

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

### **Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE<sub>t</sub> and EPI<sub>t</sub>)**

#### **Introduction**

3.10.1 The purpose of this condition is to specify the terms VIMRE<sub>t</sub> (the Visual Impact Mitigation Re-opener term) and EPI<sub>t</sub> (the Enhancing Pre-existing Infrastructure Projects term). These terms contribute to the calculation of the Totex Allowance.

3.10.2 The effect of this condition is to:

- a) ~~Not Used~~require the licensee to update its Mitigating Pre-existing Infrastructure Policy;
- b) specify the outputs, delivery dates and associated allowances for the Visual Impact Mitigation Price Control Deliverable; and
- c) ~~Not Used~~establish a Re-opener for the licensee to trigger amendments to the Visual Impact Mitigation Price Control Deliverable;
- d) provide for an assessment of the Visual Impact Mitigation Price Control Deliverable; and
- e) ~~provide for the Authority to specify, during the first year of the Price Control Period, the outputs, delivery dates and associated allowances for Enhancing Pre-existing Infrastructure Projects~~Not Used.

**Commented [A1]:** Retain T2 definition and update accordingly.

#### **Part A: Formula for calculating the ~~Visual Impact Mitigation~~ Visual Impact Mitigation Re-opener term (VIMRE<sub>t</sub>)**

3.10.3 The value of the term VIMRE<sub>t</sub> is derived in accordance with the following formula:

$$VIMRE_t = (VIMO_t - VIMRO_t)$$

where:

VIMO<sub>t</sub> means the sum of allowances directed by the Authority in accordance with Parts D and F; and

VIMRO<sub>t</sub> has the value zero unless otherwise directed by the Authority in accordance with Part G.

~~3.10.4 The total value of VIMRE<sub>t</sub> for all Transmission Licensees during the Price Control Period will not exceed the amount specified in Appendix 2.~~

#### **Part B: Visual Impact Mitigation Price Control Deliverable**

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

3.10.53.10.4 Appendix 1 specifies the Visual Impact Mitigation Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

**Part C: Not Used Mitigating Pre-existing Infrastructure Policy**

~~3.10.6 The licensee must update its Mitigating Pre-existing Infrastructure Policy for the Price Control Period before making an application under Part D or providing information to the Authority to calculate the NTMP, term in accordance with Special Condition 5.4 (Non Technical Mitigation Projects allowance);~~

~~3.10.7 The Mitigating Pre-existing Infrastructure Policy must include:~~

~~3.10.8 the licensee's objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non Technical Mitigation Projects, including how these have been informed by the licensee's statutory duties and stakeholders' views;~~

~~3.10.9 details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non Technical Mitigation Projects during the Price Control Period;~~

~~3.10.10 a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non Technical Mitigation Projects on the National Electricity Transmission System;~~

~~3.10.11 proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;~~

~~3.10.12 a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non Technical Mitigation Projects;~~

~~3.10.13 a description of the licensee's governance processes for funding, and monitoring the delivery of Non Technical Mitigation Projects, as well as providing progress updates to stakeholders; and~~

~~3.10.14 an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it is consistent with industry best practice.~~

~~3.10.15 The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.~~

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

~~3.10.16 Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.~~

~~3.10.17 The Authority will either:~~

- ~~a) approve the proposed revisions;~~
- ~~b) reject the proposed revisions; or~~
- ~~e) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.~~

#### **Part D: Visual Impact Mitigation Re-opener**

~~3.10.183.10.5~~ ~~The licensee may apply to the Authority~~ may for a by ~~direction adding a new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.~~

~~3.10.19 The licensee may only apply to the Authority under paragraph 3.10.11 on or before 30 June 2025, or by such later deadline as the Authority may direct.~~

~~3.10.20 An application under paragraph 3.10.11 must be made in writing and:~~

~~3.10.21 set out the amendments sought to Appendix 1;~~

~~3.10.22 describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of impacts of pre-existing transmission infrastructure on the visual amenity of a Designated Area;~~

~~3.10.23 include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy;~~

~~3.10.24 include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;~~

~~3.10.25 include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;~~

**Commented [A2]:** This has been retained to accommodate the potential addition of a new PCD output in T3 [text redacted]

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

~~3.10.26 include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and~~

~~3.10.27 include such further detailed supporting evidence as is reasonable in the circumstances.~~

#### **Part E: Enhancing Pre-existing Infrastructure Projects (EPI<sub>i</sub>)**

~~3.10.283.10.6~~ The value of the term EPI<sub>i</sub> is the sum of allowances in Appendix 3.

