

To: All holders of the electricity distribution licence

**Electricity Act 1989
Section 11A(2)**

Notice of statutory consultation on proposals to modify the special conditions of the electricity distribution licences

1. Each of the licensees to whom this document is addressed is the holder of an Electricity Distribution Licence (the 'Licence') granted or treated as granted under section 6(1) of the Electricity Act 1989 (the 'Act').
2. The Gas and Electricity Markets Authority (the 'Authority')¹ proposes to modify the existing special conditions ('SpC') of the Licence by amending SpC 1.2 and SpC 3.2.
3. The effect of these proposed modifications is to enable the re-opener allowances under SpC 3.2 to be subject to a Price Control Deliverable ('PCD') in line with our Final Determinations for the Load Related Expenditure (LRE) Re-opener and Hebrides and Orkney Re-opener dated 12 December 2025.
4. PCDs can be put in place to ensure companies are held to account to deliver specific outputs. If an output is not delivered or delivered to a specific standard, there is then a mechanism in place to refund customers. Where there are cost and volume uncertainties around certain network activities, PCDs allow funding to be allocated for these works but protect consumers against unspent allowances. ENWL has submitted forecasted costs in its 2025 application for the remaining years of the price control, and other licensees will also submit the same if they submit applications in future. Although allowances set during the price control

¹ The terms the 'Authority', 'we' and 'us' are used interchangeably in this document.

through re-openers are more certain than the alternative of setting them as baseline ahead of the price control, some uncertainty remains. There is therefore a risk, that consumers bear the risk of unspent allowances due to non-delivery or under-delivery of an activity or project funded through a re-opener. The PCD mechanism is a way to mitigate this risk and protect consumers from unnecessary costs.²

5. If a DNO does not deliver its PCDs during the Electricity Distribution price control applicable to the specified Delivery Date, then the price control framework provides for all or some of the relevant PCD allowances to be clawed back in accordance with SpC 3.3 (Evaluative Price Control Deliverables).
6. At present PCDs cannot be set for the LRE Re-opener, the Hebrides and Orkney Re-opener, or for any other re-opener mechanisms under SpC 3.2. We are proposing to modify the licence to enable PCDs to be set for all re-opener mechanisms under SpC 3.2.
7. Further details on the reasons for the proposed modifications can be found in our [RIIO-ED2 2025 Re-openers Final Determinations](#) document available on our website. The full text of the proposed modifications to SpC 1.2 and SpC 3.2 (including Appendices to SpC 3.2) are set out in Annexes 1 to 2 respectively, with the new text to be added shown double underscored and text removed shown struck through.
8. In addition, our [RIIO-ED2 2025 Re-openers Final Determinations](#) (FDs) document omitted some costs intended to be allowed in relation to SSEH's projects under the Hebrides and Orkney re-opener. These related to Distributed Embedded Generation in ED3, 2029, and costs related to the project Islay-Jura in ED5 from 2034/35 to 2039/40. To address this and to confirm these allowances we have amended the table from our FDs (FD ED Annex Table ED7) to include these costs.

² More detail on PCDs can be found in Chapter 7 of RIIO-ED2 FDs - [RIIO-ED2 Final Determinations | Ofgem](#)

The amended table can be found in Annex 3 below. The direction published alongside the FDs included costs for the ED2 period which have not been changed.

9. A copy of the proposed modifications and other documents referred to in this notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.
10. Any representations with respect to the proposed modifications to the Licence must be made on or before 2 March 2026 to: Sai Wing Lo, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to ReopenerConsultations@ofgem.gov.uk.
11. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
12. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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Pete Wightman
Deputy Director, Price Control Operations
Duly authorised on behalf of the
Gas and Electricity Markets Authority

2 February 2026

Annex 1: Proposed modifications to Part A of Special Condition 1.2 of the Licence held by all holders of the electricity distribution licence

(New text is double underscored and text removed is double struck through.)

