyth Substation and Reactive Compensation, East Coast 275kV Overhead Line Works, and Tealing PST. Two of these schemes are now complete, with the third expected to finish by the end of T2. Over the five-year period, total spending is expected to reach £86m, which is £57m (40%) below the allowance across the same period. This underspend is largely driven by the Alyth Substation and Reactive Compensation work. SHET explains that underspend is the result of 'bundled'

works combing the Alyth 275kV substation and Tummel Bridge schemes and from realised efficiencies in civils, risk management, and contracting strategy.

East Coast 400kV Upgrade (ECUP)

An underspend of £47m is anticipated across the five-year period driven by delays caused by supply chain constraints, and the phasing of spend into RIIO-3 (£49m is currently expected to be incurred in the T2+2 period).

SHET have developed a revised programme to upgrade the Kintore–Kincardine overhead line. The programme includes four interlinked projects, featuring foundation and tower upgrades, higher-specification conductors on a proportion of the route, and associated works at Alyth, Kintore, and Fetteresso substations. To facilitate earlier completion and reduced stakeholder disruption SHET is seeking to incorporate elements of the programme into the original East Coast 400kV PCD project.

In July 2025 SHET submitted a Net Zero Reopener application for the increase costs associated with increased system requirements for this investment (with an estimated delivery date of 2033). Discussions are ongoing.

Shetland HVDC

The costs incurred on completing the Shetland subsea cable link are currently reported to be £86m below the five-year allowance of £458m. This performance is attributable to optimised engineering design and streamlined construction processes (e.g., converter station and subsea cable installation) which led to lower material and labour costs. We also note that market prices for HVDC technology and subsea cable remained more stable than forecast, avoiding inflationary pressures anticipated at the start of RIIO-2.

North East 400kV upgrade

Over the five-year period, total spending is expected to reach £131m, which is £38m below the allowance across the period. The underspend is explained to be the result of the contract tendering process, early ordering of materials and a change in scope to the Rothienorman substation (4 SGTs to 2 SGTs).

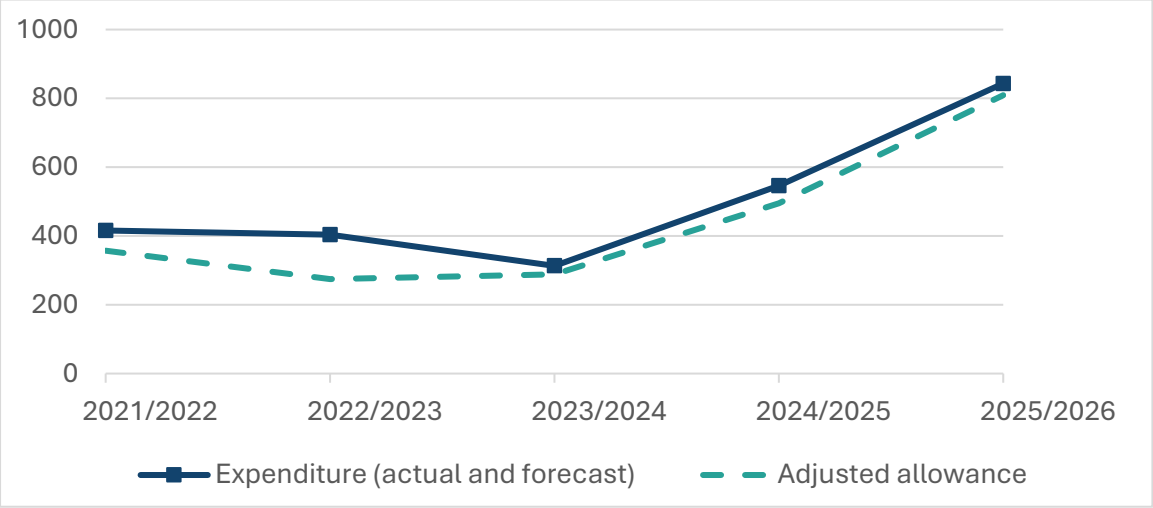
Tummel Bridge SVC

An underspend of £27m is anticipated across the five-year period driven by the bundling works noted above which streamlined construction methods reduced installation time and associated cost.

Re-opener mechanisms are expected to remain a significant source of additional allowance across the five-year period. However, currently expectations are that spend will exceed the expected funding by ~13%, driven predominantly by the cost savings realised through the work on the Shetland HVDC project which was completed in August 2024.

The figure below compares the actual LR spent to date and SHET's current expectations of the spend across the final year of the RIIO-2 period against the anticipated allowance for the period. It confirms the modest underspend observed during the first four years of RIIO-2 and SHET's expectation of a continuing shift towards a closer alignment between spending and allowances by the end of the RIIO-2 period.

Figure A4.18: Comparison of LR costs vs adjusted allowance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	358	274	290	373	602
Adjusted allowance	418	404	315	402	653

SHET's NLR performance

SHET is forecasting to outperform against allowance over the five-year RIIO-2 period. Total spending on the NLR portfolio is expected to reach £465m, which is £381 m (45%) less than the value of NLR allowance across the RIIO-2 period.

Table A4.19: SHET NLR performance (five-year expenditure vs adjusted allowance)

A. NLR expenditure

£million, 2018/19 prices	SHET
Baseline	**415**
Uncertainty Mechanisms	**0**
Re-openers	**0**
T1 carry over	**4**
Other	**45**
Total 1	**465**

B. NLR allowance

Baseline	**761**
Uncertainty Mechanisms	**0**
Re-openers	**0**
Other	**85**
Total 2	**846**
Performance (1-2)	**- 381**

To explain SHET's NLR performance more clearly, our overview applies the same categories used in chapter three (Replacement, Refurb Major, and Refurb Minor). However, the category "NLR Other" differs as it includes activity categories of "Spares," "Black Start"[48] and Landowner Compensation (i.e. "Injurious Affection").[49]

We set out SHET's view of adjusted NLR performance across two different timescales: a comparison of the four-year actual costs incurred against allowance (2021-2024), and a comparison across the full five-year RIIO-2 period for each NLR cost category.

Table A4.20: SHET NLR performance (four-year actual expenditure vs allowance)

£million, 2018/19 prices	Baseline	Re-opener and UM	T1 carry-over	Total
NLR Expenditure				
Replacement	309	0	4	**313**
Refurb Major	0	0	0	**0**
Refurb Minor	0	0	0	**0**
NLR Other	33	0	1	**34**
1. TOTAL				**347**

[48] Black start is the process of restoring part of the grid to operation without relying on the external transmission network.

[49] This refers to the reduction in the value of land or property due to the TOs actions, such as the construction of infrastructure.

NLR Adjusted allowance				
Replacement	646	0	*n/a*	**646**
Refurb Major	3	0	*n/a*	**3**
Refurb Minor	0	0	*n/a*	**0**
NLR Other	75	0	*n/a*	**75**
2. TOTAL				**724**
Performance (1-2)				-377

Over the four-year period, total spending on the NLR portfolio reached £347m. This is £377m (52%) less than the NLR allowance of £724m.

SHET explains that the performance reflects the considerable change to the baseline delivery plan relative to what was originally anticipated when the RIIO-2 settlement was reached. The change has impacted the timing and internal processes to monitor, maintain and replace existing assets.

Much of this has been caused by changes in external circumstances which has driven reductions in replacement/refurb activity and associated spend.

Table A4.21: SHET NLR performance (five-year expenditure vs adjusted allowance)

NLR expenditure				
£million, 2018/19 prices	**Baseline**	**Re-opener and UM**	**T1 carry over**	**Five-year total**
Replacement	415	0	4	**419**
Refurb Major	0	0	0	**0**
Refurb Minor	0	0	0	**0**[50]
NLR Other	44	0	1	**45**
1. Total				**465**

[50] The T2 business plan included £3.2m of allowance for two refurbishment schemes: Tummel Bridge Substation, which has been superseded by the Errochty GSP project, and Redmoss Substation works, which are on hold due to potential alterations to the scope of works.

NLR Adjusted allowance

	Baseline	Re-opener and UM	T1 carry over	Five-year total
Replacement	757	0	n/a	**757**
Refurb Major	3	0	n/a	**3**
Refurb Minor	0	0	n/a	**0**
NLR Other	85	0	n/a	**85**
2. Total				**846**
Performance (1-2)				-381[51]

Over the five-year period, total spending on the NLR portfolio is expected to reach £465m. This is £381m (45%) less than the NLR allowances of £846m. This variance is driven by performance across baseline Replacement programme of works and influenced by a range of factors, including:

- A reduced non-load program and fewer replacements than anticipated when the RIIO-2 settlement was reached, partially driven by improvements in asset condition information deferring the need for intervention, supply chain issues and the ability to secure system access outages with the NESO.
- The reduction in capex spend during T2, compared to the original trajectory, is primarily driven by the re-phasing of NARM projects into T3 or delayed delivery resulting from customer driven changes (resulting in some projects being rescoped and moved into T3), interaction with the wider portfolio, supply chain issues and in one case improved asset condition intelligence.

  SHET proposes that allowances for non-load capex projects not delivered will be returned to consumers, currently estimated at £155m[52]. This is intended to apply where detailed surveys have shown that some assets scheduled for replacement are in better condition than originally expected. Rather than replacing these assets prematurely, SHET intends to hand back the relevant T2 allowances and seek new allowances in future price control periods when replacement becomes necessary.

  SHET currently expects much of the remaining forecast capex underspend to be addressed and delivered in the T3 period (and is separately proposing a re-phasing of the existing T2 allowances).

[51] Excluding the impact of Contractor Indirects included in the capex (£40m), the anticipated underspend is reduced to £341m or 40%.

[52] This does not represent a settled RIIO-2 policy. Discussions are ongoing to assess the merits and practical implications of these proposals within the context and operation of the Network Asset Risk Metric (NARM) funding mechanism.

- the impact of 'trailing costs' for T1 workplan which do not have allowances (£31m).
- initiatives on specific baseline schemes that have driven lower levels of spend than originally anticipated. Examples of baseline schemes are summarised below.

Port Ann – Crossaig 132kV OHL

Over the five-year period, total spending is expected to reach £87m, which is £40m[53] below the allowance across the same period. This project is complete, and the underspend is attributed to cost savings on innovative wiring methods (use of heavy-duty pilot bonds) to improve wiring productivity and the retention of temporary access tracks by the landowner.

Sloy Substation

Costs are estimated to be below RIIO-ET2 allowance by £37m. This is attributable to an agreed change in scope and improved information about the site. Costs have now been phased into T3 (and is currently included in SHET's RIIO-3 work program). A similar position is reported against the Foyers substation project - these works also form part of the RIIO-3 work program. SHET expects to hand-back T2 allowances for these projects through the closeout process.

Beauly 132kv reinforcement

Spend is anticipated to be £16m below allowances across the five-year period. SHET notes that delivery milestones have been affected by issues with supply chain and system access outages.

