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RIIO-3 Licence Consultation

We welcome the opportunity to respond to Ofgem's RIIO-3 Licence Consultation. SSEN Transmission shares Ofgem's overarching objectives: to deliver a resilient, secure and decarbonised energy system and to ensure the RIIO-3 framework supports efficient, timely and value-for-money investment.

Introduction

Our position is simple and pragmatic: we want to deliver RIIO-ET3. To do so, we require a licence framework that is clear, operable, and aligned with the policy intent that has developed through the RIIO-ET3 programme.

While Ofgem has refined elements of RIIO-3 policy since earlier consultations, the licence drafting still does not give effective or practical effect to that policy intent. As drafted, it risks creating avoidable uncertainty, administrative burden, and regulatory delay at precisely the moment when speed and predictability are essential to delivering Clean Power 2030, Net Zero and wider system resilience.

Our response focuses on practical, targeted improvements that can be made now — not wholesale redesign — to ensure the licence enables delivery rather than inadvertently inhibiting it.

Overarching Concerns with the Licence Framework

1. **Licence drafting does not reflect Ofgem's strategic intent for RIIO-3** - RIIO-3 is intended to support unprecedented levels of transmission investment through a flexible and adaptive regulatory framework. Yet the licence drafting largely carries forward RIIO-2 structures — sequential decision-making, layered uncertainty mechanisms, reliance on administrative reopeners, and extensive in-period licence modification.

This framework does not deliver the rapid, predictable, and proportionate regulatory process needed for the scale of investment in RIIO-ET3. Instead, it embeds procedural friction and interpretative risk at key delivery stages.

2. **Absence of RIIO-3 drafting principles** - Ofgem has increasingly moved substantive policy content into Associated Documents rather than embedding it in the licence. This continued shift undermines confidence that the drafting has been developed holistically and in accordance with regulatory best practice, and risks blurring the boundaries between binding obligations and guidance.

3. **Over-reliance on self-modification and direction powers** - Several proposed conditions rely on self-modification powers that, in our view, do not satisfy the requirement to specify the *time, manner and circumstances* under which conditions may be modified. This raises legal and operational concerns. Where direction powers are used, they must be sufficiently constrained to ensure predictability and avoid unconstrained in-period change.
4. **Lack of structured oversight for licence operability** - Given the frequency with which the RII0-3 licence will be amended and interpreted, a structured mechanism for monitoring operability is indispensable. Without it, issues arising in practice risk persisting and contributing to cumulative regulatory and delivery risk.

Key Recommendations

We offer four key recommendations that would substantially improve clarity and deliverability while avoiding major redrafting:

- **Recommendation 1:** *Ofgem commit to structured governance of licence operation (including bi-annual modification windows)*

A formalised process — including predictable modification windows and a standing industry engagement forum — would avoid continual ad-hoc licence change while ensuring that snagging issues and errors are resolved formally. This would also allow Ofgem and the sector to ensure that the licence is operating and effective as intended while providing the necessary transparency and stability for the Transmission Owners (TOs) as RII0-3 takes effect.

- **Recommendation 2:** *Ofgem commit to ongoing engagement and development of Associated Documents and recognise the need to define clear boundaries and disciplines for Associated Documents*

Associated Documents should specify guidance, process and implementation details only. Their scope has expanded to include prescriptive obligations, eligibility criteria for the recovery of allowances, additional policy and new decisions. This presents a risk – as recognised by the CMA in the Energy Licence Modification Appeals 2021 – that this undermines predictability, increase regulatory risk, and at its most serious bring into question financeability and better regulation principles.

- **Recommendation 3:** *Strengthen statutory and procedural safeguards for consultation periods*

The proposal to reduce presumption of 28-day minimum consultations risks undermining established administrative-law principles and limiting stakeholders' ability to meaningfully engage. Ofgem's assertion that reducing the consultation period will facilitate quick decision is flawed – as the period in which licence modifications is made follows an Ofgem decision. The period required to consult before modifying the licence does not affect the time Ofgem needs to take a decision

- **Recommendation 4:** *Remove the use of self-modification within the licence*

We cannot support wide-ranging self-modification provisions that are insufficiently justified and, as currently drafted, potentially unlawful. Ofgem must address these deficiencies in the drafting or remove the provisions.

We remain fully committed to delivering the scale and pace of investment required under RIIO-3. The recommendations set out in this response are not intended to slow or complicate the process; they are intended to **enable** delivery by ensuring the final licence is clear, stable and legally robust.

This response includes five Appendices and the Issues Logs.

1. The **Load Framework Appendix**, sets our concerns with the load mechanisms as drafted, which we believe risks slowing timely delivery by embedding duplicative assessments, unclear treatment of Track 3 schemes, unrealistic review timescales, and gaps in funding clarity—cutting against the acceleration needed for Clean Power 2030.
2. The **Incentive Framework Appendix** sets our concerns with incentives which as drafted contain formula errors, ambiguities and missing governance in the licence/Associated Documents and may mis-calibrate risk and reward and could prevent incentives from working as intended to support delivery and resilience.
3. The **Asset Health Framework Appendix**, sets our concerns with the proposed modification to the Network Asset Risk Framework. We are concerned with Ofgem's schedule and sequencing; specifically, the misalignment of the proposed common ET NARM methodology, data systems, and governance. This misalignment could lead to significant risks concerning delivery, costs, and operations unless expectations and timelines are adjusted. We have provided alternative proposals and delivery dates.
4. The **Strategic Planning Framework Appendix** sets our concerns with the planning framework which includes provisions which are under-specified and misaligned with policy intent—with gaps in definitions, governance, scope and funding treatment—driving uncertainty for investment planning and risking delay to strategic projects.
5. The **Cross-Over Framework Appendix** sets our concerns with cross over treatment, which in our view lacks a clear, end-to-end process for allowances, close-out interactions and timing, creating unnecessary regulatory uncertainty and administrative churn unless guidance is clarified and sequencing is made coherent.