Evaluative Price Control Deliverable	means a Price Control Deliverable specified in <u>Special Condition 3.2</u> , Special Condition 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable) or Special Condition 3.17 (Storm Arwen Re-opener and Price Control Deliverables).
Price Control Deliverable	means the outputs, delivery dates and associated allowances specified in <u>Special Condition 3.2</u> , Special Conditions 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Special Condition 3.6 (Net Zero Reopener and Price Control Deliverable), Special Condition 3.17 (Storm Arwen Re-opener and Price Control Deliverables) and other bespoke special conditions setting out Mechanistic Price Control Deliverables.
<u>Uncertain Costs Re-openers</u>	<u>means all the reopeners established under Special Condition 3.2 (Uncertain Costs Re-openers and Price Control Deliverable (UCRt)).</u>

The Office of Gas and Electricity Markets

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Annex 2: Proposed modifications to Special Condition 3.2 of the Licence held by all holders of the electricity distribution licence

(New text is double underscored and text removed is double struck through.)

Special Condition 3.2 Uncertain Costs Re-openers (UCRt) and Price Control Deliverables

Introduction

3.2.1 The purpose and effect of this condition ~~is~~ are to:

- (a) set out the value of those Uncertain Costs terms ~~that do not have a related Evaluative Price Control Deliverable~~, and to calculate the term UCRt (the Uncertain Costs Re-openers term), which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model); ~~and~~
- (b) establish Re-openers triggered by the licensee or the Authority in relation to Uncertain Costs;
- (c) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
- (d) provide for an assessment of the Price Control Deliverable.

Part T: Formula for calculating the Uncertain Costs Re-openers term (UCRt)

3.2.120 The value of UCRt is derived in accordance with the following formula:

$$\underline{\underline{UCRt = UCt - UCRPCDt}}$$

where:

UCt means the sum of allowances in Appendix 1; and
UCRPCDt has the value zero unless otherwise directed by the Authority in accordance with Part V.

Part U: What is the licensee funded to deliver

3.2.121 Appendix 3 specifies the Price Control Deliverables that the licensee is funded to deliver, the associated delivery dates for those Price Control Deliverables and the allowances associated with those Price Control Deliverables.

Part V: Assessment of the Price Control Deliverables

3.2.122 The Authority may, in accordance with the assessment principles set out in Part C of Special Condition 3.3 (Evaluative Price Control Deliverables), direct a value for UCRPCDt where the licensee has not Fully Delivered a Price Control Deliverable in Appendix 3.

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

3.2.123 Before making a direction under paragraph 3.2.122, the Authority must send to the licensee and publish on the Authority's Website:

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

3.2.124 A direction under paragraph 3.2.123 must set out:

- a) the delivery status of any Price Control Deliverables that have not been Fully Delivered;
- b) the value of the UCRPCDt term and the Regulatory Years to which that adjustment relates; and
- c) the methodology and data that have been used to decide the delivery status of any Price Control Deliverables that have not been Fully Delivered and the value of any adjustments to the UCRPCDt term.

(For all Licences except those held by ENWL. The modifications are (i) the heading of Appendix 1 to SpC 3.2 and (ii) deletion of the row of SArT (this row should have been deleted under the licence modification on 8 January 2026 to remove SArT from SpC3.2 to SpC3.17)³. There is no change to the values of the allowance tables in Appendix 1, and that they are as per the current licences)

Appendix 1

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

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
SArT	£	£	£	£	£	£

³ Details can be found in the [licence modification](#) on 8 January 2026.

(For Licence held by ENWL)

Appendix 1

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

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
PSUPt	0	0.133	0.398	0.000	0.000	0.530
REct	0	0	0	0	0	0
ESRt	0	0	0	0	0	0
EVRt	0	0	0	0	0	0
SWRt	0	0	0	0	0	0
DIGIt	0	0	0	0	0	0
SARt	0	0	0	0	0	0
LREt	0	0	0	0	0	0
	<u>6.891</u>	<u>18.377</u>	<u>33.858</u>	<u>44.195</u>	<u>47.426</u>	<u>150.747</u>
HVPt	0	0	0	0	0	0
WDVt	0	0	0	0	0	0
HOT	0	0	0	0	0	0
SESt	0	0	0	0	0	0
SEFEct	0	0	0	0	0	0

(For Licence held by all holders of the electricity distribution licence)

We will continue to work with both ENWL and SSEN during the consultation to refine the PCD definitions below to ensure that the final PCDs properly reflect of the allowances provided at the relevant project stages.