Kintore Substation Works

An outperformance of £22m is expected in the five-year period. The project is progressing - the first GT has been commissioned, and the GIS hall is complete, and the equipment is currently undergoing testing. The project is expected to crossover control periods and be fully delivered in early RIIO-3 (a further £12m is anticipated to be incurred post RIIO-2).

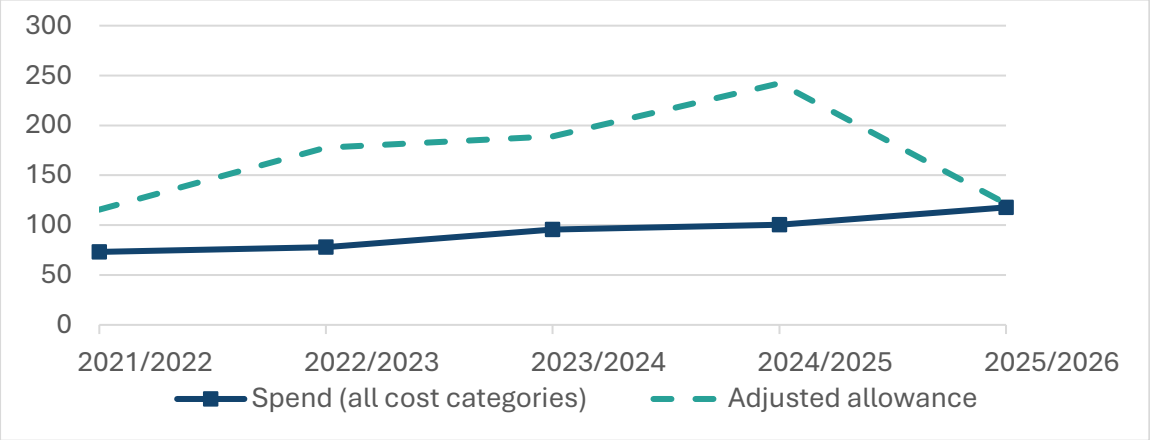
Within the "other" NLR category, the expected outperformance is driven by:

- 42% (£5m) underspend against the allowance for managing spares.
- 44% (£19m) underspend against the allowance for Black Start activities, driven by cost-saving initiatives.
- 56% (£17m) underspend against anticipated injurious affection, due to fewer and lower-value claims than anticipated when the RIIO-2 settlement was reached.

The figure below compares the actual spend to date on asset health activity and SHET's current expectations of the expenditure across the remainder of RIIO-2 against the adjusted allowance for this period. It confirms the significant underspend observed to date and the uplift in activity expected across SHET's network that is expected to bring annual costs into line with adjusted allowances within the final year of the RIIO-2 period.

[53] This excludes the costs and allowance associated with the Inverary to Crossaig scheme and Tree cutting. Total spending with these elements included is £99.6m; an outperformance of £26.7m.

Figure A4.7: Asset Health five-year cost vs adjusted allowance performance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	73	78	96	100	118
Adjusted allowance	116	178	189	242	121

SHET's non-operational capex performance

Overall, the non-operational capex of £89m represents an underspend of £22m against the total five-year allowances (including re-openers) of £110m.

Table A4.22: SHET's non-op capex spend compared to allowance

£million 2018/2019 prices	Cumulative four-year actual	Final year forecast	Five-year Total
Expenditure			
Baseline	58	18	**76**
Re-Opener	9	4	**12**
1. Total	67	22	**89**
Adjusted allowance			
Baseline	92	6	**98**
Re-opener	9	3	**12**
2. Total	101	9	**110**
Performance (1-2)			**-22**

Based on the information provided:

- The total anticipated expenditure on baseline activity (£76m) is 22% below the level of baseline allowance expected across the RIIO-2 period (£98m).
- The total anticipated expenditure through the re-opener mechanism is expected to be in-line with the funding provision across the RIIO-2 period.

Overall, an underspend of £22m (20%) is currently expected across the RIIO-2 period. SHET explain that this is driven by the following factors.

Non-Operational IT & Telecoms

SHET believes it is on track to deliver efficiently against its baseline T2 outputs and subsequent reopener commitments. It notes that enhanced stakeholder management tools and expected efficiencies in the delivery of large capital projects are driving the forecasted underspend (£11m).[54]

Non-Operational Property

A £13m underspend is expected across the RIIO-2 period primarily due to delays in the control room project (£13m). While there have been cost savings achieved through the delivery of Climate Change initiatives (£7m), these are largely offset by higher costs incurred on warehouse projects and the acquisition of additional office space in Perth and Glasgow to accommodate increased headcount.

Small Tools, Equipment, Plant, and Machinery

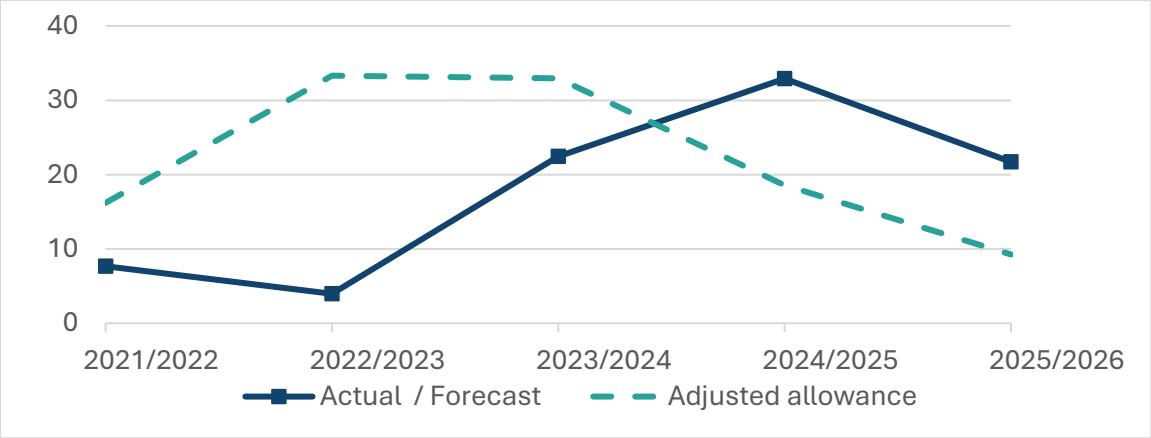
Additional equipment was purchased to support the insourcing of Vegetation Management (expected to result in lower spends in this activity moving forward) and Civils activities, resulting in expected costs exceeding the allocated allowance by £1.6m.

SHET reports no expenditure or allowance for purchased vehicles, noting that its vehicle fleet is leased and expenditure is included within CAI's.

As shown in the figure below, the £48m underspend reported across the first three years (covering both baseline and re-opener activities) shifted to an actual overspend in 2024–25, with this trend expected to continue into the final year of the price control period. Together, these two years are forecast to result in a combined overspend of £27m. This overspend is driven by increased costs associated with the delivery of IT projects and in property upgrades compared with a reducing profile of allowances over the same period.

[54] We note that SHET currently anticipates all five non-operational IT reopener PCD's to be delivered by 31 March 2026 (one with a scope change). Further detail is available in Section Five.

Figure A4.8: Non-operational capex cost vs adjusted allowance performance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	8	4	22	33	22
Adjusted allowance	16	33	33	19	9

SHET's NOCs performance

SHET's NOC is expected to be £12 million under budget across the RIIO-2 period, with forecasted costs of £90 million compared to the allowed expenditure of £101 million, as shown in Table A4.27.

The bulk of the reported underspend relates to SHET's substation refurbishment and maintenance programme and the phasing of expenditure, which recovers during the final year of RIIO-T2, in Legal & Safety activities and in outperformance of Faults. These underspends have been partially offset by overspends in Vegetation Management, due to costs not included within allowances—such as compensatory tree planting[55] and increased non-routine cutting costs.

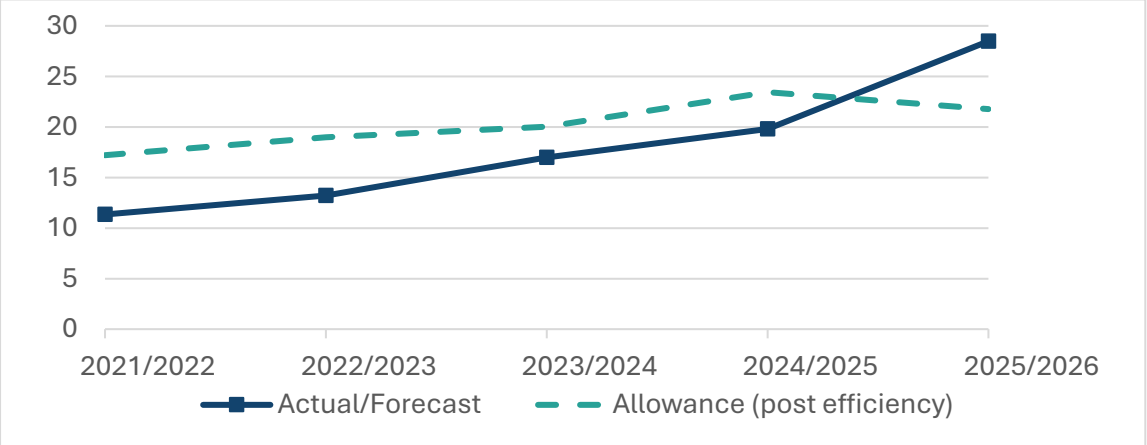
[55] Part of obligatory planning condition costs imposed by the Scottish Government.

Table A4.23: SHET NOC performance (five-year expenditure vs allowance)

£million, 2018/19 prices	Baseline	UM	Re-opener	Total
Expenditure				
Faults	1	0	0	**1**
Inspections	9	1	0	**10**
Repairs and Maintenance	42	6	0	**48**
Veg management	16	0	0	**16**
Legal & Safety (excl. electricity)	12	0	0	**12**
Electricity costs only	3	0	0	**3**
1. Total				**90**
Adjusted allowance				
Faults	3	0	0	**3**
Inspections	11	0	3	**14**
Repairs and Maintenance	47	0	8	**55**
Veg management	9	0	0	**9**
Legal & Safety (excl. electricity)	18	0	0	**18**
Electricity costs only	3	0	0.4	**4**
2. Total				**101**
Performance (1-2)				**-12**

The figure below presents a comparison between NOC expenditure and the corresponding allowance over the RIIO-2 period.

Figure A4.9: Comparison of NOCs spend vs adjusted allowance (incl. own-use electricity)



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	11	13	17	20	28
Adjusted allowance	17	19	20	23	22

The cumulative underspend reported to date across the NOCs category is expected to be offset and ultimately exceeded by forecasted overspends in the final year of RIIO-2, as highlighted in Figure A4.9.

Further details on the factors contributing to the variances are provided below.