By adopting a targeted improvements — clearer drafting principles, strengthened procedural safeguards, defined governance around Associated Documents, and structured oversight of licence operability — Ofgem can significantly enhance the deliverability of RIIO-ET3 and provide TOs with the confidence required to mobilise effectively.

We welcome further engagement and look forward to working constructively with Ofgem to ensure the final RIIO-3 licence framework supports timely, efficient and predictable delivery of essential network infrastructure.

Bryan O'Neill
Head of Regulatory Investment
SSEN Transmission

Licence Drafting: Concern that the licence fails to give effect to the policy intent of RIIO-3

In our August response, we highlighted that the statutory consultation offered a key opportunity to improve the structure, clarity and operability of the RIIO-3 licence. We welcome the refinements Ofgem has made to the underlying policy framework. However, equivalent focus has not yet been given to ensuring that the licence drafting provides practical effect to that policy intent. As drafted, several conditions do not fully reflect the strategic and adaptive framework central to RIIO-3, nor do they sufficiently support the scale, pace and flexibility of investment required to deliver a secure, resilient and decarbonised energy system.

Ofgem has been clear that RIIO-3 is intended to unlock a significantly greater volume of investment through a framework capable of responding to evolving system needs. This includes uncertainty mechanisms designed to adjust allowances as project certainty increases, ensuring that funding and consumer costs align with project development. While we support this approach, the licence drafting does not yet deliver these objectives. Instead, it largely carries forward RIIO-2 structural features—sequential processes, frequent administrative reopeners and extensive in-period licence modifications—which collectively risk slowing decision-making where timely progress is essential. Similar issues arise within several uncertainty mechanisms, which remain complex and procedurally demanding. The proposal to expand direction-making and self-modification powers does not address these structural challenges and may, in practice, increase the volume of in-period change at a time when predictability is critical.

We are also concerned that the drafting remains unnecessarily complex and duplicative. Provisions governing the issuing and amendment of Associated Documents appear across multiple conditions rather than being consolidated under a single common procedure. This departs from established drafting practice and Ofgem's own ED2 approach, increasing interpretative risk and administrative burden for both licensees and the Authority.

More broadly, the drafting does not yet reflect the principle applied in RIIO-2 that substantive policy should be set out clearly within the licence, with guidance used only to support implementation. In RIIO-3, significant policy content has instead been placed in Associated Documents. This shift risks blurring the boundary between obligations and guidance and may undermine confidence that the framework is coherent and aligned with policy intent. It also reinforces concerns about the volume of in-period licence modification and the complexity of layered uncertainty mechanisms—both of which could slow regulatory processes at the point where speed and clarity are most important, particularly during pre-construction and early enabling works.

Given that Ofgem has not undertaken a fundamental redesign of the licence framework, it is important that the drafting does not inadvertently constrain the level of investment needed to deliver Net Zero, Clean Power 2030 and wider system objectives. While wholesale reform would not be proportionate at this stage, it is essential that robust arrangements are established for ongoing oversight of how the licence operates in practice, supported by pragmatic engagement where issues arise.

Because the licence will be interpreted, applied and modified frequently throughout RIIO-3—particularly through uncertainty mechanisms and direction-making powers—it is inevitable that drafting issues and unintended consequences will emerge. To manage this effectively, we see clear value in establishing predictable modification windows, building on bi-annual precedents. This would reduce

reliance on ad-hoc directions and individual licence changes, providing greater stability and transparency.

To further support confidence that the drafting is operating as intended, we believe a formal, ongoing forum for engagement on licence operability would be beneficial. Such a forum would provide a structured means for identifying where clarification or amendment is required and ensuring that licence changes are made in a timely and proportionate manner. Our detailed observations are set out in the Issues Log submitted with this response.

Directions: Consultation Periods

Ofgem's proposal to replace the RIIO-2 presumption of a minimum 28-day consultation period with a power to consult for "up to 28 days" risks diluting established procedural protections. Established public law principles require that consultation must provide a realistic opportunity for intelligent consideration and response, and that adequacy of time is a substantive requirement. The drivers of shorter consultations arise not from the simplicity of proposed licence changes, but from the design of the RIIO-3 framework itself—particularly the increased reliance on in-period licence modification, continued RIIO-2-style processes, and expanded direction-making and self-modification powers. Reducing consultation time is therefore not an appropriate solution in the absence of clear criteria, safeguards, or a clearly outlined minimum consultation period, and risks inconsistent application, undermining legitimate expectations and confidence in the predictability of the regime.

From an operational and commercial perspective, compressed consultation periods present real barriers to meaningful engagement. Even seemingly straightforward modifications can require coordinated review across legal, regulatory, finance and governance functions, including consideration of financing arrangements and precedent effects. Shorter windows reduce stakeholders' ability to provide informed responses and constrain Ofgem's ability to consider representations fully. The cumulative effect of more frequent, truncated consultations may therefore degrade decision-making quality and increase regulatory and litigation risk.

We recognise the intent behind providing flexibility and agree it may be appropriate in limited circumstances. However, this flexibility must be supported by clear criteria, minimum timeframes and transparency around any departure from a 28-day norm. Without such oversight, core consultation principles risk being eroded. Where shorter processes are genuinely required, suitable alternatives—such as a bi-annual licence modification window—could help avoid the need for frequent ad-hoc directions while maintaining transparency and predictability.

Clarity: Associated Documents Content

We recognise that well-constructed Associated Documents can play a valuable role, particularly where they provide additional specification or guidance on obligations already established in the licence. However, it is essential that an appropriate balance is maintained. Fundamental obligations should sit within the licence itself, with Associated Documents limited to matters of implementation, process and clarification. The current combination of complex licence drafting and direct obligations to comply with Associated Documents makes this balance harder to achieve. This creates a risk of duplication, repetition, and the inappropriate migration of substantive obligations into guidance documents, as seen in areas where Re-opener Guidance overlaps with mechanism-specific guidance. Where Associated Documents are insufficiently specific or subject to frequent amendment, significant elements of the price control risk remaining uncertain throughout the period.