Appendix 3

Price Control Deliverables Associated Allowances (£m)

<u>DNO</u>	<u>Re-opener</u>	<u>Output</u>	<u>Delivery Date</u>	<u>2023 /24</u>	<u>2024 /25</u>	<u>2025 /26</u>	<u>2026 /27</u>	<u>2027 /28</u>	<u>Total</u>
<u>ENWL</u>	<u>Part K</u>	<u>Connection: Deliver 5265 connections by the end of ED2</u>	<u>31 Mar 2028</u>	<u>2.100</u>	<u>5.400</u>	<u>14.100</u>	<u>16.200</u>	<u>18.800</u>	<u>56.600</u>
<u>ENWL</u>	<u>Part K</u>	<u>Peel: In Project Handover Stage to deliver the reinforcement in Peel 132kV Substation</u>	<u>31 Mar 2027</u>	<u>3.200</u>	<u>2.200</u>	<u>2.600</u>	<u>0.700</u>	<u>0.000</u>	<u>8.700</u>
<u>ENWL</u>	<u>Part K</u>	<u>Harker: In construction stage to deliver 480MVA of capacity and aligns with NGET's broader upgrades at the Harker site</u>	<u>31 Mar 2028</u>	<u>1.200</u>	<u>5.100</u>	<u>4.900</u>	<u>4.100</u>	<u>4.700</u>	<u>20.000</u>
<u>ENWL</u>	<u>Part K</u>	<u>Cumbria Ring: In construction stage to deliver 130MVA of capacity and aligns with NGET's broader upgrades at the Harker site</u>	<u>31 Mar 2028</u>	<u>0.100</u>	<u>0.300</u>	<u>5.100</u>	<u>9.400</u>	<u>9.500</u>	<u>24.400</u>
<u>ENWL</u>	<u>Part K</u>	<u>Blackpool Enterprise Zone: In construction stage to deliver 32MVA of capacity at Blackpool BSP</u>	<u>31 Mar 2028</u>	<u>0.000</u>	<u>1.300</u>	<u>1.100</u>	<u>1.300</u>	<u>0.800</u>	<u>4.500</u>
<u>ENWL</u>	<u>Part K</u>	<u>Heysham / Middleton: In construction stage to provide a new connection with NGET by establishing a new Middleton GSP</u>	<u>31 Mar 2028</u>	<u>0.000</u>	<u>0.000</u>	<u>0.200</u>	<u>1.400</u>	<u>1.600</u>	<u>3.200</u>
<u>ENWL</u>	<u>Part K</u>	<u>Wigan BSP: In construction stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP</u>	<u>31 Mar 2028</u>	<u>0.000</u>	<u>0.000</u>	<u>1.100</u>	<u>1.100</u>	<u>1.200</u>	<u>3.400</u>

<u>DNO</u>	<u>Re-opener</u>	<u>Output</u>	<u>Delivery Date</u>	<u>2023 /24</u>	<u>2024 /25</u>	<u>2025 /26</u>	<u>2026 /27</u>	<u>2027 /28</u>	<u>Total</u>
<u>SSEH</u>	<u>Part O</u>	<p><u>Islay – Jura: Deliver a multi circuit solution to Islay and Jura, capable of providing N-2 resilience for full island demand / capability for long duration outages specifically related to the loss of up to two in-feeding submarine cable circuits, with a minimum subsea cable transfer capacity of 70MVA</u></p> <p>(A) <u>ED2 ((*)MVA)</u></p> <p>(B) <u>ED3 ((*)MVA)</u></p> <p>(C) <u>ED4 ((*)MVA)</u></p> <p>(D) <u>ED5 (70MVA +/- 3MVA/N-2)</u></p>	<p>(A) <u>31/03/2028</u></p> <p>(B) <u>Date up to 31/03/2033 to be confirmed</u></p> <p>(C) <u>Date up to 31/03/2033 to be confirmed (**)</u></p> <p>(D) <u>Date up to 31/03/2022 to be confirmed (**)</u></p>	<u>0.000</u>	<u>0.000</u>	<u>0.233</u>	<u>7.083</u>	<u>26.800</u>	<p>(A) <u>34.116</u></p> <p>(B) <u>141.079</u></p> <p>(C) <u>0.945</u></p> <p>(D) <u>17.955</u></p>
<u>SSEH</u>	<u>Part O</u>	<p><u>Orkney: Sufficient progress towards final delivery a new Overhead line and/or cable sections and subsea cable route between Mainland GB and Orkney with a minimum transfer capacity of 70MVA(*), which may initially be operated at 33kV with a transfer capacity of at least 33MVA(*) [under normal operating conditions]. Sufficient progress for this purpose must be commensurate with the allowances provided up to the delivery date, and evidenced through the PCD report.</u></p> <p>(A) <u>ED2: Summary evidence in PCD report on development work.</u></p> <p>(B) <u>ED3 (**) MVA/N-2</u></p>	<p>(A) <u>31/03/2028</u></p> <p>(B) <u>Date up to 31/03/2029 to be confirmed.(**)</u></p>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>2.557</u>	<u>12.890</u>	<p>(A) <u>15.447</u></p> <p>(B) <u>**</u></p>