Faults

SHET is forecasting an underspend in Fault activities over the RIIO-2 period, primarily driven by strong fault performance. However, forecasted costs are likely to increase due to network growth and the volume of assets delivered in the latter part of RIIO-T1 now reaching the end of their warranty period.

Inspections

An underspend of £4m is expected in inspection activities over the RIIO-2 period. The key driver for the underspend in inspection costs during the RIIO-T2 period is a strategic reassessment of SHET's asset inspection activities and scope. Following a comprehensive review, the cost per activity was significantly reduced, particularly for subsea cables. Additionally, inspection volumes vary annually based on asset risk profiles. Some sites initially classified as high risk may revert to standard inspection protocols once identified risks are mitigated. This dynamic approach to inspection planning has contributed to overall cost efficiency throughout the period. Future costs are expected to increase to incorporate subsea cable surveys for the Shetland link.

Repair & Maintenance

SHET is forecasting a £7m underspend in repair and maintenance activities over the RIIO-2 period. This is primarily driven by the decision to bring civil works in-house in recent years, which has delivered substantial cost savings against the allocated allowance for these activities. SHET also note that a proportion of the underspend is driven by efficiencies realised in the management of HVDC assets to date. However, we note that activity costs are expected to rise, as service and materials costs increase, also partly due to the energisation of the Shetland link and new service agreements for specialist apparatus.

Vegetation management

Vegetation management is split into two categories: compensatory tree planting and core vegetation management. Compensatory tree planting stems from planning conditions imposed by the Scottish Government after tree felling, requiring replanting and maintenance for a set number of years. This activity is forecast to cost £9 million over RIIO-2, with no allowance provided. Core vegetation management, by contrast, has an allowance of £9 million against a forecast of £7 million, creating a £2 million underspend,

mainly due to SHET forming an in-house vegetation management team thus reducing reliance on contractors. Overall, the overspend in vegetation management is driven by unfunded compensatory tree planting costs.

Legal & Safety

SHET is forecasting an underspend of £7m in Legal & Safety activities over the RIIO-2 period. This underspend is primarily driven by capital projects being delivered in-house by internal staff rather than through external contractors (e.g. insourcing of physical security measures, such as anti-climbing measures on towers) but is also due to some projects being delayed into T3 (e.g. persistent organic pollutants project). Additional savings have also been realised from electricity costs, which are currently below allowance.

Table A4.24: SHET NOC volumes by category (five-year total)[56]

	2022	2023	2024	2025	2026	TOTAL	FD
Faults	64	86	104	109	120	**485**	**509**
Inspections	1,633	1,209	2,043	2,307	3,241	**10,433**	**1,772**
Repairs	0	1,886	1,487	3,107	3,202	**9,682**	
Maintenance	2,903	3,339	4,108	4,410	5,728	**20,488**	**21,970**
Vegetation Management	1,411	1,849	1,688	1,138	1,513	**7,600**	**8,636**
Legal & Safety	344	419	1,145	566	468	**2,942**	**1,024**

Visual Amenity

SHET is currently progressing five visual amenity projects. These include the Glen Falloch and Sloy mitigation projects, the Loch Lomond and the Trossachs National Park project, the Loch Tummel National Scenic Area Mitigation Project, and works in the area of Boat of Garten / Nethybridge and the Killin project.

The projected cost of the visual amenity projects over the RIIO-2 period is £34.7m, compared to an allowance of £31.3m, resulting in a forecasted overspend of £3.4m. The overspend is primarily driven by the Glen Falloch/Sloy scheme, where actual delivery costs have exceeded the RIIO-2 allowance due to Covid-19 delays and increased project requirements. The Killin mitigation project has been delivered under allowance; the remaining project costs are aligned with allowances.

[56] OHL baseline volumes are not included due to a change in reporting categories from Business Plan & FDs. There are no baseline volumes for Circuit cables or Civils inspections.

Table A2.25: SHET's current view of five-year expenditure and adjusted allowance

£million, 2018-2019 prices	SHET
Expenditure	
Baseline	13
Uncertainty Mechanisms	0
Re-openers	22
1. Total	35
Adjusted allowance	
Revised baseline	8
Uncertainty Mechanisms	0
Re-openers	23
2. Total	31
Performance (1-2)	+3

SHET's indirect performance

SHET explains that, in accordance with the reporting requirements, costs associated with 'contractor indirects' (CI)[57] have been separated from its direct capex numbers and reallocated to CAI/BSC. We also note that ASTI-attributable costs have been estimated. Table A4.29 below summarises the impact of SHET's reallocation.

SHET's estimated value of CI subject to reallocation is £222m. A value of £121m is estimated for ASTI-attributable costs.

[57] Costs incurred on activities performed by external third parties on behalf of the TO and/or agents engaged to provide distinct CAI services under instruction from a TO.

Table A4.26: SHET's current view of five-year CAI indirects

£million, 2018-2019 prices	**Five-year total**
CAI	778
ASTI-attributable costs (SHET estimate)	-121
Sub total	**657**
CAI CI reallocation (SHET estimate)	-222
CAI Customer contributions	-12
Adjusted CAI *(rounding errors may exist)*	**424**

Below we set out SHET's view of CAI and BSC performance across the entire five-year RIIO-2 period (i.e. includes NGET's current expectations of forecast expenditure and allowance between 2025-2026) before reallocation of CIs.

Table A4.27: SHET indirect performance (five-year expenditure vs allowance)

Expenditure

	Baseline	**UM**	**Re-opener**	**Total**
CAI	657	0	0	**657**[58]
BSC	241	0	0	**241**
CAI Cust contribution	0	0	0	**-12**
1. TOTAL				**886**

Adjusted Allowance

	Baseline	**UM**	**Re-opener**	**Total**
CAI	238	104	0	**342**
BSC	98	0	8	**105**
2. TOTAL	336	104	8	**448**
Performance (1-2)				**+438**

Significant overspends in CAI / BSC are observed.

[58] This is the estimated value of CAI spend across the RIIO-2 period with no reallocation of CIs.

CAI

RIIO-2 costs are currently forecast to exceed allowances by £303m (including £12m recovered in CAI contributions from SHET network users). This figure includes CIs, estimated at £222m over five years, which significantly inflates the overspend. The remaining overspend (c.£80m) can be wholly attributed to the accelerated delivery of the 2030 plan.

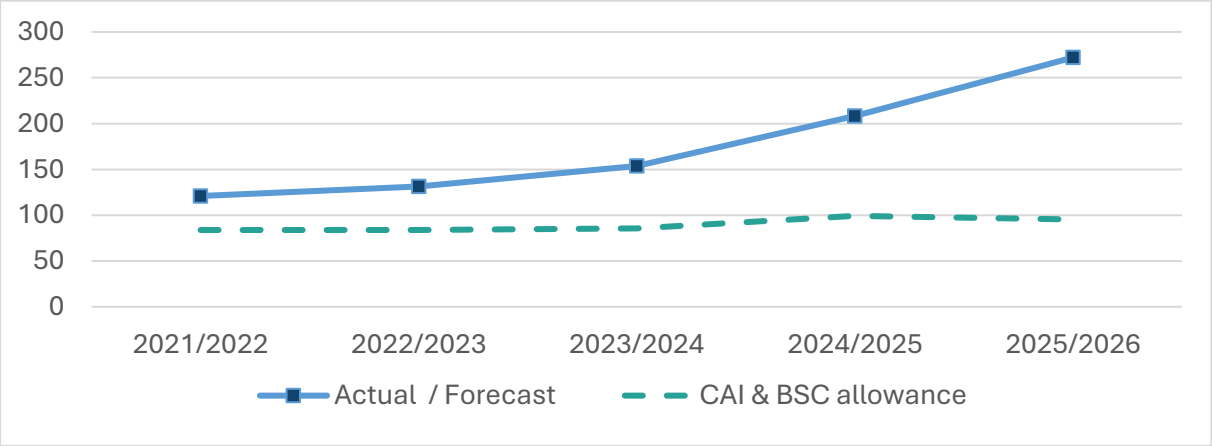
BSC

Across RIIO-2, BSC spend is forecast to reach £241m which is above the adjusted allowance of £105m (128%). This overspend is linked to significant increase in headcount to support the wider business including the Pathway to 2030 commitments, resulting in higher property and IT costs.

Combined spending across CAI and BSC indirect activities is projected to significantly exceed the combined allowance, with an overspend of £438m—equivalent to 98% above the allocated level.

The figure below shows the trend in expected expenditure versus the adjusted allowance across RIIO-2, combining CAI and BSC, excluding the estimated adjustments noted above[59].

Figure A4.10: Comparison of Indirect spend vs adjusted allowance (CIs included)



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	121	131	154	208	272
Adjusted allowance	84	84	85	99	95

Adjusting for the estimated allocation of CIs significantly reduces the combined CAI/BSC overspend position.

[59] SHET's estimated profile of the CI value across the RIIO-2 price control period and ASTI-attributable costs has been used.

Table A4.28: SHET indirect performance (five-year expenditure vs allowance)

Expenditure

	Baseline	UM	Re-opener	Total
CAI	436	0	0	**436**
BSC	241	0	0	**241**
CAI Cust contribution	0	0	0	**-12**
1. TOTAL				**665**

Adjusted Allowance

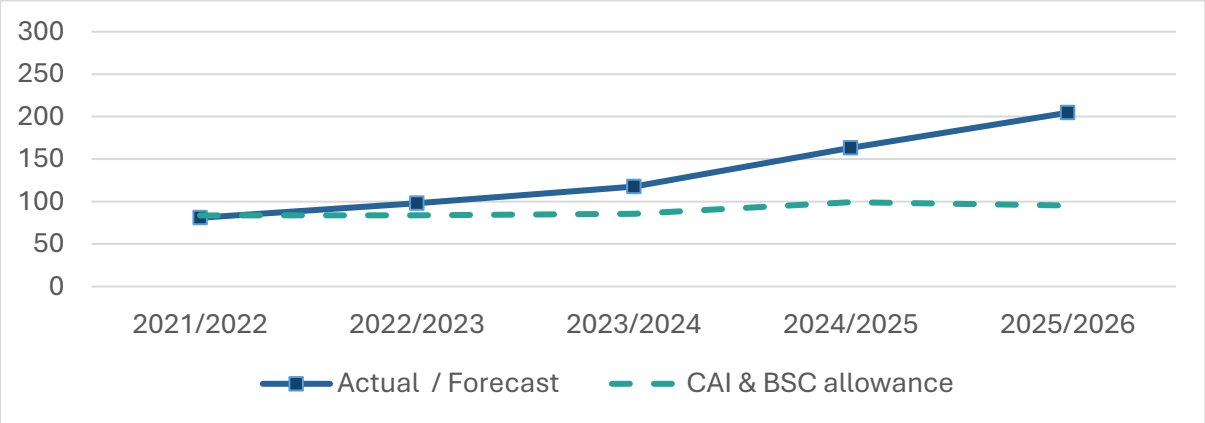
	Baseline	UM	Re-opener	Total
CAI	238	104	0	**342**
BSC	98	0	8	**105**
2. TOTAL	336	104	8	**448**
Performance (1-2)				**+217**

Combined spending across CAI and BSC indirect activities is projected to exceed the combined allowance, with an overspend of £217m—equivalent to 48% above the allocated level.