~~3.10.29 In the first Regulatory Year of the Price Control Period, the Authority will direct amendments to Appendix 3 to add the Enhancing Pre-existing Infrastructure Projects that the licensee has submitted to the Authority prior to the start of the Price Control Period and for which no Price Control Period allowance has been provided.~~

#### **Part F: Cost And Output Adjusting Event**

~~3.10.303.10.7~~ The licensee may apply to the Authority for a direction amending Appendix 1 or 3 where there has been a Cost And Output Adjusting Event if:

- a. the following criteria are met:
  - i. the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;
  - ii. the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance for the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, or by at least such other percentage as the Authority directs; and
  - iii. the increase or decrease in expenditure is expected to be efficiently incurred or saved; or
- b. an event specified by the Authority in the direction that added the Visual Impact Mitigation Price Control Deliverable to Appendix 1 or added the Enhancing Pre-existing Infrastructure Project to Appendix 3 has occurred.

**Commented [A3]:** As per LOTI and MSIP, definition will need to be retained in T3.

~~3.10.313.10.8~~ The percentage in paragraph 3.10.~~746~~(a)(ii) is calculated before the application of the Totex Incentive ~~Strength~~Mechanism Rate.

~~3.10.323.10.9~~ Unless the Authority otherwise directs, the licensee must make the application under paragraph 3.10.~~746~~:

- a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and

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- b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.

3.10.333.10.10 An application under paragraph 3.10.746 must be made in writing and must:

- a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.10.746 has occurred;
- b) set out any amendments requested to Appendix 1 or Appendix 3;
- c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1 or Appendix 3, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, the proposed adjustments fairly reflect the effects of the Cost And Output Adjusting Event.

#### **Part G: Assessment of Visual Impact Mitigation Price Control Deliverable (VIMRO<sub>i</sub>)**

3.10.343.10.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for the term VIMRO<sub>i</sub> where the licensee has not Fully Delivered an output in Appendix 1.

#### **Part H: Authority's process for making a direction**

3.10.353.10.12 Before making a direction under paragraph 3.10.544, 3.10.745, 3.10.946 and 3.10.1120 the Authority will publish on the Authority's Website:

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

3.10.363.10.13 A direction under paragraph 3.10.644 will set out:

- a) any amendments to Appendix 1; and

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- b) any individual criteria for a Cost And Output Adjusting Event specific to that Visual Impact Mitigation Price Control Deliverable.

~~3.10.37 A direction under paragraph 3.10.15 will set out:~~

- ~~a) any amendments to Appendix 3; and~~  
~~b) any individual criteria for a Cost And Output Adjusting Event specific to that Enhancing Pre-existing Infrastructure Project.~~

~~3.10.38~~ 3.10.14 A direction under paragraph 3.10.~~746~~ will set out any amendments to Appendix 1 or 3.

~~3.10.39~~ 3.10.15 A direction under paragraph 3.10.~~1129~~ will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the VIMROt term and the Regulatory Years to which the adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the VIMROt term.

**Appendix 1**  
**Visual Impact Mitigation Price Control Deliverable**

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
North Wessex Downs Visual Impact Mitigation Project	1.11	0.78	8.89	34.72	4.59	50.17

Commented [A4]: Text redacted

Project name	Output	Delivery date
North Wessex Downs Visual Impact Mitigation Project	<p>Remove 4.6km section of a 400kv double circuit overhead line (OHL), known as the YYM.1, and 13 towers with associated conductor and fittings, with 4.6km underground cable in the North Wessex Downs AONB area. The OHL runs from the southern slopes of Roundway Hill along Horton Downs to the north of Devizes, Wiltshire.</p> <p>Installation of a 2000MVA 4.6km double circuit 400kV underground cable along the YYM.1 route.</p> <p>Install two new sealing end compounds (SEC) at (YYM33-34) and (YYM46-47) to connect the new section of underground cable to the existing overhead line.</p>	2026

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

Reinstatement of essential fibre optic data cable during cable underground.