These concerns are reinforced by the findings of the Competition and Market's Authority (**CMA**) in the 2021 Energy Licence Modification Appeals, which recognised that excessive reliance on Associated Documents and in-period change can undermine predictability, increase regulatory risk and, in more serious cases, raise questions of financeability and alignment with better regulation principles. While we do not consider that RIIO-3 reaches this threshold, the scale and complexity of the framework increases the likelihood of such risks materialising if clear boundaries and disciplines are not consistently applied.

We therefore remain concerned about the principles and approach governing the allocation of obligations between the licence and Associated Documents under RIIO-3. Although we recognise the improvements made since August, the changes do not fully mitigate the risks inherent in the overall design. These risks are heightened by the complexity of the licence, the unprecedented level of capital investment expected in RIIO-ET3, the volume of submissions required, the uncertainty inherent at the start of the control period, and the frequency of in-period adjustments that RIIO-3 is expected to require.

Our aim is to work efficiently and effectively within the licence framework to deliver both our Business Plan commitments and Ofgem's Final Determinations. Achieving this requires clarity, proportionality and Associated Documents that provide reliable and practical support. We welcome Ofgem's willingness to engage constructively on this.

To ensure the framework operates as intended, we consider it essential that Ofgem puts in place a structured and ongoing process for engagement on the development, content and use of Associated Documents. Such an approach would allow issues of operability, clarity and unintended consequence to be identified early and resolved in a timely and proportionate way. Ofgem has included broad and direct obligations on the TOs to comply with the Associated Documents as a whole. Considering the scale of the policy within these documents it is no longer appropriate for Ofgem to place a licence obligation on the TOs to comply with the entire Associated Document. Broad obligations requiring TOs to comply with guidance should be avoided.

It is also important that Ofgem fully recognises the critical role these documents will play in practice. Given the scale, complexity and degree of in-period flexibility within the RIIO-3 licence, Associated Documents will be relied on more heavily than ever to give effect to policy intent. It is therefore vital that they are clearly scoped, sufficiently specified, stable where possible, and aligned with the licence rather than substituting for it.

We have identified a prioritised set of documents where early clarity and engagement will be particularly important for T3 delivery. We have provided initial comments in the Issues Log for these documents and welcome Ofgem's commitment to provide for further consultation beyond the 16 January.

- Closely Associated Indirects UIOLI Guidance
- CSNP Co-ordination Governance Document
- CSNP-F Re-opener Guidance
- ET2/T3 Crossover Guidance
- Independent Technical Advisor (ITA) Guidance/Governance Document
- Innovative Delivery Incentive Governance Document
- Load UIOLI Governance Document
- Load Re-opener Guidance

- Major Projects ODI-F Governance Document

We acknowledge and appreciate Ofgem's constructive engagement to date and consider that continued, structured collaboration on the development and operation of Associated Documents will be essential to ensuring the licence framework is workable in practice, provides adequate investment certainty, and supports the timely delivery of RIIO-3 objectives. We look forward to working with Ofgem on these critical documents.

Risk of unlawful provisions: Modification of the licence by direction

Ofgem has retained licence drafting that relies heavily on self-modification powers, without sufficient reasoning or justification for their scope or application. We raised this as a significant concern in our August response, noting apparent inconsistency with the CMA's 2021 Energy Licence Modification Appeals. While some self-modification provisions have been removed, material elements remain that raise the same underlying issues.

In particular, several provisions do not meet the statutory requirement to specify the time, manner and circumstances in which a future licence modification may be made. The drafting focuses on process (application and direction) but does not define the scope, limits or boundaries of the resulting modification. The extent of in-period change is therefore effectively unconstrained, and parties cannot, at the outset of the price control, understand with sufficient certainty when and how conditions may be modified. As drafted, this creates a real risk of legal vulnerability and undermines predictability for investment decisions. While this issue is evident across a range of provisions within the licence, it is most prevalent in the following conditions:

- Special Condition 3.13 Closely Associated Indirects Use it or lose it allowance (CAIt)
- Special Condition 3.14 Business Support Costs Re-Opener (BSCRt)
- Special Condition 3.27 Property Re-opener (PRt)

We recognise that RIIO-3 must accommodate an unprecedented scale of investment and therefore requires flexibility. We support efficient in-period adjustment and have proposed targeted alternatives—such as specific licence conditions for Price Control Deliverables (**PCDs**)—that would provide the necessary adaptability within a clearer and more legally robust framework. We also acknowledge that, where properly and lawfully drafted, limited direction-making powers can play an appropriate role.

However, we cannot support wide-ranging self-modification powers that are insufficiently justified or drafted without clear constraints. Ofgem should either remedy these deficiencies—by specifying the time, manner and circumstances and by tightly defining the scope and limits of any modification—or remove the provisions allowing for direction making powers – instead Ofgem can only properly rely on its statutory modification powers contained within s.11A of the Electricity Act 1989.

Errors and Snagging

Our response focuses on the fundamental issues within the proposed licence conditions. We recognise that, given the scale and complexity of the drafting, some errors are to be expected and that further issues may emerge as the licence takes effect. We welcome Ofgem's commitment to establish a formal process for tracking, identifying and correcting such errors.

However, it is important that attention is concentrated on the issues of greatest materiality. Addressing isolated drafting errors will not, on its own, ensure that the licence operates effectively. We therefore recommend that Ofgem prioritise resolving the substantive concerns we have identified across the framework, rather than dispersing effort across minor corrections. For example, we have identified errors in the allowances set out within specific Price Control Deliverable conditions which need to be addressed. We are keen to engage with Ofgem on this particular issue as these are best resolved via direct engagement.