While BSC underperformance remains static, CAI underperformance is estimated to reduce from £303m to £82m. Both values can be wholly attributed to recruitment and activities linked to the accelerated delivery plan for Pathway to 2030 commitments.

The figure below shows the trend in expected expenditure versus the adjusted allowance across RIIO-2, combining CAI and BSC, including the impact of the estimated CI reallocation.

Figure A4.29: Comparison of Indirect spend vs adjusted allowance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	81	98	118	163	205
Adjusted allowance	84	84	85	99	95

We also note that additional direct and indirect ASTI costs may be embedded in SHET's baseline. SHET has indicated further work is underway to separate underlying Indirects within BSC/CAI categories, distinguishing RIIO-2 baseline commitments from unforeseen activity. We welcome this added transparency to better frame SHET's performance narrative.

SHET's Other performance

This includes spending across activities to strengthen critical network sites (physical security) and to improve and upgrade communication and operational systems to make them more resilient (cyber security).

An overview of the performance is provided in table below, with a £17m underspend in baseline and re-openers having a broadly comparable spend compared to allowance. Due to the sensitive nature of these activities SHET's performance is not discussed further.

Table A4.30: SHET's current view of five-year expenditure and adjusted allowance

Expenditure

£million, 2018-2019 prices	**SHET**
Baseline	10
Uncertainty Mechanisms	0
Re-openers	42
1. Total	**52**
Other allowance	
Baseline	23
Uncertainty Mechanisms	0
Re-openers	46
2. Total	**69**
Performance (1-2)	**-17**

SPT

SPT's View of Totex Performance[60]

SPT anticipates total expenditure of approximately £2.67 billion over the price control period, as indicated in the 2024–25 submission. Current forecasts suggest a modest underspend of approximately £140 million (5%) prior to the application of the Totex Incentive Mechanism, which is expected to return 51% of this amount to consumers.

The expected performance position is predominantly driven by a material underspend across the load related investment portfolio being offset by the combination of overspends anticipated across the non-load related program of works and the indirect cost category.

Table A4.31: SPT's current view of totex and adjusted totex allowance (five-year period)

£ billion, 2018-19 prices	Five-year total
Current forecast of expenditure	2.53
Current forecast of adjusted allowance	2.67
Performance	-0.14
Performance, %	-5%

The next sections set out more detail on the performance across each cost category: load, non-load, non-op capex, NOCs, visual amenity, indirects and an additional category capturing 'other' activity.

[60] In the case of SPT, we note that its presentation of totex values does not include the impact of the ongoing efficiency adjustment (where applicable). Our overview includes the impact of the agreed efficiency adjustment against the applicable allowance values.

SPT's LR performance

SPT is currently forecasting to spend close to £1.45 billion by the end of RIIO-2 on load related activity; 6% below the expected allowance of £1.54 billion.

Table A4.32: SPT's current view of five-year LR expenditure and adjusted LR allowance

£million, 2018-19 prices	**SPT**
Expenditure	
Baseline	**361**
Uncertainty Mechanisms	**382**
Re-openers	**704**
Other	**7**[61]
Total 1	**1,454**
Adjusted allowance (post capex efficiency)	
Baseline	**417**
Uncertainty Mechanisms	**465**
Re-openers	**658**
Total 2	**1,540**
Performance (1-2)	**-86**

To explain SPT's LR performance more clearly, we've used the same "investment category" groupings used for SHET and NGET, where applicable.

Note: the "General Wider Works" category is not utilised as there is no comparable activity in SPT's RIIO-2 settlement.

The tables below present SPT's assessment of LR performance across two timeframes: (i) the four-year period from April 2021 to March 2025, and (ii) the full five-year RIIO-2 period. This includes forecast expenditure and allowances for 2025–2026, reported by each LR grouping.

[61] Includes £6m total expenditure for the UIOLI licence term RDFt. The impact of customer contributions is not included.

Table A4.33: SPT LR performance (four-year actual expenditure vs allowance)

Expenditure[62]	Baseline	UM	Re-opener	Other	Total
Generation	82	190	46	-4	**314**
Demand	44	18	0	0.3	**62**
Wider Works	149	6	233	5	**393**
Pre-con	0	0	0	0	**0**
TSS Infrastructure	0	0	1	0	**1**
1. TOTAL					**769**
Adjusted allowance (post capex efficiency)					
Generation	90	195	39	*n/a*	**324**
Demand	89	-37	0	*n/a*	**52**
Wider Works	191	37	261	*n/a*	**490**
Pre-con	9	0	0	*n/a*	**9**
TSS Infrastructure	0	0	1	*n/a*	**1**
2. TOTAL					**876**
Performance (1-2)					-107

Over the four-year period, total spending on the LR portfolio reached £769m. This is £107m (12%) less than the cumulative LR allowances of £876m.

The key points of note from the first four years of RIIO-2 are:

- Underspend is particularly evident in generation connection activity, which is the direct result of the energy landscape evolving differently than expected. A number of load related schemes have evolved to reflect the latest contracted generation position. In some cases, existing projects have been subject to scope changes or new collector substations, while some developers have requested revised connection dates due to financial constraints. This has led to changes in the overall cost and profile of SPT's baseline spend compared to allowance.
- The permitting process, including the time required to secure planning and land consents for overhead line developments, has caused and continues to cause delays to some schemes.

[62] Impact of customer contributions not included.

- As connection volumes grow, additional reinforcements and outages are required, creating restrictions on outage scheduling and location, which in turn delays associated works and connection timelines.

SPT have also seen a change in the scope of a number of load related schemes as a result of the Holistic Network Design (HND) process and the HND Follow Up Exercise (HNDFUE). This impacts the delivery of major Wider Works projects (East Coast Onshore 400kV and Denny to Wishaw 400kV Reinforcement).

The rapid growth of battery storage and wind farm projects in Scotland over the past two years has significantly increased demand for contractors and resources, requiring prioritisation of works. Although SPT secured a Strategic Agreement in year four of the RIIO-T2 period, project delivery continues to face challenges.

The current cumulative underspend of 12% is expected to narrow after the final year operation is included, reflecting SPT's confidence in the structural changes made to its strategic operations. SPT expects these revisions will enable it to recover from the delays experienced in delivery during the early T2 period, as most contracts are now fixed and progressing.

The improved five-year forecast also highlights a substantial increase in expenditure in the final year—up 82% compared to the previous reporting year—and an almost doubling (96%) of the annual adjusted allowance across all load-related activities versus 2024/25. This is illustrated in the table below.

Table A4.34: SPT LR performance (five-year expenditure vs adjusted allowance)

£million, 2018/19 prices	Baseline	UM	Re-opener	Other	Total
Expenditure[63]					
Generation	102	338	87	-4	**523**
Demand	53	32	0	0	**85**
Wider Works	206	12	616	5	**839**
Pre-con	0	0	0	0	**0**
TSS Infrastructure	0	0	1	0	**1**
1. TOTAL					**1,449**[64]
Adjusted allowance (post capex efficiency)					
Generation	90	380	52	*n/a*	**523**
Demand	99	-26	0	*n/a*	**73**
Wider Works	216	111	605	*n/a*	**932**
Pre-con	11	0	0	*n/a*	**11**
TSS Infrastructure	0	0	1	*n/a*	**1**
2. TOTAL					**1,540**[65]
Performance (1-2)					-92

Over the five-year period, total spending on the LR portfolio is expected to reach £1,449m (excluding UIOLI expenditure). This is £92m (6%) below the LR allowances of £1,540m (excluding UIOLI funding).

The key points of SPT's expected LR performance, based on incorporating delivery expectations for the LR portfolio over the final year of the RIIO-2 period, are:

- SPT forecasts an underspend of £56m across all LR baseline activities during the RIIO-2 period, primarily due to several original projects not progressing through the full T2 period. Across the reopener and uncertainty mechanism categories, costs are expected to remain below allowances by £37m. This includes a projected

[63] Impact of customer contributions not included.

[64] £1,454m including the £6m total expenditure for the UIOLI licence term RDFt.

[65] £1,552m including the £12m allowed expenditure for the UIOLI licence term RDFt.

underspend of £83m in volume driver (UM) activity, partially offset by an anticipated overspend of £46m in re-opener activity.

- A significant increase in activity and delivery is anticipated before the end of March 2026 through the generation connection volume driver mechanism (year-on year expected spend increase of nearly 80%). This will automatically adjust allowances to match the required output levels, leading to a rise in allowance (year-on-year expected increase of 95%). An underspend (£42m) is currently expected throughout the RIIO-2 period due largely to the impact of in-house cost saving measures and contracting strategy efficiency savings.
- No customer-driven outputs are expected to be delivered under the demand connections volume driver during the RIIO-2 period. Current connection activities are now forecast to complete in the next price control period. This change has led to a reduction in allowances to reflect actual outputs, meaning that costs currently incurred are not eligible for remuneration under the RIIO-2 mechanism. The mechanism also adjusts allowances to return the value of baseline activity that will no longer be delivered.
- Consequently, performance across the generation (underspend) and demand (overspend) connection volume driver mechanisms is expected to largely offset each other. This position is influenced in part by ongoing connection process reforms and their impact on projects funded through the Volume Driver or MSIP mechanisms.
- Due to changes in design and cost profile of HND baseline projects, SPT now forecasts that a portion of LR expenditure, originally expected to be incurred during the progression of baseline projects in RIIO-2, will carry over into the T3 period. This is most notable for the KTR project[66] which has been delayed due to a Public Inquiry which was initiated in 2022 but has not yet confirmed a decision on this project progressing.
- Re-opener mechanisms are expected to remain a significant source of additional allowance across the five-year period. The current expectations are that spend will closely be above the expected funding (7%), reflecting high inflation and material cost increases.

Across RIIO-2, certain load projects are expected to underperform against allowances, with the three projects showing the greatest overspend compared to their RIIO-T2 allocations listed below.

Harmonic Filter (HF) equipment

Spend over the five-year period is expected to exceed allowance by £11m (pre-efficiency). SPT explains that this was the first time using this technology, and the initial cost estimates being too low and competitive tender returns being significantly higher than forecast. The difference stems from the limited use of filters on the transmission network;

[66] The Kendoon to Tongland Reinforcement (KTR) project, is an initiative by SPT to replace the 132kV network in Dumfries & Galloway. This project aims to upgrade the existing infrastructure to ensure a more reliable and efficient supply in the region.

typically, these devices are installed for customer connections with lower technical standards.