## Appendix 2

Maximum value (£m) of the sum of VIMRE term for all Transmission Licensees during the Price Control Period

£465

Not Used

## Appendix 3

### Enhancing Pre-existing Infrastructure Project allowance

Project name and Designated Area	Allowance (£m)					All
	21/22	22/23	23/24	24/25	25/26	years
Dorset AONB Mitigation Project	12.545	0.587				13.132
LEI projects:	0.031	0.016	0.025	0.0	0.0	0.072
Canneek Chase AONB, Gentleshaw Common into the Future						
Blackdown Hills AONB, Enhancing the Hills						
High Weald AONB, Beautiful Boundaries II and Wonderful						
Woodlands New Forest NP, Landford Bog						
Nature Reserve North						
York Moors AONB, Kipwich Landscape						
Restoration Project						
Tamar Valley AONB, South Hooe Restoring and Enhancing Watery						
Landscapes						
LEI projects:	0.633	0.223	0.195	0.0	0.0	1.052
Clwydian Range and Dee Valley AONB,						

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Hidden from view  
Dorset AONB, Linking  
chalk, river and vale  
Lake District NP, Breast  
High Road Borrowdale  
restoration project Lake  
District NP, Breast High  
Road Bretherdale  
restoration project New  
Forest NP, Landscape  
and access  
enhancements  
Southdowns NP,  
Revealing  
Grandfather's Bottom  
Southdowns NP,  
Historic boundaries of  
Woolbeding Estate

Peak East mitigation project	45.189	45.834	0.387			31.410
Snowdonia National Park EPI project	13.850	36.170	44.120	59.798	61.283	215.224

Commented [A5]: Text redacted

Project name	Description of project	Delivery date
Dorset AONB Mitigation Project	<p>Replace a 8.25 km section of a 400kV double circuit overhead line, known as the 4YA, with 8.8 km underground cable in the Dorset AONB area. The overhead line runs from northwest of Winterborne Abbas to south of Friar Waddon Hill inside the boundary of the Dorset AONB.</p> <p>Install two new sealing end compounds to connect the new section of underground cable to the existing overhead line.</p> <p>Install 2 x 200 MVAR reactive compensation equipment at the existing Chickerell substation to</p>	2022



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	manage voltage issues and increasing capacitance from the underground cables.	
	Underground diversion of the western 33kV distribution circuit near the southern sealing end compounds for safety reasons and associated fibre optics cable.	
Gentleshaw	60 ha bracken and scrub control	2021
Common into the Future	7 ha purple moor grass cutting 80 m footpath upgrading 38 m broadwalk installation	
Enhancing the Hills	865 m hedgerow creation and management 1.2 ha traditional orchard restoration 5 ha meadow creation and improvement	2021
Beautiful Boundaries II	3,776 m coppice gap up and fencing 1,435 m ancient woodland fencing 2,774 m new hedge and fencing 884 m hedge laying and fencing 0.4 ha woodland planting 0.16 ha wetland habitat restoration	2021
Wonderful Woodlands	2,056 m2 all weather access improvement 5.5 ha woodland habitat restoration 5.6 ha ground flora restoration 3 pond habitat restoration	2023
Landford Bog Nature Reserve	35 m2 all weather access improvement 1,370 m boundary improvement 2 leaky log dam installations 0.7 ha rotational pollarding	2021
Kipwich Landscape Restoration Project	0.8 ha native woodland creation 7.4 ha wood pasture creation 12 ha open habitat creation with trees 37 ha SSI grassland and heathland restoration 5.6 ha ancient woodland restoration 10.6 ha woodland restoration 6.7 ha native woodland restoration	2024

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South Hooe	385 m reinstatement of historic field boundaries	2024
Restoring and	345 m new hedgerow planting	
Enhancing Watery	4,200 woodland tree planting	
Landscapes	840 m hedgerow management	
	5 gates for improved access to circular walk	
	450 m <sup>2</sup> scrub clearance	
	2,014 m new boundary fencing and access	
Hidden from view	150 m woodland thinning	2024
	8 pond/scrape creation	
	8.5 ha wildflower meadow creation	
	4500 m <sup>2</sup> woodland glade creation	
	400 m non-native tree removal	
	400m hedgerow creation	
	826 m <sup>2</sup> vehicular access improvements	
	800 m pedestrian access surface improvement	
	20 pieces pedestrian access infrastructure	
	Improvements	
	62 m edge definement — off road prevention	
	174 m drystone wall features, including ha-ha walls	
	145 m ditch creation and restoration	
	5 boulders — off road prevention	
Linking chalk, river	1270 m hedgerow tree planting	2024
and vale	1270 m hedge laying	
	140 m drystone wall restoration	
	7.0 ha grassland restoration	
	4.7 ha scrub management	
	10 ponds pond restoration	
	0.75 ha create wildlife corridors	
Breast High Road	1208 m reinstate and clear existing drainage gully	2022
Borrowdale	lines	
restoration project	2 maintain and repair existing culverts	
	5 replace broken culverts	
	4 route alignment	
	1 install a pitched ford	
	1 repair an existing traditional stone culvert	