In addition, we consider it essential that Ofgem establish a formal bi-annual governance process to review the operability of the licence as a whole. This should go beyond the identification of “snagging” or clerical errors and instead assess whether the licence is functioning as intended, and whether structural or functional adjustments are required. Given the way the RIIO-3 licence will be used, modified and relied upon—far more frequently than in previous price controls—such a process is necessary to maintain predictability, transparency and confidence.

A structured governance mechanism would also provide a clear and consistent forum for raising issues that emerge in practice, enabling early clarification and proportionate amendment where needed. We believe this approach would support both Ofgem and licensees in ensuring the licence remains stable, workable and aligned with policy intent throughout RIIO-3.

Appendix 1 – Load Framework

The RIIO-ET3 Load licence framework is central to delivering a decarbonised electricity system and the Government's Clean Power 2030 objectives. To do this, the licence framework must support rapid, predictable regulatory decision-making. The current licence drafting and Associated Documents do not meet this requirement. Instead, they introduce additional process and uncertainty at a point where speed and clarity are essential.

As drafted, the Load framework risks delaying the release of funding and slowing delivery of critical transmission infrastructure. This is inconsistent with both Government policy objectives and the scale of delivery required under RIIO-T3. We have set out a detailed issues log in relation to the Load framework, which supports the points below.

Load Related Uncertainty Mechanisms

The framework must avoid multiple or duplicative assessment stages as projects progress. Projects that align with the Clean Power pathway and have already passed Need and Options Assessment should proceed directly to Project Assessment without further reassessment.

Similarly, where projects have received Gate 2 To The Whole Queue (**G2TWQ**) offers following connections reform, any further need assessment should be proportionate and limited to optioneering. Repeating need assessments adds delay without improving decision quality. The regulatory process must act as an enabler of acceleration, not a constraint. There is a material risk that the current drafting will delay investment and undermine delivery of Clean Power 2030 targets.

Transmission Owners are already progressing work ahead of allowance confirmation and therefore bearing significant risk. In this context, it is essential that Ofgem adopts ambitious and binding review timescales for Load-related submissions and adheres to them in practice. Where possible, timescales should be shortened to reduce regulatory uncertainty and financing risk.

Volume Driver:

The current Volume Driver conditions establish a variable and atypical threshold that does not align with the stated policy intent. This creates unnecessary uncertainty over allowance recovery. The mechanism should instead adopt a fixed threshold to provide clarity and predictability.

Track 3 Projects

The regulatory treatment of Track 3 projects remains unclear. Ofgem has not provided sufficient guidance on projects assessed as “partially justified” in the RIIO-ET3 business plan, nor has Pre-Construction Funding (**PCF**) been awarded for these projects. The Load-Related Re-opener documentation should clearly set out the intended regulatory pathway for such projects to avoid delay and inefficiency.

PASE

The Pre Approval of Solutions by Engineering (**PASE**) framework is intended to speed up Ofgem's decision making and review of TO proposed technical solutions. However, as currently drafted it introduces a number of unintended consequences which could conflict with TO's wider obligations to design and deliver an economic and efficient transmission system. Ofgem's proposals look to fast

track specific design and technical solutions which, may not always be appropriate in all areas of GB or in all solutions to develop the transmission network. This could drive the wrong behaviours in TOs and ultimately lead to inefficient outcomes for stakeholders and consumers. It may lead to situations where planning authorities and local communities are in conflict with Ofgem policy which could lead to delays to delivery of critical national infrastructure.

We are concerned that Ofgem has not fully consulted with industry on its proposals and it has not justified its changes in engineering and technical policy that drive the framework. The framework does not align with the Electricity Transmission Design Principles (ETDP) developed by the NESO and consulted on by Industry.

We are supportive of Ofgem's intention to speed up its decision making, however, we encourage Ofgem to consider a more holistic, principle risk-based assessment rather than inflexible prescriptive detailed design regulations which may lead to unintended consequences.

Recovery of Closely Associated Indirects in Load Projects

The guidance on recovery of Closely Associated Indirects (**CAI**) and other indirect costs associated with Load projects is insufficient. These costs are integral to delivery, including the organisational growth required to manage the Load portfolio. As drafted, the licence and Associated Documents do not provide adequate assurance of full cost recovery, creating avoidable delivery and financing risk.

Ex-post review of Pre-construction funding

We understand from the current drafting that ex-post review of PCF will occur at Project Assessment (**PA**), or at close out. Procedurally it remains unclear if this provides a route for TOs to request additional PCF at the point of the ex-post review. The current drafting suggests that Ofgem intends to clawback unused or inefficient spend only. This introduces additional regulatory uncertainty and could drive the wrong behaviours. Ofgem should clarify its intention of its ex-post review within the license and associated guidance documents to ensure that this uncertainty is removed.

Ongoing Efficiency

Regarding the Application of Ongoing Efficiency (OE), we acknowledge that Ofgem has opted for a case-by-case approach with respect to re-opener mechanisms. While we fundamentally oppose the application of OE to these mechanisms, given that Ofgem has not made a definitive decision on this matter, we have refrained from submitting specific representations in our response.

OE improvements vary by cost area and UM structure. For instance, some LRR re-opener claims relate to already incurred costs, so OE gains cannot be achieved for these expenses and cost agreed through approved mechanism like the Advanced Procurement Mechanism may be fixed and not transferable.

As noted in the determinations Ofgem requires a separate consultation for every re-opener decision, allowing network companies and stakeholders to comment on OE's application to funding requests. We will use this process to provide feedback and evidence explaining why OE should not apply.

These issues must be addressed to ensure that the RIIO-ET3 Load framework operates as intended and supports timely delivery of the transmission infrastructure required to meet Government policy objectives.

Appendix 2 Incentive Framework

We support the intent of Ofgem's proposed Output Delivery Incentives (**ODIs**) and agree that they are designed to encourage delivery for CP2030 while maintaining network resilience for consumers. However, as set out in the Final Determinations, the ODI package is incorrectly calibrated and lacks definition in some areas.