The Margree HF has been cancelled following the termination of its associated wind farm connection. The remaining four filters (New Cumnock, Blackhill, Newton Stewart, and Moffat) are currently on track for delivery by December 2026, aligned with the PCD date. However, the Linnmill HF is at risk of delay due to a constrained supply chain, as the same manufacturer is producing the other filters.

Hunterston East to Neilston

An overspend of £7.5m (pre-efficiency) was realised on work to reconfiguring the network in West Central Scotland to deliver a 500MW capacity uplift across the B6 boundary. The project was prioritised and accelerated, achieving energisation in November 2023—one month ahead of the December 2023 PCD date.

TORI 158 New Cumnock Fault Level

The works involve installing two new 275/132 kV, 360 MVA supergrid transformers. An overspend (£6m pre- efficiency) has occurred due to higher-than-anticipated tender returns and challenges in securing supply chain capacity.

Across RIIO-2, two load projects are expected to outperform allowances, representing the greatest underspend compared to their RIIO-T2 allocations.

Kendoon to Glenlee Reinforcement

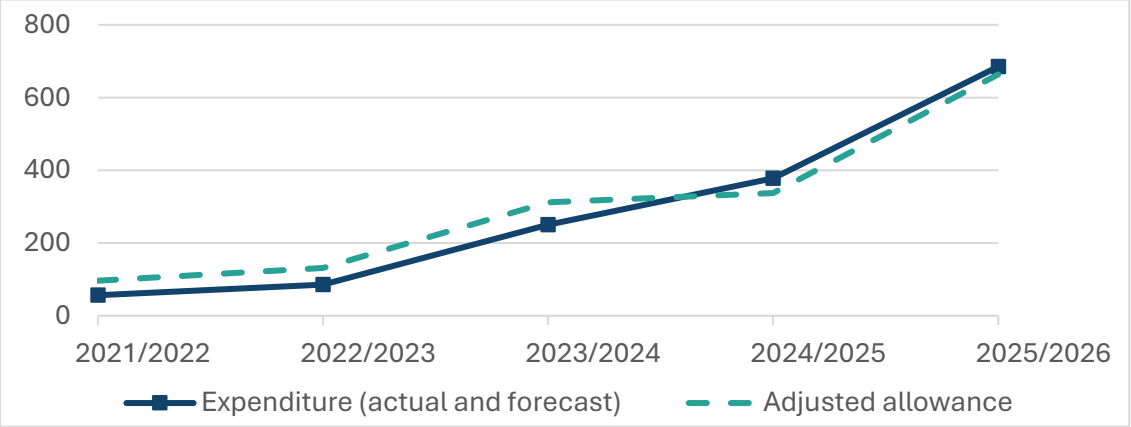
A significant underspend is expected (c£20m) across the RIIO-2 period. A Judicial Review of the planning permission decision is scheduled. Delivery will move into the T3 period and require a higher allowance due to rising material and service costs.

ECUP East Coast Onshore 400kV

An underspend of £18m (pre-efficiency) is anticipated due to challenges with land rights and consenting for the new 400kV substation. This led to an updated solution delivering two 1100MVA Supergrid Transformers at Kincardine, which has altered the project's expenditure profile.

The figure below compares the actual LR spent to date and SPT's current expectations of the spend to be incurred across the remainder of RIIO-2 against the anticipated allowance. It confirms the close alignment throughout the entire period.

Figure A4.11: Comparison of LR costs vs adjusted allowance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	56	85	250	377	680
Adjusted allowance	96	131	312	337	664

SPT's NLR performance

SPT is forecasting an overspend against allowances in the non-load-related category over the five-year RIIO-2 period. Total spending on the NLR portfolio is expected to reach £500m, which is £12m (2%) above the value of NLR allowance across the RIIO-2 period.

Table A4.35: SPT's current view of five-year expenditure and adjusted allowance

£million, 2018-19 prices	**SPT**
Expenditure	
Baseline	425
Uncertainty Mechanisms	55
Re-openers	0
Other	20
Total 1	500
Adjusted allowance (post capex efficiency)	
Baseline	437
Uncertainty Mechanisms	51
Re-openers	0
Total 2	489
Performance (1-2)	+12

To explain SPT's NLR performance more clearly, our overview is presented through the following categories.

- Replacement.
- Refurbishment major.
- Refurbishment minor.
- NLR Other. This includes activity categories of "Spares".

We set out SPT's view of adjusted NLR performance across two different timescales: a comparison of the four-year actual costs incurred against allowance from April 2021 to March 2025, and a comparison across the full five-year RIIO-2 period (i.e. includes SPT's current expectations between 2025-2026) for each NLR cost category.

Table A4.36: SPT NLR performance (four-year actual expenditure vs allowance)

£million, 2018/19 prices	Baseline	UM	Re-opener	T1 carry-over	Total
Replacement	301	4	0	16	**321**
Refurb Major	26	0	0	1	**27**
Refurb Minor	1	0	0	0	**1**
NLR Other	3	0	0	2	**5**
1. TOTAL					**354**
Adjusted allowance (post capex efficiency)					
Replacement	318	0.5	0	n/a	**319**
Refurb Major	45	0	0	n/a	**45**
Refurb Minor	5	0	0	n/a	**5**
NLR Other	3	0	0	n/a	**3**
2. TOTAL					**372**
Performance (1-2)					-18

Over the four-year period, total spending on the NLR portfolio reached £354m. This is £18m (5%) less than the NLR allowance of £372m.

The cumulative underspend is mainly due to rapid growth in contracted customers, which slowed programme delivery as expanding the contractor supply chain takes time. Operating across broad geographies adds complexity to system access and outages, creating knock-on effects that delay multiple projects and increase overall delivery challenges throughout the early years of the T2 period.

The change has impacted the timing and internal processes to monitor, maintain and replace existing assets.

Table A4.37: SPT NLR performance (five-year expenditure vs adjusted allowance)

£million, 2018/19 prices	Baseline	UM	Re-opener	T1 carry-over	Total
Replacement	386	51	0	16	**453**
Refurb Major	36	4	0	1	**41**
Refurb Minor	1	1	0	0	**1**
NLR Other	3[67]	0	0	2[68]	**5**
1. TOTAL					**500**
Adjusted allowance (post capex efficiency)					
Replacement	376	47	0	n/a	**423**
Refurb Major	52	4	0	n/a	**56**
Refurb Minor	6	1	0	n/a	**7**
NLR Other	3[69]	0	0	n/a	**3**
2. TOTAL					**489**
Performance (1-2)					+12

Over the five-year period, total spending on the NLR portfolio is expected to reach £500m. This is £12m (2%) above the anticipated NLR allowances of £489m. SPT explains that the driver of the expected overspend is due to increases in supply chain costs for both equipment and from service providers.

The key points of NLR performance, based on incorporating SPT's re-profiling of NLR work over the remaining regulatory period, are:

- Delays in contract placement at start of RIIO-2 and ongoing challenges surrounding the availability of resources both are contributing factors to the expected overspend across the RIIO-2 period.

[67] This includes £2.90m spend incurred across the RIIO-2 period allocated against the "Spares" category.

[68] This includes spend of £1.05m incurred on schemes SPNLT2061 and SPNLT20121 and £1.5m allocated against Decommissioning.

[69] This includes £2.93m allowance funding for "Spares".

- Extended lead times for materials have become common. SPT has adjusted its procurement strategy to address this by awarding bundled works to key suppliers early. Longer term delivery risk is being tackled via longer term strategic frameworks and increased participation in the supply chain.
- Cost increases in materials and contract prices, which exceed the rates anticipated during the RIIO-2 settlement, are adding additional pressure on performance.

The following projects are expected to underperform against allowances across the RIIO-2 period.

ZO, ZR, and XF 400kV Major Refurbishment

Over the five-year period, spend is expected to exceed allowance by c.£16m (pre-efficiency). We understand that this project needed several major outages in Central Scotland. Outages were rescheduled to prioritize the Hunterston–Neilston Reinforcement, resulting in additional contractual costs for contractor demobilisation and remobilisation.

Following completion of sections of the overhead line, a noise complaint arose due to the unique tower design intended to reduce visual impact. To address this, SPT intend to reconductored part of the line with a quad configuration. These works were scheduled for completion in the current financial year.

Gorgie to Telford Road 132kV Cable Replacement

The expected overspend is approximately £10m (pre-efficiency). SPT explains significant challenges routing the cable through central Edinburgh have resulted in higher excavation costs—driven by market prices and city-centre requirements— which have added to the overspend. SPT notes that full energisation is scheduled for early 2026.

XM – Junction XK Route to Currie OHL Modernisation

These routes form part of the North-South link connecting Kincardine, Grangemouth, and Currie substations. The works include replacing earthwire and upgrading all insulators to 400kV specification[70] (currently operating at 275kV). The project is nearly £8m over allowance due to system access issues, with outages rescheduled and prioritisation of other works, resulting in contract variations.

OHL Refurbishment works

SPT explains that costs were higher than previous works and business plan estimates due to competitive tendering. Across the portfolio, costs are significantly higher than expected. The cumulative overspend is estimated more than £20m (BW Route, BU Route, AL Route, and AY Route).

The following projects are expected to outperform against allowances across the RIIO-2 period.

[70] Except those previously replaced on XN route in 2004.

Glenlee to Tongland Modernisation

This work is forecast to underspend by approximately £25m (pre-efficiency). Section 37 consent was submitted for these works in 2020, and after a complex process, Scottish Ministers granted approval in early 2025. However, a judicial review of this decision has now been scheduled for later this financial year. SPT anticipates works will be delivered during the T3 period and will require a higher allowance due to rising material and service costs.

ZA 400kV Major Refurbishment

The project has reported an underspend of approximately £7m (pre-efficiency). SPT explains that this project was tendered in 2020, benefiting from low market demand and surplus resource capacity during the transition between price controls, which resulted in highly competitive pricing.

Windyhill 275kV Switchgear Replacement

Over the five-year period, spend is expected to be below allowance by c.£7m (pre-efficiency) due to changes in the timing of the work and some costs being phased to the next period. SPT is developing a fully digital, multi-vendor substation and design complexities have caused significant delays, impacting the outage programme due to the substation's critical role in the 275kV system. While progress is expected in year five of the T2 period, all circuit transfers will now be delivered during T3.