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

	580 m <sup>2</sup> reprofiling and realignment of track	
	1100 m soil inversion (subsoiling) and addition of aggregate material	
	150 m create aggregate ditch	
	9 removal of, reinstatement of, or creation of new cross drains/surface draining features	
	40 native tree planting	
Breast High Road	510m reinstate and clear existing drainage gullies	2022
Bretherdale	3 replace and widen existing culverts	
restoration project	2 install steel and plaswood bridges	
	3 install pitched fords/wath areas	
	3 reinstate and maintain existing aggregate waths	
	3 clear and maintain existing culverts	
	12 m <sup>2</sup> surface gateway	
	2m install revetment	
	42 m restore dry stone wall	
Landscape and access	300 m plant and maintain hedgerows	2027
enhancements	40 trees planted	
	1950 m route improvements	
	14 gates installed	
	77 signposts installed	
	20 ha improve habitat	
Revealing	6.99 ha clear scrub	2023
Grandfather's	1.6 ha restore chalk heath	
Bottom	2.2 km new access route through yew woodland	
	380 m improved access at Grandfather's Bottom	
	2293 m stock fencing	
	1 drinking trough installed	
	0.3 ha car park surfacing	
	30 signs installed	
	40 mature trees planted	
Historic boundaries	300 trees planted (wood pasture)	2025
of Woolbeding	5000 trees planted (shaw)	
Estate	1600 m hedgerow planted	

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	<p>3550 m fencing (wood pasture)</p> <p>1600 m fencing (shaw and hedgerow)</p> <p>60 acres grassland seeding</p> <p>2 trees removal of diseased ash and replace with new standard trees</p> <p>3 troughs water troughs installed</p> <p>600 m water infrastructure (pipes) installed</p>	
<p>Snowdonia National Park EPI project</p>	<p>Remove a 3.3 km section of a 400kV/132kV overhead line, known as the 4ZC.1, and 10 pylons that run between existing Garth sealing end compound near Minfford and pylon 4ZC 028, east of the Dwyrdd Estuary.</p> <p>Replace pylon 4ZC 027 with a new terminal pylon.</p> <p>Construction of:</p> <ul style="list-style-type: none"> <li>- 4.2 km cable replacement 2 X 2500mm<sup>2</sup> (2 circuits per phase)</li> <li>- Tunnel with an internal diameter of 3.5 metres and segment thickness of 250mm.</li> <li>- 2 vertical shaft and head houses at Garth and Cilfor</li> <li>- 1 sealing end compound at Cilfor</li> </ul> <p>Install 200 MVAR shunt reactive equipment at the existing Trawsfynydd substation.</p>	2030
<p><b>Peak East Mitigation Project</b></p>	<p><b>Replace a 2 km section of a 400kV double circuit overhead line, running between the Woodend tunnel at Dunford Bridge to Wegden Foot, with underground cable. Remove existing sealing end compound at Dunford Bridge and install a new sealing end compound to connect the new section of underground cable to the existing overhead line at Wegden Foot.</b></p>	2023

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

### **Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA<sub>t</sub> and LOTIRE<sub>t</sub>)**

#### **Introduction**

3.13.1 The purpose of this condition is to specify the value of the terms LOTIA<sub>t</sub> (the large onshore transmission investment allowance term) and LOTIRE<sub>t</sub> (the large onshore transmission investment Re-opener term). These contribute to the calculation of the Totex Allowance.

3.13.2 The effect of this condition is to:

- a) specify any LOTI Outputs, delivery dates and allowances;  
establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the licensee's Transmission System; and
- b) establish the LOTI Guidance and Submissions Requirements Document;

**Commented [A6]:** Definition to be retained in Special Condition 1.1

**Commented [A7]:** Definition to be retained in Special Condition 1.1

3.13.3 This condition also sets out the process the Authority will follow when making any changes under this condition as a result of the Re-opener.