The scale of investment and changes to the regulatory framework under RIIO-ET3 represent a step change from RIIO-ET2 and materially increase delivery risk. The regulatory framework must therefore enable and incentivise TOs to adapt their businesses to deliver this programme. The current ODI framework does not do this. Instead, it disproportionately penalises TOs for taking on additional risk in the interests of the wider GB system and consumers. Much of this risk is uncertain and, in some cases, outside TOs' control. The incentive framework needs to reflect this reality.

Separately from these policy concerns, the licence drafting and Associated Documents for the RIIO-T3 ODI framework do not provide sufficient clarity to allow the incentives to operate effectively. As drafted, the framework introduces additional and unnecessary risk to TOs. The key issues are set out below and must be addressed before implementation.

ODI calculations

The licence contains errors and ambiguities in ODI formulas that must be corrected. In particular, it is unclear which Return on Regulatory Equity (**RoRE**) value will be used to calculate rewards and penalties. While RoRE is defined, the licence does not specify the value to be applied or where it is set. Given that RoRE is variable, this lack of clarity could materially affect ODI outcomes.

To remedy this Ofgem must fix the RoRE variable used for the calculation of incentives. We recommend for consistency Ofgem set the RORE variable in line with the average equity portion of NPV RAV (23/24 prices) used in Final Determinations. For SSEN-T this is [REDACTED]

We have also identified formulaic errors across the licence, which are detailed in the issue log submitted alongside this response.

ODI definitions and exemptions

Several definitions within SpC 4.4 (Connections Output Delivery Incentive) are unclear and risk inconsistent interpretation. In particular, exemptions relating to timely planning consent are not clearly defined, creating uncertainty over when exemptions apply and how the incentive should be operated in practice. We ask that these definitions and exemptions are fixed to provide greater clarity and reflect the policy set out in Final Determinations.

As noted above, we also believe that the ODI exemptions across the ODI framework do not adequately reflect the increased risk related to system access. Our ask from Ofgem is to reconsider the reintroduction of delay events including System Access, ensuring that TOs are not penalised due to system access causing project delays, through making system access as a penalty exemption delay event for Major Project and Connection Delivery ODIs. We have provided further information in our letter on System Access and RIIO-T3

ODI Associated Documents

We recognise that Associated Documents can play a useful role where they provide further detail on obligations that are clearly established in the licence. While we have concerns with the current drafting of the SO:TO Governance Document, we note Ofgem's willingness to work with TOs to improve it ahead of RIIO-ET3.

Our greater concern is the absence of an Innovative Delivery Incentive Governance Document. This document is necessary to explain how the incentive in SpC 4.5 (paragraph 4.5.8) will operate in practice. Without it, TOs cannot make a fully informed assessment of the acceptability or risk of the incentive. We acknowledge that Ofgem has indicated that this document will be developed through Regulatory Year 1 of RIIO-ET3. It is necessary that Ofgem develop this document collaboratively with TOs and allow for detailed feedback, particularly given that no such opportunity has been provided through the statutory consultation.

Inappropriate Timescales

The licence sets out timescales for TOs to provide information that are not achievable and risk undermining effective implementation of the ODI framework. For example, under SpC 4.4 (Connections Delivery), the requirement to submit the Connection Project Register by 1 April 2026 is not feasible, as connection offers under **G2TWQ** will not be known by that date. We have identified further examples of unworkable timescales in our accompanying issue log. We recognise Ofgem's informal commitment to establish a more suitable date, our proposal is that a backstop date of 31st December 2026 is set within the Licence to account for any G2TWQ process delays. We will endeavour to provide this to Ofgem as soon as practically possible prior to this date.

Appendix 3: Asset Health Framework

Commitment to Pragmatic Solutions

We welcome Ofgem's previous statements indicating a commitment to pragmatic solutions for projects that span price control periods. We believe this commitment should be reflected in formal documentation, specifically the NARM Handbook and associated guidance, with clear definitions of key terms to avoid differing interpretations. We also look forward to Ofgem committing to clear timelines for feedback and decisions on applications, as timely responses are essential for maintaining delivery momentum and enabling network companies to plan with confidence.

- **Recommendation** - To achieve the benefits of commonality while reducing delivery risk, we propose that Ofgem re-sequence systems and methodology milestones to align the readiness of data systems to follow the approval of the common methodology. A practical approach would be for 2027 development for provisional methodology, a build and migration of systems across 2027-2028, and 2028 for final methodology approval supported by completed system assurance.

Consultation opportunities and sequencing

The publication and consultation of the RIIO-T3 conditions has served as the final opportunity to provide the necessary detail expected for inclusion. In particular, Special Licence Condition 9.2 contains substantial drafting that was missing from the draft. A notable addition in the current consultation version is the requirement for asset data systems that support the ET NARM Methodology to be in place by 1 April 2027.

As a result, there has not been sufficient opportunity to understand how this sequencing will work in practice, given that the final version of the NARM methodology for Ofgem approval does not need to be submitted until 1 April 2028. This ordering appears to introduce the possibility that a data system will need to be established for a methodology that is not yet defined. It will not be functionally possible to configure such a system in a way that anticipates the details of a methodology which will not be approved until a year later.

Common methodology development

We support the principle of a common Network Assets Risk Metrics (**NARM**) methodology, developed collaboratively by the TOs and approved by Ofgem. However, the proposed timeline that requires a first draft by 1 April 2027 and a final methodology by 1 April 2028 presents severe risks in delivery, governance, and sequencing.

We note that the licence condition (9.2.2) requires each TO have in place an Ofgem approved NARM Methodology. At present, we operate under an approved Network Output Measures (**NOMs**) Methodology, which continues to form the basis of our current risk assessment framework. Compliance with the revised licence requirements will depend on Ofgem's approval of the new ET NARM Methodology, which we submitted to Ofgem in December 2022. We also note that, during the NARM working group on 20 November 2025, Ofgem indicated that it expected to issue a direction on methodology approval in January 2026. We therefore rely on timely confirmation of this direction and subsequent approval to meet the obligations set out in this condition.