Hunterston 400kV

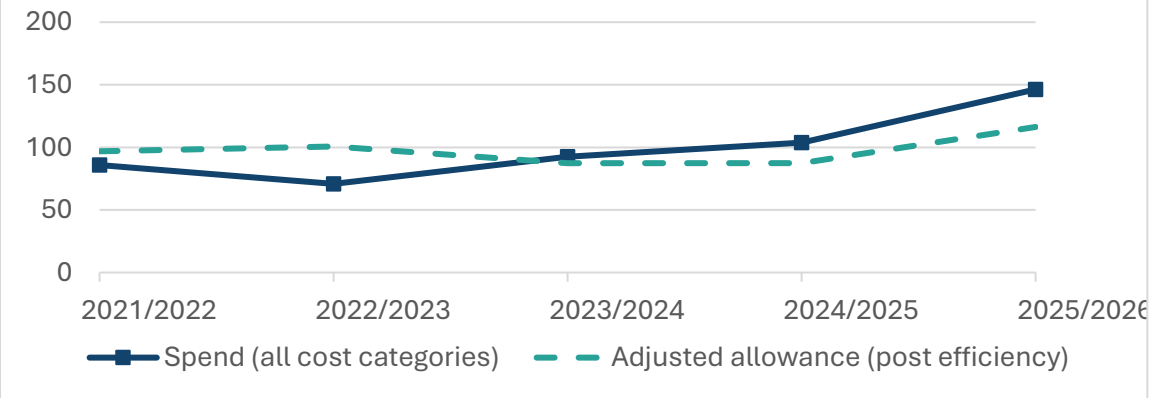
Costs are currently expected to be below allowance across the RIIO-2 period by approximately £6m. This work is dependent on progress with the Hunterston East 400kV GIS extension, which remains subject to system access and supply chain challenges. Current forecasts include removing five of the seven air-blast circuit breakers during T3.

Protection Modernisation

A change in the delivery model for these works is driving an expected underspend of approximately £9m (pre-efficiency).

The figure below compares the actual spend to date against the allowance, as well as the forecast spend and expenditure for the final year of RIIO-2. The first three years show an underspend, which is offset by an overspend in the last two years.

Figure A4.12: Asset Health five-year cost vs adjusted allowance performance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	86	71	93	104	146
Adjusted allowance	97	101	87	87	116

SPT's non-operational capex performance

The total spend for non-operational capex over RIIO-2 is forecasted to be £18m against an allowance of £10m, resulting in an overspend of £8m.

Table A4.38: SPT's non-op capex spend compared to allowance

£million, 2018/19 prices	Cumulative four-year actual	Final year forecast	Five-year Total
Expenditure			
Baseline	11	7	**18**
Re-Opener	0	0	**0**
1. Total	11	7	**18**
Adjusted allowance			
Baseline	8	2	**10**
Re-opener[71]	0	0	**0**
2. Total	8	2	**10**
Performance (1-2)			**8**

No re-opener allowance is forecasted at this time. SPT expects baseline spend to exceed allowance by £8m over RIIO-2. This is driven by the following activity.

Non-Operational IT & Telecoms

Increased costs due to costs linked to the advanced stage of digital programme delivery and preparations for increased investment under RIIO-3 (£4.9m overspend). The spend is driven by investment in a Building Information Modelling initiative (to aid workforce scheduling), and an upgrade to the core GIS platform.

[71] No re-opener allowance was forecasted at the time of submission.

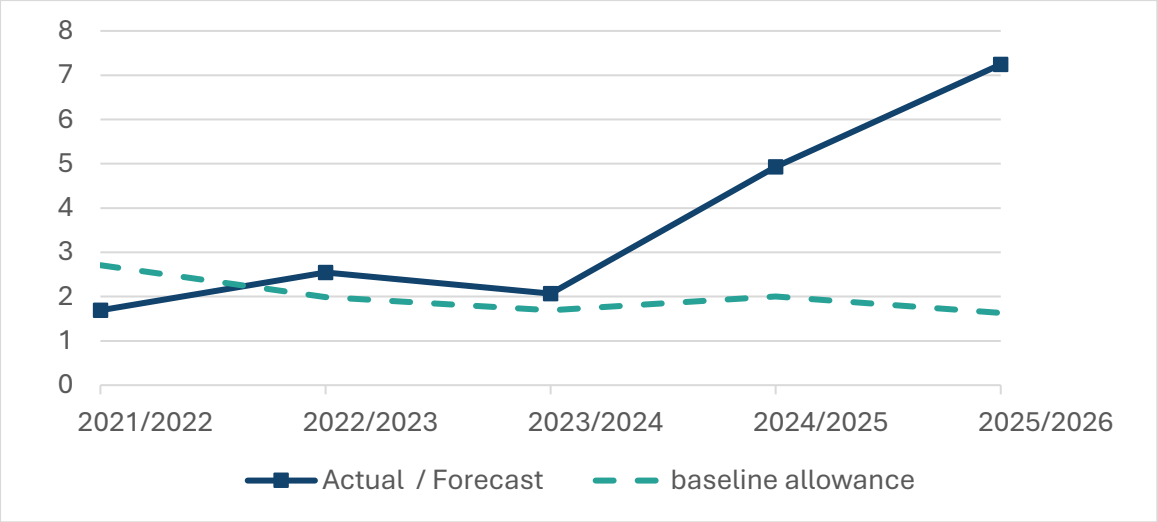
Non-Operational Property

Additional leased sites to accommodate rising headcount and operational growth (£3.8m overspend). This included a new logistics centre for operational system spares.

Small Tools, Equipment, Plant, and Machinery

No costs are anticipated for resulting in a forecasted underspend of £0.3m against the allocated allowance.

Figure A4.12: Non-operational capex cost vs adjusted allowance performance



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast	2	3	2	5	7
Adjusted allowance	3	2	2	2	2

SPT's NOCs performance

Total expenditure across the SPT NOC portfolio over the RIIO-2 period is estimated at £102m, compared to an adjusted allowance of £110m. This results in an underspend of £8m, representing 7% of the allocated allowance.

The key driver of the variance between forecasted RIIO-2 spend and the allowance in the NOC portfolio is a forecasted underspend, primarily due to reductions in legal and safety-related activities following a significant scale-down of the flood defence programme after flood risk assessments. Additional minor forecasted underspends are expected in inspections, vegetation management, Operational Protection Measures, and Op IT Capex. These savings are partially offset by forecasted overspends in faults, repairs and maintenance activities.

The table below presents SPT's current assessment of NOC's performance over the five-year RIIO-2 period.

Table A4.39: SPT NOC performance (five-year expenditure vs allowance)

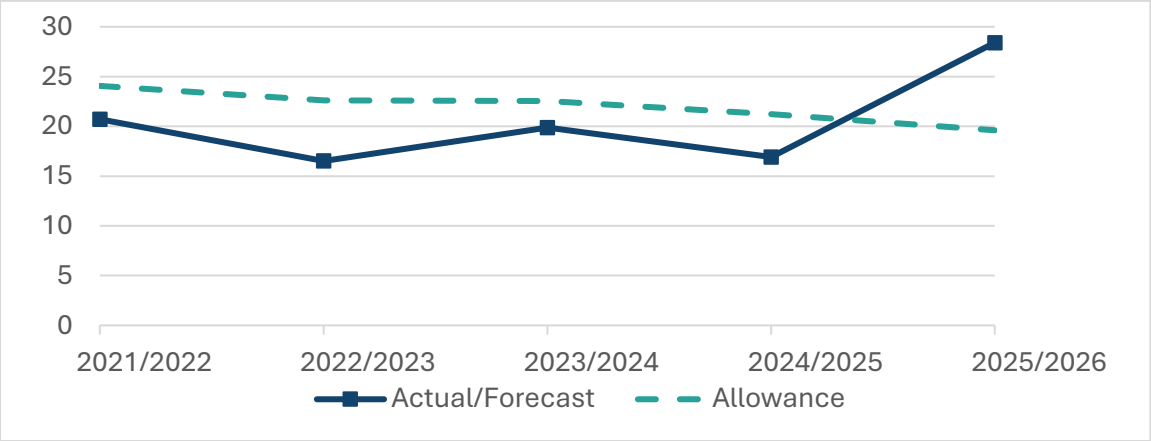
£million, 2018/19 prices	Baseline	UM	Re-opener	Total
Expenditure				
Faults	22	0	0	**22**
Inspections	6	0	0	**6**
Repairs and Maintenance	36	0	0	**36**
Veg management	1	0	0	**1**
Legal & Safety (excl. electricity)	16	0	0.2	**16**
Electricity costs	7	0	0	**7**
Op Measures & Op IT Capex	11	0	0	**11**
Other (Legal & Safety)[72]				**3**
1. Total				**102**
Adjusted allowance				
Faults	20	0	0	**20**
Inspections	7	0	0	**7**
Repairs and Maintenance	33	0	0	**33**
Veg management	2	0	0	**2**
Legal & Safety (excl. electricity)	21	0	0	**21**
Electricity costs	15	0	0	**15**
Op Measures & Op IT Capex	12	0	0	**12**
2. Total				**110**
Performance (1-2)				**-8[73]**

[72] This profile includes total five-year spend of £3.5m associated with SPNLT20132 allocated to the "Legal & Safety" category.

[73] Excluding the spend associated with "Other (Legal & Safety)" increases the expected underspend to £11m (10%).

The figure below highlights the comparison between yearly NOC spend and the corresponding allowance across the five years of the RIIO-2 period.

Figure A4.13: Comparison of NOCs spend vs adjusted allowance (incl. own-use electricity)



Supporting data

	2021/22	2022/23	2024-25	2024/25	2025/26
actual / forecast[74]	21	17	20	17	28
Adjusted allowance	24	23	23	21	20

The cumulative underspend from Years 1 to 4 is expected to be offset by an overspend in Year 5 of the RIIO-2 period across the NOC categories. The key drivers of the variance between SPT's forecasted NOC spend and the allocated allowance across each category are further illustrated below.

Faults

SPT forecasts a £2m (9%) overspend in Faults activities over the price control period, driven by urgent reactor repairs and major building works, including remediation of weak concrete, RAAC, and asbestos removal. Cable-related costs have also risen due to persistent issues with certain cable types and connectors, which are expected to continue throughout the regulatory period.

Inspections

An underspend (£1m or 18%) is forecasted over the RIIO-2 period. This is mainly attributable to cost savings from network surveys carried out in the first two years of the regulatory period. Flexibility in programme delivery, with surveys completed during off-peak periods, resulted in reduced costs.

[74] This profile includes total five-year spend of £3.5m associated with SPNLT20132 allocated to the "Legal & Safety" category.

Repair & Maintenance

SPT forecasts an £3m (8%) overspend in repair and maintenance by the end of RIIO-2, driven by ongoing transformer and civil works, including defect repairs, environmental issues, and asbestos remediation. Additional costs stem from enhanced security requirements at new sites.

While maintenance spend has decreased year-on-year due to efficiencies in circuit breaker activities from accelerated capital interventions and delays or cancellations caused by access constraints and system outages, these savings are offset by the above pressures. Ongoing contract negotiations are expected to influence future cost streams.

SPT also notes that while the forecast indicates a significant variance in maintenance, over £7m of HVDC electricity costs are recorded under the Legal & Safety category rather than against the original maintenance allowance.