#### **Part A: Formulae for calculating the large onshore transmission investment allowance term (LOTIA<sub>t</sub>) and the large onshore transmission investment Re-opener term (LOTIRE<sub>t</sub>)**

3.13.4 The value of LOTIA<sub>t</sub> is equal to the baseline allowances in Appendix 1.

3.13.5 The value of LOTIRE<sub>t</sub> is the sum of allowances determined in accordance with Parts B and G.

#### **Part B: Scope of this Re-opener and pre-application requirements Not Used**

~~3.13.6 The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Decision and an associated modification of Appendix 2 to specify a LOTI Output, a delivery date and associated allowances.~~

~~3.13.7 Any modifications under paragraph 3.13.6 will be made under section 11A of the Act.~~

~~3.13.8 Before applying for a Project Assessment Decision and an associated modification of Appendix 2, the licensee must:~~

- ~~a) obtain approval of eligibility to apply as provided for in Part D, unless relieved of this requirement by the Authority by direction;~~

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

- ~~b) submit an Initial Needs Case to the Authority for consideration as provided for in Part E, unless relieved of this requirement by the Authority by direction; and~~
- ~~e) obtain the Authority's approval of a Final Needs Case as provided for in Part F.~~

## **Part C: LOTI Outputs**

3.13.93.13.6 The licensee must deliver the LOTI Outputs specified in Appendix 2 by the delivery dates specified in Appendix 2.

## **Part D: Approval of eligibility to apply for a LOTI Output Not Used**

~~3.13.10 Not less than three months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way of written submission to the Authority, unless the Authority relieves the licensee of this requirement by direction, including statements setting out:~~

- ~~a) why the investment is a LOTI;~~
- ~~b) a brief description of the LOTI; and~~
- a) if the licensee considers that the timings for the assessment of the LOTI should be different to the timings set out in Parts E or F, proposed alternative timings.

## **Part E: Initial Needs Case Not Used**

~~3.13.11 If the Authority approves eligibility to apply under Part D, or the Authority has relieved the licensee of the requirement to obtain approval of eligibility to apply, the licensee may submit an Initial Needs Case to the Authority for consideration.~~

~~3.13.12 An Initial Needs Case must be submitted:~~

- ~~a) not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or~~
- b) a) by such other date as the Authority may direct.

## **Part F: Final Needs Case Not Used**

~~3.13.13 If the licensee has submitted an Initial Needs Case to the Authority in respect of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.~~

~~Unless the Authority otherwise directs, approval may only be sought after the licensee has secured all material planning consents.~~

## **Part G: Cost And Output Adjusting Event**

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

~~3.13.14~~3.13.7 The licensee may apply to the Authority for a direction under this Part amending a LOTI Output, the delivery date or associated allowances in Appendix 2 where:

- a) there has been one or more Cost And Output Adjusting Events; and
- b) if the following requirements are met:
  - i. the licensee could not have reasonably foreseen the event or events; and
  - ii. the licensee could not have economically and efficiently planned a contingency for the event or events.

**Commented [A8]:** Existing T2 Definition of COAE in Special Condition 1.1 needs to be retained as this covers LOTI Outputs generally and a specific LOTI project

~~3.13.16~~3.13.8 The licensee may only apply for a direction under this Part to adjust allowances in Appendix 2 where:

- a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.13.~~479~~, calculated before the application of the Totex Incentive Mechanism Rate Strength, relative to the relevant allowance in Appendix 2 by the event, or, if there has been more than one event;
  - i. by each event;
  - ii. if the Authority has directed that the events in relation to the relevant LOTI Output should count cumulatively towards the percentage threshold, by any one or more events; or
  - iii. for the purposes of the LOTI Output beginning with the words 'Hinkley – Seabank', by any one or more events; and
- b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

**Commented [A9]:** Internal Note from A910c: Are we content that the T3 proposed TIM should apply here instead of the T2 TIM?

**Commented [A10R9]:** I read that they are saying take the delta before TIM and compare to original funding and the %age in 3.13.9 to see if a COAE has occurred?