We remain committed to working with other licensees and Ofgem to develop a robust ET NARM methodology. With clearer intent and adjusted sequencing, there will be opportunity to deliver a high quality common approach without incurring avoidable system cost.

It is essential that Ofgem clearly specifies its expectations. By setting out a defined vision and minimum requirements for the NARM methodology, Ofgem can provide the necessary direction for TOs to collaborate efficiently and minimise uncertainty. Early clarity on Ofgem's objectives will help ensure that the draft and final methodology are consistent with regulatory intent and ready for implementation. This approach will reduce the risk of misaligned efforts, and ultimately support the delivery of a high-quality, common framework.

Context and expectations

This requirement is set alongside obligations relating to the Information Gathering Plan (IGP) and an Engineering Guidance Document (EGD), and it sits within a regime that places a greater emphasis on joint industry working, data quality, and formal regulatory engagement. There is also the incoming obligation for TOs to have asset data systems operational by April 2027 introduces a significant sequencing challenge. These systems are expected to support the common ET NARM methodology, yet that methodology will not be finalised until April 2028. This raises a concern around data collection since once implemented, any changes in inspection data will follow the inspection regime. This means updates could be subject to operational standards with cycles of four years or more. Without early clarity on minimum data standards and requirements, TOs face the risk of building systems on incomplete or evolving specifications, leading to inefficiencies, rework, and additional cost. This dependency mismatch needs to be addressed through either re-sequencing milestones or providing interim guidance to remove the current uncertainty.

Sequencing risks between systems and methodology

Recent licence drafting proposals introduce requirements for asset data systems that support the ET NARM methodology to be in place by 1 April 2027, yet the common methodology would not be final until 1 April 2028. This ordering risks TOs having to redesign data systems ahead of the definition of the methodology they must implement. This inherently creates a high likelihood of rework, wasted expense.

Ambiguity in policy intent and practical deliverability

While alignment is the goal, there remains uncertainty about whether Ofgem expects TOs to solely propose their own approach, or to achieve to an Ofgem led position irrespective of TO collaboration. It should be known whether Ofgem will set a minimum expectation since the absence of such standards or direction makes it difficult to establish a clear and shared goal. Ofgem have shared the ambition of broadening the asset categories which otherwise indicates the willingness to provide greater specification. The absence of this direction increases the risk that the 2027 draft and the 2028 final submission are solely driven by this process rather than something that is operationally ready.

Interdependencies with IGP and EGD

The common methodology must be supported by an approved IGP and a sector-wide EGD on asset condition and data inputs. Each depends on detailed definitions of risk models, asset classification, inspection frequencies, and data collection. All these requirements within the 2026–2028 period creates a schedule risk where delay or change in one element has consequences across the others and then risks the entire programme.

Cross-TO governance and calibration

Achieving genuine commonality will require intensive joint governance, extensive calibration, testing, and validation to demonstrate comparability across different networks and asset. Experience shows that building and validating a common approach for risk across multiple asset categories takes an iterative approach. The timetable proposed by Ofgem is unrealistic and fails to account for the scale and complexity of work required. Achieving robust comparability across diverse networks and asset categories demands multiple iterative attempts, deep technical collaboration, and rigorous validation that simply cannot be compressed into the current schedule. We have previous experience that informs this expectation too. The calibration, testing and validation for NOMs development spanned 18 months and was limited by the number of asset samples, illustrating the significant time and effort such a process requires.

Risk of Ofgem intervention being required

If TO consensus is not reached within the timeline, it is understood that Ofgem will impose a methodology. That outcome would likely be less tailored to the distinct characteristics of the different networks, could disrupt company-specific approaches.

Calibrations should be designed to reflect differences in TO risk appetite, providing flexibility within a shared framework. Ofgem should remain closely engaged throughout, even where delivery is TO led. This involvement would enable Ofgem to give prompt feedback, monitor progress, and ensure alignment with its objectives, while acknowledging that TOs may take different routes to achieve the same outcome. Such engagement would also provide transparency on any barriers to a shared view and allow Ofgem to offer an impartial perspective on the intended objectives.

Section 9.2.32 also introduces the option for Ofgem to apply a methodology it considers to be a better alternative to that proposed by licensees. We support the principle of having a mechanism to address situations where licensees are unable to agree on a common methodology. However, there has not been any opportunity for this specific intervention to be discussed or for alternative proposals to be considered before what is effectively the final opportunity for licensee input prior to the licence coming into effect.

Request for Guidance

We continue to request that Ofgem provide clear written guidance on the requirements for IGP and EGD submissions. This guidance should specify the expected level of detail and quality for these documents so that they are considered complete and consistent with the obligations set out in the forthcoming RIIO-T3 licence conditions. In addition, we intend to share an initial draft or indicative view of the IGP development to enable early engagement and feedback from Ofgem.

Non-Load Reopener

The process and expectations for the use of the non-load reopener have so far provided only partial clarity on how it will operate in practice. Our primary proposal was for T2 allowances associated with delayed projects to be simply reprofiled into T3. This would ensure that projects receive exactly what the original T2 allowance provided, offering a straightforward and proportionate approach to managing justified delivery delays and avoiding the administrative burden of treating such cases as under-deliveries.

Ofgem did not accept this approach. Instead, the proposal is that projects should hand back unspent allowances and then apply for suitable funding through an expanded non-load reopener. While this introduces some uncertainty, it does allow for the possibility that revised allowances could better reflect the actual costs incurred.

Crossover Condition

Following this, the introduction of the crossover condition appears to provide explicit reference to NARM projects and a mechanism for RIIO-ET2 allowances to be carried over into RIIO-ET3. This seems to align closely with our earlier request for a simple reprofiling of allowances into the next price control period.

As raised in the NARM working group on 20 November 2025 and in subsequent emails on 27 November and 22 December 2025, we continue to seek clarification on how the non-load reopener and crossover mechanisms will operate together, and under what circumstances each process should be used.