Costs are also below allowance, mainly due to savings from network surveying during Lidar surveys. Flexibility in programme delivery has further improved efficiency in overhead line (OHL) inspections.

Vegetation management

SPT forecasts a significant underspend in vegetation management (£1m or 37%) over RIIO-2, mainly due to collaborative contracting with another transmission network to boost productivity. Land access delays have also contributed. To address this, SPT has appointed new contractors to increase resources and meet workload targets. Deferred work from 2024/25 is expected to be fully recovered by the end of 2025/26.

Legal & Safety

SPT forecasts a £12m (35%) underspend in the Legal and Safety category by the end of RIIO-2, including own-use electricity costs[75]. The main driver is a significant reduction in the Flood Defence Programme's scope. Initially, 26 sites were identified as flood risk, but after detailed assessments—including walkovers and hydrological modelling—only 10 sites were confirmed at risk. Further analysis determined remedial works were needed at 4 sites, while 6 were deemed resilient. This position is expected to remain stable unless major environmental or topographical changes occur.

Operational Protection Measures & IT Capex

The RIIO-2 projected cost is slightly below the allowance, resulting in a £1m (6%) underspend. SPT conducted a comprehensive tendering process to secure the best available pricing, which has been reflected in the RIIO-2 forecast. The tender process delivered better value than originally anticipated.

[75] Excluding the impact of own use electricity, the forecast performance across the RIIO-2 period is reduced to £4m (22%).

SPT's indirect performance

Below we set out SPT's view of CAI and BSC performance across the entire five-year RIIO-2 period.

Table A4.40: SPT indirect performance (five-year expenditure vs allowance)

Baseline expenditure	
£million, 2018/19 prices	**Baseline**
Baseline expenditure	
CAI	164
BSC	120
1. TOTAL	284
Baseline allowance	
	Baseline
CAI	164
BSC	94
2. TOTAL	258
Total 1 less Total 2	+26

Note: CAI / BSC includes the reallocated costs Contractor Indirects

RIIO-2 baseline CAI costs are currently forecast to be in line with the baseline allowance value across the five-year period.

Across RIIO-2, BSC baseline spend is forecast to reach £120m which is above the baseline allowance of £94m. The overspend is primarily driven by the following factors:

- growth in property management costs due to the leasing of further property to accommodate growing headcount, including a new Edinburgh office to support East Coast projects and a new logistics facility in Central Scotland,
- ongoing investment in digitalisation that has increased system support and resilience requirements,
- the introduction of a new IT support model, increasing internal IT headcount, and
- deployment of advanced cybersecurity tools and dedicated UK security teams to address rising cyber threats.

SPT expects these factors to maintain upward pressure on business support costs throughout the price control period, despite ongoing efficiency initiatives.

Additionally, SPT reports an underspend of £10m against CAI activities that are subject to UM. This is highlighted in Table A4.41 below.

Table A4.41: SPT CAI UM performance (five-year expenditure vs allowance)

£million, 2018/19 prices	**SPT**
Total CAI UM expenditure	121
Total CAI UM allowance	131
Performance	-10

SPT anticipates an overspend in CAI costs, driven by organisational growth and increased staff overheads, including activities required for ASTI delivery. This growth has led to higher training and onboarding expenses. Project management, network design, and engineering management costs have also risen, reflecting the broader expansion trend.

SPT expects continued upward pressure on indirect costs, primarily due to wage inflation, pension obligations, and recruitment volatility.

We will monitor progress closely, focusing on its workforce's ability to mobilise effectively and meet the increased activity and delivery demands for the remainder of RIIO-2.

SPT's Other performance

An overview of the performance is provided in Table A4.46 below, confirming SPT's expectation of a forecast underspend (£82m) compared to allowance across RIIO-2.

The main driver of this anticipated underspend is due to changes in assumptions of baseline allowances and the timing of delivery of re-openers. The remaining underspend is the result cumulative injurious affection, servitudes and diversions being lower than initially forecasted. Due to the sensitive nature of these activities SPT's performance is not discussed further.

Table A4.42: SPT's current view of five-year "other" expenditure and adjusted allowance

Expenditure

£million, 2018-19 prices	**SPT**
Baseline	10
Uncertainty Mechanisms	0
Re-openers	37
Total 1	**47**
Allowance	
Baseline	50
Uncertainty Mechanisms	42
Re-openers	37
Total 2	**128**
Performance (1-2)	- 82

Section Five: PCD performance tracker

NGET

This section provides an overview of current performance against the PCDs established under NGET's RIIO-2 settlement.

Table A5.1: Direct cost vs allowance across the RIIO-2 period: NLR mechanistic PCDs

£ million, 2018/19 prices	Baseline allowance	Five-year Spend	Spend less allowance	NGET's estimated adjustment	Revised performance
Instrument Transformer	37	33	-4	-7	**2**
Bay Assets	57	43	-14	-13	**-1**
P&C	312	91	-221	-172	**-49**
OHL	297	183	-114	-114	**0**
TOTAL	703	350	-353	-306	**-48**

Mechanistic PCDs are forecast to cost less than the adjusted allowance, leading to a £48m underspend, 12% below the adjusted allowance. The underspend is primarily driven by Protection & Control through efficiency initiatives, including an increased self-delivery model, standardised scope, depletion-based strategy, and a new bulk procurement framework.

The table below shows the projected volume delivery for the RIIO-2 period compared to the target levels set when the mechanisms were established.

Table A5.2: Volume delivery expectations: NLR mechanistic PCDs

#	Target	Five-year delivery expectation	Variance
Instrument Transformer	1,145	1,046	**-99**
Bay Assets	2,161	1,691	**-470**
P&C	839	393	**-446**
OHL	958	525	**-443**
TOTAL	5,103	3,655	**- 1448**

Overall, the volume of work for mechanistic PCDs is forecast to decrease by 1,448 by the end of RIIO-2, which is 28% below the target volume set at the final determination. This reduction is due to the following factors:

NGET continues to learn more about the condition of bay assets through additional inspections and has incorporated these insights into the Asset Health Review process. As a result, planned replacement or refurbishment volumes for bay assets have been reduced by 470 units.

Protection & Control volumes are 446 below the RIIO-2 target due to system access and resource constraints, solution alignment, and integration with wider site strategies. Some work will move to RIIO-3, with full output delivered in its first year. Additionally, delivering work as part of broader site strategies removes the need for standalone replacements, creating efficiencies through shared resources.

The forecasted reduction in Overhead Line Conductor volumes is primarily due to load-related drivers replacing asset replacement plans. Certain activities will move to RIIO-3 because of delivery challenges such as safety concerns, contractor availability, and outage limitations.

Instrument Transformer volumes have fallen by 99 below the RIIO-2 target, primarily due to deliverability challenges.

Table A5.3: Evaluative PCD (SF_6 Intervention)

£ million, 2018/19 prices	**Allowance**	**Spend**	**Spend less Allowance**
SF6 Interventions	82	15	**-67**
SF6 re-opener (sites)	25	5	**-20**
SF6 re-opener (CTs)	24	7	**-17**
TOTAL	131	27	**-104**

The net reduction in forecast spend is driven by three key factors:

Volume decreases: 207 SF6-filled CT replacements have been delayed due to delivery constraints, with 100 of these now scheduled for RIIO-3.

- **Cost efficiencies**: Establishing an in-house team to coordinate and deliver the programme has enabled better planning and execution. Bundling procurement across multiple sites secured improved rates, while aligning CT replacements with other bay interventions during shared outages has further reduced delivery costs.
- **Scope changes**: For example, the original Osbaldwick SF6 strategy proposed refurbishing the SF6 asset; this has now been revised to replace the asset with a cross-site cable.

Table A5.4: SpC 3.9 Wider Works evaluative PCDs, spend vs allowance

£ million, 2018/19 prices	SpC 3.9
A. Baseline allowance	384
B. Five-year Spend	155
C. >March 2026 spend	48
D. (B+C) less A	-181
E. NGET estimated 'clawback'	-174
F. DAF	-6
G. Performance (D-(E+F)	-1

Note: this does not reflect the allowances for projects generated through the RIIO-ET2 uncertainty mechanisms.

The Wider Works portfolio includes 23 projects with PCDs attached. Of these, 9 projects have been completed, while 7 are behind schedule and will be delivered later than the timeline agreed in the Final Determination licence. The remaining projects have either been cancelled or removed because they are now funded through other mechanisms.

The actual and expected delivery profile of the Wider Works PCD portfolio is summarised below. NGET anticipates delivering approximately 9 GW of boundary capacity improvements by the end of the five-year price control period (10 GW by March 2028). For comparison, the schemes subject to the Wider Works volume driver are also presented. NGET expects to add 7 GW of boundary capacity to its network by March 2026 (8 GW by March 2028).

Table A5.5: Project delivery profile

Note: Rye House 1&2 is counted as a single project. Hinkley Point C is not included in the count.

	2022	2023	2024	2025	2026	2027	2028	TOTAL
PCD: MW boundary	4,189	3,490	546	815	0	135	1200	10,375
Projects #	4	4	0	2	0	1	3[note]	14
Vol Driver: MW boundary	-	130	716	2,858	3,878	826	0	8,408
Projects #	-	1	2	4	3	1	0	11

The table below outlines performance against preconstruction funding (PCF) allowances for the RIIO 2 period, where underspend is anticipated across several projects. NGET has

identified some project efficiencies that have contributed to this underspend within the RIIO 2 period, including bundling initiatives such as simultaneous survey tendering and differences in the consenting regime compared to onshore projects.

Additionally, several projects are affected by ASTI initiatives that received baseline PCF funding under LOTI and are currently forecasting a potential underspend against allowance within the RIIO 2 period.

Table A5.6: SpC 3.15 spend vs allowance PCFt

£ million, 2018/19 prices	**Pre-con**
A. Baseline allowance	395
B. Five -year Spend	218
C. >March 2026 spend	44
D. (B+C) less A	-133
E. NGET's estimated adjustment	-113
F. Performance (D-E)	-20

The table below summarises expenditure and allowance for the Bengeworth Road project[76]. NGET currently expects this project to be delayed to 2028 and to deliver at a cost lower than the allowance, primarily due to changes in the scope of works compared to the original plan.

Table A5.7: SpC 3.35 Bengeworth Road, spend vs allowance

£ million, 2018/19 prices	**BRGt**
A. Baseline allowance	80.8
B. Five -year Spend	63.6
C. >March 2026 spend	4.6
D. (B+C) less A	-12.6
E. NGET's estimated adjustment	0
E. Performance (D-E)	-12.6

[76] https://www.ofgem.gov.uk/decision/national-grid-electricity-transmission-nget-bengeworth-road-grid-supply-point-gsp-project

Table A5.8 provides a tracker for each PCD associated with the following Special Conditions: 3.9, 3.15, 3.20, 3.35, and 3.21.