3.13.9 The percentage referred to in paragraph 3.13.~~846~~ is:

- a) 20%;
- b) such other percentage as the Authority may specify by direction;
- c) for the purposes of the LOTI Output beginning with the words 'Hinkley – Seabank', 10%; or
- d) for the purposes of the LOTI Output beginning with the words 'Dinorwig-Pentir'
  - i. 10% for costs other than pain-share risk costs (being the costs incurred by the licensee in relation to contractual liability for pain-

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- share costs between the licensee and its contractors delivery works over the course of the project) and commodity risk costs (being the costs associated with the difference between the Authority's annual consumer price index adjustment to allowances and the licensee's forecast of costs in relation to specific commodities and labour over the course of the project); and
- ii. 0% for pain-share risk costs up to a cap of £2.8m
- iii. 0% for commodity risk costs up to a cap of £3.8m

3.13.10 Unless the Authority otherwise directs, the licensee must make any application not later than before the end of the period of three months beginning with the delivery date for the LOTI Output.

3.13.11 An application under this Part must be made in writing and must:

- a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.13.457, and where applicable 3.13.468, has occurred;
- b) set out any amendments requested to the LOTI Output, the delivery date or associated allowances in Appendix 2;
- c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 2, which must be designed to keep, so far as is reasonably practicable, the financial position of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the LOTI Output, the proposed adjustments to the LOTI Output, the delivery date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.

3.13.12 A direction under this Part may modify Appendix 2 to:

- a) amend the description of the LOTI Output to which the Cost and Output Adjusting Event relates;
- b) adjust allowances for that LOTI Output; and
- c) amend the delivery date for that LOTI Output.

3.13.13 The Authority may make a direction under this Part where:

- a) there has been an application under this Part;



Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

- b) there has been a Cost And Output Adjusting Event in relation to the relevant LOTI;
- c) the requirements of paragraphs 3.13.45<sup>7</sup> to 3.13.49<sup>11</sup>, where applicable, have been met; and
- d) the proposed modifications to Appendix 2 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred.

3.13.14 Before ~~making~~<sup>making a</sup> direction under this Part, the Authority will publish on the Authority's Website:

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

#### **Part H: LOTI Guidance and Submissions Requirements Document**

3.13.15 The licensee must comply with the LOTI Guidance and Submissions Requirements Document when making an application under ~~Part B or Part G, seeking approval under Part D or Part F or making a submission under Part E.~~

3.13.16 The Authority will ~~issue~~<sup>issue</sup> and amend the LOTI Guidance and Submissions Requirements Document by direction.

3.13.17 The Authority will publish the LOTI Guidance and Submissions Requirements Document on the Authority's Website.

3.13.18 The LOTI Guidance and Submissions Requirements Document will make provision about the detailed requirements for ~~Parts B, D, E, F and G.~~

3.13.19 Before directing that the LOTI Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- a) the text of the proposed LOTI Guidance and Submissions Requirements Document;
- b) the date on which the Authority intends the LOTI Guidance and Submissions Requirements Document to come into effect; and
- c) a period during which representations may be made on the text of the proposed LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

**Commented [A11]:** If Ofgem doesn't want to re-issue this Associated Document, then see the current drafting of SpC 5.3.10 for an example of drafting for a "carryover" Associated Document.

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10,3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

3.13.20 Before directing an amendment to the LOTI Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- the text of the amended LOTI Guidance and Submissions Requirements Document;
- the date on which the Authority intends the amended LOTI Guidance and Submissions Requirements Document to come into effect;
- the reasons for the amendments to the LOTI Guidance and Submissions Requirements Document; and
- a period during which representations may be made on the amendments to the LOTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

#### Part I: Large Project Delivery Adjustments

3.13.21 In relation to the LOTI Outputs beginning with the words "Dinorwig-Pentir" where the LOTI Outputs are not Fully Delivered the Authority will make modifications to the special conditions of this licence to reprofile the allowances specified in Appendix 2 in relation to those LOTI Outputs.

3.13.22 Any modifications under paragraph 3.13.~~20~~21 will be made under section 11A of the Act.

#### Appendix 1

##### LOTI baseline allowances (LOTIA<sub>t</sub>) (£m) by Regulatory Year

Regulatory Year					Total Allowance (All years)
21/22	22/23	23/24	24/25	25/26	
Have the values given in the NGET Redacted Information Document.					

**Commented [A12]:** Total Allowances in Redacted Information Document to be updated to provide T3 allowances

#### Appendix 2

##### LOTI Outputs and allowances (£m)

		Regulatory Year							
LOTI Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2026/27	2025/26	2027/28	

**Commented [A13]:** Project Allowances in Redacted Information Document to be updated to provide T3 allowances

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

Hinkley – Seabank, 31 Have the values given in the NGET Redacted Information as specified in December Document.