Workbook examples

We have repeatedly requested that the worked examples for the Clearly identifiable process are deserving of more clarification. Our previous reviews and further review of the handbook still leave uncertainty of what they are intended to demonstrate. Some of the comments offered previously still stand in it being unclear how final figures have been arrived at with the examples used.

Also noted before, Examples 1 and 3 refer to Justified Over-Delivery scenario and it's unclear why there are two examples for this same scenario but there is no inclusion of Justified Under Delivery. It would be helpful to have accompanying narrative to demonstrate how the examples have been calculated.

1. **Example 1:** Justified Over-Delivery - The accompanying narrative of A3.6 gives multiple values which confuse what the example is attempting to illustrate. There is also a reference to unjustified under delivery which does not match the example type.
2. **Example 2:** Unjustified Over-Delivery - Again, we're unable to follow the resulting sum of £25.08 and the reference to an Unjustified Under Delivery does not match the supposed scenario.
3. **Example 3:** Justified Over-Delivery - As with the other examples, it's unclear why certain values have been selected
4. **Example 4:** Unjustified Under-Delivery - It's unclear why the values included have been selected.

In addition to the clarification requested above, we also ask that Ofgem provide worked examples of the hybrid funding mechanism. This will enable Transmission Owners to gain a better-informed understanding of how the mechanism will operate in practice and to anticipate its application to their own real-world project scenarios.

Appendix 4: Strategic Planning Framework

This annex sets out our priority concerns and proposed drafting amendments in response to the statutory consultation on licence conditions associated with:

- Accelerated Strategic Transmission Investment (ASTI);
- Centralised Strategic Network Plan (CSNP)
- Major Projects ODIF.

The most material concern is the absence of a clear definition for “Pre-Construction Works” that captures the full ASTI pre-construction scope through to **“all material planning consents obtained and the project is ready to begin construction.”** Without this change, Transmission Owners (TOs) face avoidable cost exposure and misalignment with Ofgem’s published intent. Ofgem should update the relevant definitions to align with previous decision

There remain definitional gaps (e.g., undefined terms in ISOP information provisions), ambiguities in CSNP reopener governance (including timelines and maturity thresholds), and areas where Major Projects ODIF drafting and guidance risk inconsistent application (e.g., fundamental scope change, portfolio vs. Project level assessment, and interaction with delay events). These issues risk creating uncertainty for investment planning, delivery incentives, and consumer value.

ASTI — Pre-Construction scope and alignment

The statutory consultation does not update the licence definition of Pre-Construction Works to reflect Ofgem’s stated decision. Ofgem decided that Pre-Construction Works may continue beyond submission of planning consent applications for Delivery Track (and ASTI) projects (as they do for LOTI projects) and adjusted the drafting accordingly to ensure there is no implied funding gap¹.

This RIIO T3 licence creates two different interpretations of PCF.

- Ofgem’s published intent is that ASTI pre-construction activity runs until all material planning consents have been obtained and the project is ready to begin construction.
- By contrast, the proposed licence definition limits pre-construction to activity up to submission of all material planning consent applications.

This represents a materially earlier cut-off point and leaves TOs exposed to cost and delivery risk during a critical phase of project development that Ofgem has previously indicated should sit within the regulated ASTI envelope.

Request to Ofgem. Update the licence definition of “Pre-Construction Works” (and any related cross-references) to the ASTI formulation quoted above, replacing the legacy T3 phrasing and

¹ [Decision to modify the PCFIs and licence conditions for gas and electricity transmission and distribution | Ofgem](#). See Para 2.23

ensuring consistent treatment across Special Conditions, ie Pre-Construction Works may continue beyond submission of planning consent applications

Without this change, TOs will either (i) defer prudent early-stage actions that de-risk delivery (slowing down strategic transmission build), or (ii) proceed at risk, increasing the likelihood of contested cost recovery and ultimately higher costs to consumers if projects stall or re-work is required. Aligning the definition with ASTI intent supports timely delivery of system-critical reinforcements efficiently.

ASTI – EGL2

We require a recognition from Ofgem that the licence changes to give effect to the Project Assessment of EGL2 only represent a *partial implementation* given that the provisions to implement the ASTI Uncertain Cost Reopener (AUCR)– which was agreed in the EGL2 Project Assessment – are not included). We expect to see a commitment that a further licence update will be brought forward separately to implement the AUCR element of the EGL2 Project Assessment.

The TOs have been working on a paper which articulates how the sector envisages such mechanism working in practice. We hope to be able to share that with Ofgem soon, with the expectation that follow-up engagement will be required to discuss and agree an approach for the first submission (in July 2026) and subsequent submissions.

tCSNP

Ofgem has determined that both delivery and development track tCSNP2 projects qualify for PCF. Delivery track projects that previously received a 2.5% PCF allowance during RIIO ET2 are now automatically eligible for further funding, up to a combined total of 8.2% of forecast expenditure across two price control periods. The current licence does not reflect this decision²; Ofgem should apply the updated PCF definition to the tCSNP2 Outputs with delivery track funding, we have provided a Confidential Annex that outlines the required changes.

- **tCSNP2 PCF:** As above, the Final Determinations (ET Annex) state that tCSNP2 PCF would be transferred from the T2 licence to the T3 licence. This has not been reflected in the draft licence. Ofgem should ensure that this policy decision is implemented and that Transmission Owners have access to PCF to continue development of these schemes.

Major Projects ODI

Issues arise within the Major Projects ODI F framework, where inconsistencies between licence drafting, policy intent and guidance risk blurring accountability and weakening incentive integrity. Uncertainty over whether performance is assessed at a project or portfolio level makes it difficult for TOs to understand how delivery decisions will be judged and how risk is allocated. Ambiguity in the interaction between Delay Events and Fundamental Scope Change further complicates this position, creating the potential for double counting or retrospective reinterpretation of causation. These uncertainties inhibit confident decision-making, particularly where projects must adapt to external change, and risk discouraging best-value delivery strategies.