The table compares NGET's current total cost expectations for the RIIO 2 price control period with the adjusted allowance and includes the delivery status of each project.

The current delivery status across the range of PCDs is as follows:

- 6 projects are considered by NGET to be on track
- 15 projects are not on track
- 9 projects have been completed
- 9 projects have been removed, either because they are no longer required or are funded through other mechanisms

Table A5.8: NGET PCD tracker

A. LOAD PCDs

#	SpC	NOA code	Five-year spend (Direct Costs)	Five-year Baseline allowance (Direct cost)	Variance (five-year costs only)	Status
1	3.9	BMM2	10.0	22.1	-12.0	NOT ON TRACK Scope unchanged.
2	3.9	CBEU	0	1	-1.1	CANCELLED
3	3.9	SER1	0.01	9.19	-9.2	REMOVED
4	3.9	HBUP	9.0	15.9	-6.8	COMPLETE
5	3.9	THS1	0.01	21.5	21.5	REMOVED
6	3.9	RTRE	0.8	0.4	0.4	COMPLETE
7	3.9	WHT1	4.6	83.5	-78.9	COMPLETE
8	3.9	WYT1	0.5	14.5	-14.1	NOT ON TRACK
9	3.9	NEP1	20.1	19.7	0.4	NOT ON TRACK Significant change in scope.
10	3.9	NTP1	0.3	10.0	-9.6	NOT ON TRACK Scope unchanged. Altered MW.

11	3.9	CTRE	0.1	0.3	-0.2	COMPLETE
12	3.9	NBRE	45.3	36.3	n/a	REMOVED. Project funded through the UM
13	3.9	NEPC	20.0	9.6	10.4	NOT ON TRACK Significant change in scope.
14	3.9	PEM1 & PEM2	5.3	15.8	-10.5	NOT ON TRACK Scope unchanged.
15	3.9					
16	3.9	RHM1 & RHM2	16.9	15.8	1.1	NOT ON TRACK Scope unchanged. Altered MW.
17	3.9	SER2	0	20.76	-20.8	REMOVED
18	3.9	TDH2	0	1.7	-1.7	REMOVED
19	3.9	HSP1	2.5	17.3	-14.8	COMPLETE
20	3.9	MRP2	3.0	9.4	-6.4	COMPLETE
21	3.9	TDR2	1.9	9.8	-7.9	COMPLETE
22	3.9	TDR1	1.9	5.8	-4.0	COMPLETE
23	3.9	MRPC	12.9	43.3	-30.4	COMPLETE
	3.9	BRRE NOR2 SEEU				Removed as a result of T1 closeout
24	3.20	Power station	32.6	21.6	11.0	NOT ON TRACK

						Unchanged scope.
25	3.15	E2DC	13.0	23.9	-10.9	ON TRACK - NOW ASTI
26	3.15	E4D3	22.9	34.2	-11.4	ON TRACK - NOW ASTI
27	3.15	E4L5	23.5	28.0	-4.5	NOT ON TRACK - NOW ASTI
28	3.15	CGNC	34.0	56.3	-22.3	NOT ON TRACK - NOW ASTI
29	3.15	GWNC	30.5	68.3	-37.8	NOT ON TRACK - NOW ASTI
30	3.15	TKRE	6.1	7.7	-1.6	ON TRACK - NOW ASTI
31	3.15	TLNO	0	68.2	-68.2	REMOVED
32	3.15	OPN2	14.8	20.3	-5.5	ON TRACK - NOW ASTI
33	3.15	SCD1	30.5	29.0	1.5	NOT ON TRACK - NOW ASTI
34	3.15	AENC	29.8	46.3	-16.5	NOT ON TRACK - NOW ASTI
35	3.15	Harker	0.01	1.7	-1.7	REMOVED
36	3.15	PTNO	7.1	11.1	-4.0	NOT ON TRACK
37	3.35	BGRt	63.6	80.8	-17.2	ON TRACK

Notes: Variance represents the difference between the 5-year cost and the 5-year allowance.

OTHER PCDs

3.21	Electric vehicles	18.7	14.51	4.19	COMPLETE
3.21	Install standard direct current charge-points	13.6	10.26	3.34	COMPLETE

SPT

The following table (A5.9) tracks each PCD linked to SpCs 3.9, 3.17, and 3.18. It also compares SPT's current total cost forecasts for the RIIO-2 price control period against the adjusted allowance.

Current Delivery Status Across SPT PCDs:

- 10 projects remain on track, and one project has now been classified as ASTI
- 4 projects have been completed
- 9 projects are currently not on track
- 2 projects have been cancelled (one of which has been replaced)

Table A5.9: SPT PCD tracker

#	SpC	Term	Description	Five-year spend (Direct Costs)	Five-year Baseline allowance (Direct cost)	Variance (five-year costs only)	Status
1	3.9	WWt	ECU2	16.3	10.1	6.21	NOT ON TRACK
2	3.9	WWt	HNNO	25.0	16.9	8.12	COMPLETE
3	3.9	WWt	Windyhill-Lambhill turn in	4.0	3.2	0.82	COMPLETE
4	3.9	WWt	Eccles shunt comp	81.7	79.5	2.18	NOT ON TRACK
5	3.9	WWt	Denny Wishaw 400kV Reinforcement	25.2	14.4	10.81	ON TRACK (now ASTI)
6	3.9	WWt	ECUP	11.5	28.2	-16.72	ON TRACK
7	3.17	SSt	U and AT route uprating	0.0	5.7	-5.71	CANCELLED (OHL rebuild solution)
8	3.17	SSt	Gretna Ewe Hill OHL replacement	6.9	4.4	2.59	NOT ON TRACK
9	3.18	ROt	Shunt Reactors and Statcom: Gretna	2.9	1.7	1.19	ON TRACK
10	3.18	ROt	Shunt Reactors and Statcom: Strathaven	2.3	1.7	0.62	COMPLETE
11	3.18	ROt	Shunt Reactors and Statcom: Hunterston	8.4	7.6	0.74	NOT ON TRACK

12	3.18	ROt	Shunt Reactors and Statcom: Coalburn	1.8	1.7	0.11	COMPLETE
13	3.18	ROt	Shunt Reactors and Statcom: Kilmarnock South	2.2	1.7	0.50	ON TRACK
14	3.18	ROt	Shunt Reactors and Statcom: Markhill	2.6	9.2	-6.62	NOT ON TRACK
15	3.18	ROt	Harmonic filters - Blackhill	6.7	3.3	3.38	ON TRACK
16	3.18	ROt	Harmonic filters – New Cumnock	6.7	3.3	3.38	ON TRACK
17	3.18	ROt	Harmonic filters – Newton Stewart	6.7	3.3	3.38	ON TRACK
18	3.18	ROt	Harmonic filters – Margree	0.0	3.3	-3.32	CANCELLED
19	3.18	ROt	Harmonic filters – Moffat	4.4	3.3	1.06	ON TRACK
20	3.18	ROt	Harmonic filters – Linmill	7.2	3.3	3.89	NOT ON TRACK
21	3.18	ROt	GEMS	2.7	6.7	-4.09	NOT ON TRACK - alternative specification
22	3.18	ROt	Blackstart	13.1	9.4	3.70	NOT ON TRACK
23	3.18	ROt	CRMS	0.0	3.9	-3.91	NOT ON TRACK
24	3.18	ROt	Torness	10.4	6.5	3.91	ON TRACK
25	3.18	ROt	CB replacement for SF6 leakage (x6)	2.9	0.6	2.29	ON TRACK

Notes: Variance represents the difference between the 5-year cost and the 5-year allowance.

SHET

Table A5.10 tracks each PCD linked to SpCs 3.9, 3.15, 3.17, and 3.18. It compares SHET's current total cost forecasts for the RIIO-2 price control period against the adjusted allowance.

The delivery status of the reported PCDs is as follows:

- 9 projects are currently considered on track by SHET
- 8 projects have been completed
- 8 projects are not on track

Table A5.10 SHET PCD tracker

#	SpC	Licence term	Description	Five-year spend (Direct Costs)	Five-year Baseline allowance (Direct cost)	Variance (five-year costs only)	Status
1	3.17	SSt	Tealing 275kV Busbar	7.4	16.5	-9.11	COMPLETE
2	3.17	SSt	North East 400kV Upgrade	130.9	169.0	-38.14	COMPLETE
3	3.15	PCFt	Pre-construction - E4D3	18.3	27.5	-9.22	COMPLETE
4	3.17	SSt	Kinardochy Reactive Compensation	54.5	84.0	-29.46	COMPLETE
5	3.15	PCFt	Pre-construction – Skye	15.0	15.0	-0.07	COMPLETE
6	3.15	PCFt	Pre-construction - Annual Costs	0.0	1.1	-1.13	ON TRACK
7	3.15	PCFt	Pre-construction - Regional Development Plans	0.0	1.4	-1.42	ON TRACK
8	3.15	PCFt	Pre-construction – Argyll	8.6	19.3	-6.19	COMPLETE
9	3.9	WWt	East Coast 275kV Upgrade	86.0	142.9	-56.95	NOT ON TRACK
10	3.9	WWt	East Coast 400kV Incremental Upgrade	145.6	192.5	-46.89	NOT ON TRACK
11	3.17	SSt	Moray West Offshore Windfarm	5.4	5.5	-0.13	COMPLETE
12	3.15	PCFt	Pre-construction - E4L5	15.1	18.4	-3.22	NOT ON TRACK
13	3.18	ROt	Operations Centre	1.4	14.2	-12.79	NOT ON TRACK

14	3.18	ROt	Resilience: Protection & control (Protection Modernisation)	14.5	25.6	-11.03	NOT ON TRACK
15	3.18	ROt	Physical Security (Beauly Upgrade)			0.00	COMPLETE
16	3.18	ROt	Response and Recovery: Substation Resilience	24.5	43.7	-19.29	NOT ON TRACK
17	3.18	ROt	Warehousing	35.7	32.5	3.26	ON TRACK
18	3.18	ROt	Resilience: Physical Security	6.3	8.3	-1.97	ON TRACK
19	3.18	ROt	Communications Upgrade	12.3	22.0	-9.71	NOT ON TRACK
20	3.18	ROt	Smart Monitoring	4.9	14.7	-9.85	NOT ON TRACK
21	3.7	NOITREt	Project TReNDS	2.5	2.2	0.29	ON TRACK
22	3.7	NOITREt	System and Network Planning	3.7	3.7	0.00	ON TRACK
23	3.7	NOITREt	Integrated Project Management	10.1	10.1	0.00	ON TRACK
24	3.7	NOITREt	Control Centre Disaster Recovery	2.4	2.4	0.00	ON TRACK
25	3.7	NOITREt	Acceleration of digitisation	1.0	1.0	0.00	ON TRACK

Notes: Variance represents the difference between the 5-year cost and the 5-year allowance.