Table 5 of Special 2028  
Condition 6I

(Specification of  
Baseline Wider  
Works Outputs and  
Strategic Wider  
Works Outputs and  
Assessment of  
Allowed  
Expenditure) of this  
licence as in force  
on 31 March 2021.

Dinorwig-Pentir:	By 31	7.3	21.7	29.6	30.9	26.5	0.0	0.0
construct, energise	December							
and make freely	2026							
and fully available								
to the ISOP the								
circuits of this								
project								

Dinorwig-Pentir:	By 31	0.0	0.0	0.0	0.0	0.0	19.1	6.7
decommissioning,	March							
removal, and	2028							
disposal of all								
primary and								
ancillary assets in								
the scope of this								
project								

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

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

**Commented [A14]:** Definition in SpC 1.1 of the T2 licence to be retained and amended accordingly.

#### **Introduction**

3.14.1 The purpose of this condition is to calculate the term  $MSIPRE_t$  (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.

3.14.2 The effect of this condition is to:

- a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;

establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and

- b) provide for an assessment of the Price Control Deliverable.

**Commented [A15]:** Definition in Special Condition 1.1 to include reference to this MSIP condition

3.14.3 This condition also explains the process the Authority will follow when making any changes under this condition.

#### **Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term ( $MSIPRE_t$ )**

3.14.4 The value of  $MSIPRE_t$  is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

$MSIPO_t$  means the sum of allowances in Appendix 1; and

$MSIPRO_t$  has the value zero unless otherwise directed by the Authority in accordance with Part D.

#### **Part B: What is the licensee funded to deliver?**

3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

#### **Part C: Medium Sized Investment Projects Re-opener**

3.14.6 The licensee may apply to the Authority may modify for a modification to the outputs, delivery dates or associated allowances in Appendix 1. Any modifications under this paragraph will be made under section 11A of the Act. In relation to one or more of the following activities:

- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the

**Commented [A16]:** This has been retained to accommodate the potential addition of a new PCD output in T3 (i.e. NGET 2025 MSIPs)

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

~~level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);~~

~~(b) a Demand Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that could be provided for under Special Condition 3.12 (Demand Connection volume driver);~~

~~(c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA, and will:~~

~~i. create a new boundary, or alter an existing boundary; or~~

~~ii. finish after 1 April 2028 but before 31 March 2031;~~

~~(d) a Flooding Defence Project, the purpose of which is to follow:~~

~~i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or~~

~~ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;~~

~~(e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;~~

~~(f) a system operability, constraint management or OMW connection project or substation work which is required to accommodate embedded generation, which in each case has been requested in writing by the ISOP;~~

~~(g) projects that are required in order to meet NETS SQSS requirements regarding security or system operability;~~

~~(h) Harmonic Filtering projects that are needed following:~~

~~i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or~~

~~ii. system studies by the ISOP or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;~~

~~(i) protection projects that are required following:~~

~~i. system studies by the ISOP or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;~~

~~ii. system studies by the ISOP or the licensee showing a need for dynamic line ratings; or~~

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

~~iii. system studies by the ISOP or the licensee showing a need for an operational intertrip;~~

~~(j) data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups;~~

~~(k) SF6 asset interventions, where the licensee can demonstrate a well justified SF6 Intervention Plan;~~

~~(l) Electricity System Restoration Projects or a Flooding Defence Project, where the licensee can demonstrate a well justified needs case;~~

~~(m) a project identified by the ISOP as required to be delivered by 2030; and~~

~~(n) a project required to enable delivery of an ASTI project.~~

~~3.14.6 The licensee may only apply to the Authority under paragraph 3.14.6 Between:~~

~~a) 24 April 2021 and 30 April 2021;~~

~~b) 25 January 2022 and 31 January 2022~~

~~c) 25 January 2023 and 31 January 2023;~~

~~d) 25 January 2024 and 31 January 2024;~~

~~e) 25 January 2025 and 31 January 2025;~~

~~f) Or as otherwise directed by the Authority.~~

~~3.14.7 In relation to an application under paragraph 3.14.6(l) the licensee may apply twice during the Price Control Period.~~

~~3.14.8 An application under paragraph 3.14.6 must be made in writing to the Authority and include:~~

~~a) a statement setting out what Medium Sized Investment Project the application relates to;~~

~~b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;~~

~~c) such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements; and~~

~~d) an explanation of the basis of the calculation for any adjustments requested to allowances.~~

~~3.14.9 An application under paragraph 3.14.6 must:~~

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

- ~~a) take account of any expenditure, which can be avoided as a result of the change;~~
- ~~b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and~~
- ~~c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

~~3.14.11 Any modifications under this Part will be made under section 11A of the Act.~~

#### **Part D: Assessment of the Price Control Deliverable (MSIPRO<sub>t</sub>)**

3.14.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for MSIPRO<sub>t</sub> where the licensee has not Fully Delivered an output in Appendix 1.