Notes on SSEH's Draft PCDs

* The exact MVA of a given asset will not be known until SSEN - D complete procurement activities and confirm this with the successful manufacturer(s) for the asset. Therefore, there is potential for this value to be different.

** The needs case for the overall solution and the costs of the next phase of work relating to the next price control will be re-assessed as part of the licensee's Business Plan submission at each price control.

For Orkney: On the basis that the first phase of the approved Orkney project (Option 7A) does not complete until early ED3, and have funding to the end of ED2, we propose that the second part of this PCD for those works is set as part of the ED3 Business Planning process.

The PCD for the approved first phase of the Orkney project is therefore limited to the detailed design activities currently funded in the HOWSUM FD 2025 as drafted below.

Annex 3: Updated summary of the Hebrides and Orkney Re-opener project allowances of the Licence held by SSEH only. New text is double underscored and text removed is double struck through.

The table below supersedes Table ED7 of our [RIIO-2 Re-opener Applications 2025 Final Determinations – ED Annex](#) published on 12 December 2025.

Appendix 1

Summary of Hebrides and Orkney Re-opener Projects Allowances (£m 2020/21 prices)

Project/ Activity	Cost category	SSEN Total Project Forecast (£m)	SSEN's Total Cost Forecast for ED2 (£m)	ED2 Allowanc es (£m)	ED3 Allowances (£m)	ED4 Allowances (£m)	<u>ED5 Allowance s (£m)</u>	Total Project Allowanc es (£m)
Islay- Jura	Capex	157.535*** ***	75.570	28.541	+128.118	+0.876	<u>+16.645</u>	157.535 174.180
Islay- Jura	Risk and CAI costs	28.440*	28.440*	5.575**	+10.087**** *	+0.069*****	<u>+1.311***</u> **	15.732 17.042
<u>Islay- Jura</u>	<u>DEG costs</u>	<u>3.418</u>	-	-	<u>3.418</u>	-	=	<u>3.418</u>
Orkney	Capex	172.638*** ***	8.140	8.140	-	-	=	8.140
Orkney	Risk and CAI costs	8.900*	8.900*	7.307**	-	-	=	7.307
Outer Hebride s and Skye	Capex	-	-	-	-	-	=	-
Outer Hebride s and Skye	Risk and CAI costs	24.620*	24.620*	17.010** *	-	-	=	17.010
Mull, Coll and Tiree	Capex	-	-	-	-	-	=	-

Mull, Coll and Tiree	Risk and CAI costs	2.070*	2.070*	1.160*** *	-	-	=	1.160
Whole system analysis	Capex	-	-	-	-	-	=	-
Whole system analysis	Risk and CAI costs	1.360*	1.360*	1.230*** *	-	-	=	1.230
CAI costs – 2024 HOWSUM	CAI	9.490	9.490	8.189	-	-	=	8.189
Total	-	405.053 408.471	158.590	77.153	+138.205 +141.623	+0.945	<u>+17.955</u>	216.303 237.677

* SSEN's other cost elements include standard, extraordinary risk allowances, CAI costs and development fund requested where appropriate for RIIO-ED2.

** ED2's other cost elements include standard risk allowances and CAI costs for Islay-Jura, standard risk allowances, CAI costs and development fund for Orkney.

*** ED2's other cost elements for Outer Hebrides and Skye include development fund and DEG costs.

**** ED2's other cost elements for Mull, Coll and Tiree and Whole system analysis include development fund only.

***** ~~ED3 and ED4's~~, and ED5's other cost elements include the risk allowances estimated at the same ratio as ED2, the other cost elements will be determined in subsequent price control periods.

***** SSEN Total Project Forecast values include the capex cost for SSEN's preferred solution for Islay-Jura and Orkney during the RIIO-ED2, RIIO-ED3 ~~and RIIO-ED4~~, and RIIO-ED5 where appropriate.