² tCSNP2 Decision on the regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

Clarifying assessment levels, precedence rules and calibration is necessary to ensure ODI-F remains focused on outcomes within TO control and operates as an effective delivery incentive rather than a source of dispute.

More broadly, a number of definitional gaps and undefined thresholds—particularly in relation to information provision to the ISOP and the requirement to notify “significant” changes—create unnecessary governance burden and regulatory risk. Without clear materiality thresholds, TOs are unable to distinguish between changes that genuinely warrant regulatory attention and routine forecasting evolution, leading either to over-notification or inadvertent non-compliance. This diverts effort away from delivery and does not serve consumer interests. Introducing quantified thresholds and clearer definitions would materially reduce churn while ensuring Ofgem and NESO receive timely, decision-useful information.

Finally, the absence of clear process maps and governance linkages—particularly between CSNP mechanisms, Major Projects ODI F change processes and NESO change control—creates duplication and uncertainty at project gateways. This makes it harder to manage cross-project dependencies, third-party delivery arrangements and evolving delivery dates, all of which are increasingly central to the CSNP model. Without clearer coordination, there is a risk that regulatory process, rather than engineering or system need, becomes the critical path.

Taken together, these issues do not simply represent drafting refinements; they directly affect TOs’ ability to progress strategic investments efficiently, manage risk appropriately, and deliver timely network capacity at least cost. Addressing them now, through targeted licence amendments and clearer governing documents and guidance, is necessary to restore alignment with policy intent, provide regulatory certainty at key decision points, and ensure the framework supports, rather than constrains, the delivery of system-critical infrastructure for consumers.

Major Projects ODI Formula

We identified errors within Special Condition 4.8. Working alongside SPT, we have corrected these errors and alongside this response we provide a corrected version of the formula within the licence condition within the following supporting documents.

- Special Condition 4.8 Major Projects ODI - Proposed Part A Drafting Final
- Major Projects ODI Calculator

Appendix 5: Cross-Over Framework

While the licence condition itself is broadly workable, subject to the specific drafting points we have included the **Issues Log**³, there remains some concerns over how the licence condition will work in practice. At present, the draft guidance is ambiguous in places and does not provide sufficient procedural clarity to allow TOs to plan delivery and financial treatment with confidence, particularly at the Close Out stage. The lack of a clear, step-by-step articulation of the process creates scope for divergent interpretations and inconsistent application across projects. This uncertainty constrains TOs' ability to manage delivery and financial risk effectively and increases the likelihood of dispute once Close Out is underway.

These uncertainties can be resolved by meaningful discussions with the TOs on both this guidance and the T2 close out process..

Interactions with ET2 Closeout

There is an opportunity to provide clarity through this guidance and early planning for closeout that could bring about:

- Smoother, more streamlines processes that avoid the duplication of work (for both Tos and Ofgem)
- More timely decisions on adjustments
- Better alignment between T2 and T3.

Given the scale of T2 Close Out and its known interaction with T3, Ofgem should consider the cross-over condition as a flexible vehicle to deliver on the Cross-Over principles and not wait until closeout to consider how key issues interact.

It is particularly important there is clarity on how this process will interact with existing mechanisms such as NARM. Although Ofgem has included some information on this in the draft guidance there are gaps. For example there is no clarity on how allowances are treated for projects in delivery in the period between 2080 and the end of the control period.

In the absence of this clarity, TOs could be forced into sub-optimal choices: either fully hand back T2 allowances and reapply in T3—potentially triggering TIM impacts—or attempt to retain partial allowances through Close Out while seeking incremental funding via a re-opener. Both options create unnecessary administrative burden and material financial risk, particularly if retrospective re-profiling is not allowed.

Cross-Over Guidance

Although the draft guidance is a helpful start, significant work is needed to ensure it is comprehensive, clear and consistent with other mechanisms and processes. The process for reaching decisions (and in particular the timing and interaction of those decisions with close out) is ambiguous in the current drafting.

³ Note, due to time constraints we have not carried out a full review of Ofgem's proposals and Guidance Documents for Crossover. We intend to provide more detailed comments at a later date.

In particular, the implied sequencing—where crossover adjustments are only made after Close Out is complete—raises concerns. If crossover allowances are not agreed until several years after expenditure is incurred, TOs are left carrying extended regulatory and financing risk, which is inconsistent with timely and predictable cost recovery.

These concerns are reinforced by the proposed application window, defined as either by 1 April 2028 or after Close Out has completed, whichever is earlier. This creates ambiguity about when certainty will be provided and whether crossover adjustments are intended to operate automatically or as a discretionary process following Close Out. As drafted, the guidance points to the latter, suggesting that adjustments will not be automatic but will instead be determined through application-based Close Out and crossover processes. This is a material departure from earlier policy discussions, which indicated that allowances would be automatically re-profiled or handed back to reflect timing differences, rather than reassessed retrospectively.

The gap between the guidance and those earlier discussions creates uncertainty over how allowances will be treated in practice and whether TOs can rely on predictable re-profiling where outputs and expenditure span price control periods. Without clarity, TOs are constrained in planning efficient delivery across the ET2–T3 boundary and may be incentivised to delay or reshape activity to manage regulatory risk rather than optimise outcomes for consumers.

- **tCSNP2 PCF:** As above, the Final Determinations (ET Annex) state that tCSNP2 PCF would be transferred from the T2 licence to the T3 licence. This has not been reflected in the draft licence. Ofgem should ensure that this policy decision is implemented and that Transmission Owners have access to PCF to continue development of these schemes.
- **T2 projects with T3 allowances:** Ofgem has provided T3 allowances for certain T2 projects as part of the T2 process, but these allowances have not been automatically reflected within the crossover condition. This creates avoidable uncertainty and should be addressed.
- **Further guidance on the crossover process:** While some detail has been provided, further clarity on the operation of the T2–T3 crossover process would be welcome over the coming months.

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