#### **Part E: What process will the Authority follow in making a direction?**

3.14.8 Before making a direction under this Part, the Authority will publish on the Authority's Website:

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

3.14.9 A direction under paragraph 3.14.~~438~~ will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the MSIPRO<sub>t</sub> term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the MSIPRO<sub>t</sub> term.

#### **Appendix 1**

#### **Medium Sized Investment Project Price Control Deliverable (£m)**

**Commented [A17]:** Appendix 1 needs to be retained to refer to those MSIP PCDs that are to be delivered in T3 along with T3 allowances

Regulatory Year								
MSIP project	Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
			2					

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

Sulphur hexafluoride (SF6) Asset Intervention	a) Refurbishment at Barking 400kV Substation	By 31 March 2026	-	0.058	0.956	1.449	2.005	4.468
	b) Refurbishment at Seabank 400kV Substation		-	0.391	1.904	2.03	1.777	6.102
	c) Refurbishment at Sellindge 400kV Substation		-	0.405	0.762	1.344	0.034	2.545
	d) Refurbishment at West Ham 400kV Substation		-	0.286	1.06	2.755	2.966	7.067
	e) Replacement with HV cable at Monk Fryston 275kV GIB		-	0.034	0.093	4.662	0.018	4.807
	f) Replacement of 427 SF6 filled current transformer listed in the NGET Redacted Information Document		-	-	6.467	7.831	9.544	23.842
Extreme Weather Resilience	Complete flood protections at 33 sites listed in the	By 31 March 2026	0.0	0.5	0.8	0.9	0.8266	3.0266



Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

	NGET Redacted Information Document							
Cellarhead Customer Connection	Complete Cellarhead Customer Connection	By 31 March 2023	0.1858	0.2494	0.0062	-	-	0.4414
Frodsham Customer Connection	Complete Frodsham Customer Connection	By 31 March 2023	0.3385	0.1051	-	-	-	0.4436
Lister Drive Customer Connection	Complete Lister Drive Customer Connection	By 31 March 2023	0.6056	0.0905	-	-	-	0.6961
Melksham Operational Tripping Scheme Phase 2 Project	Complete Melksham Operational Tripping Scheme Phase 2 Project	By 31 March 2025	0.1145	1.612	4.174	1.259	1.647	8.8065
Pennine Pathfinders	(a)-complete 200MVar shunt reactor project at Stalybridge 400kV substation	(a)-By 31 August 2024	0.0	1.368	3.343	0.391	0.0	5.102
	(b)-complete 200MVar shunt reactor project at Stocksbridge 400kV substation	(b)-By 31 <sup>st</sup> August 2024	0.0	1.621	3.294	0.721	0.0	5.636
	(c)-complete 100MVar shunt	(c)-By 31 <sup>st</sup>	0.0	0.806	3.543	0.389	0.0	4.739

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10.3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.

	reactor project at Bradford West 275kV substation	August 2024						
Leiston 132kV Substation Connection	Complete demand connection for Sizewell C at Leiston 132kV Substation	By 30 <sup>th</sup> June 2026	0.0	0.0	0.0	3.526	1.557	5.083
Elland 132kV Substation Connection	Complete connection to Northern Powergrid at Elland 132kV Substation	By 24 October 2023	0.0	0.036	0.041	0.0	0.0	0.077
Willesden 66kV SEPD Connection	Complete demand connection to SEPD at Willesden 66kV substation	By 30 November 2024	2.169	0.503	1.464	0.095	0.0	4.231
Willesden Microsoft Data Centre Connection	Complete demand connection to Microsoft Data Centre at Kensal Green 400kV and Willesden 400kV and 66kV substations	By 30 August 2027	0.0	0.0	0.811	0.845	0.0	1.656

Drafting Note: The drafting of these conditions is based on existing T2 licence drafting (SpC 3.10, 3.13 and 3.14) with proposed modifications required to reflect their retention in the T3 licence shown as change marked.