

Steven McMahon
Ofgem
10 S Colonnade,
London
E14 4PU

Date
16th January 2026

Contact:
andrew.stanger@spenergynetworks.co.uk
Tel: 07385 346208

By email: steven.mcmahon@ofgem.gov.uk
Cc: james.veaney@ofgem.gov.uk
joe.slater@ofgem.gov.uk

and

Ref: SPT response to Ofgem's RIIO-T3 Licence Statutory Consultation

Dear Steve,

This letter outlines SPT's response to Ofgem's RIIO-T3 licence consultation including feedback on associated documents. As agreed with Ofgem, we will provide further feedback on any new or materially updated associated documents following workshops and receipt of a revised version from Ofgem, by 9th February 2025¹. This detailed feedback is included in:

- Annex 1- SPT Licence Issues log which includes over 400 pieces of feedback on the licence
- Annex 2 –SPT Associated Documents log which has over 500 pieces of initial feedback
- Annex 3 – Formulae corrections (where not included on the issue log)
- Annex 4 – SPT feedback per licence conditions on Ofgem's proposed change to a consultation period of "up to 28 days" change

The RIIO-T3 licence forms the regulatory framework and contract to deliver the RIIO-T3 price control. It must be ensured that the price control framework will enable delivery of our RIIO-T3 plan to support the UK Government's Clean Power 2030 mission and net zero targets, while driving once in a generation economic growth opportunities and enhancing GB energy security. This includes all the essential elements of our Revenue (Innovation + Incentives + Outputs), which SPT will need to rely on to raise more capital than ever before to invest in the Central and Southern Scotland Transmission networks.

While we have welcomed engagement with Ofgem throughout this process, and commend Ofgem for adopting SPT's proposed agile approach, including engagement with Ofgem ahead of this response and the Licence Drafting Working group on 13 January 2026. However, we remain deeply concerned with the lack of accuracy reflected in the licence conditions' content and do not think this meets the standard required for us to efficiently commence delivery of our commitments under the price control on 1st April 2026. Essential to raising capital there are critical elements of our revenue calculation missing from the licence. This includes an incomplete incentives package, 19 mathematically incorrect formulas², 18 licence conditions³ which do not reflect Ofgem's final determination and 6 missing associated documents⁴. The consultation falls short in a number of key areas which **must** be fixed by 1 April 2026 we've outlined below:

¹ As confirmed on 14 January 2026, email from Joe Slater

² SpC 2.1, SpC 2.3, SpC 3.11, SpC 3.14, SpC 3.17, SpC 3.23, SpC 3.7, SpC 3.8, SpC 3.9, SpC 4.5, SpC 4.7, SpC 4.8 and SpC 9.3

³ SpC 2.2, SpC 3.1, SpC 3.3, SpC 3.8, SpC 3.9, SpC 3.10, SpC 3.15, SpC 3.18, SpC 3.20, SpC 3.2, SpC 4.3, SpC 4.4, SpC 4.7, SpC 4.8, SpC 6.1, SpC 6.2, SpC 9.2 and SpC 9.24

⁴ We asked Ofgem on 23/12 what was the plan for the ADs not provided and received a response 14 Jan, two days prior to submission, having raised this during the LDWG on 13 Jan. ADs queried included Accelerated Strategic Transmission Investment Guidance and Submission Requirements Document, Conflict Mitigation Methodology, Innovative Delivery Incentive Governance Document, NIC Governance Document, Onshore Competition Information Exchange Guidance and Regulatory Instructions and Guidance

1. **Potential funding gaps** – the current licence and guidance drafting will likely create a funding gap for load related projects through the Load Use it or Lose it Pot. With a worked example, we've requested drafting on the materiality threshold and review of the UIOLI pot, to ensure this mechanism endures and provides flexibility as well as consumer protection throughout the price control period.
2. **An unworkable incentive package** - the current guidance and licence drafting for the ODI package at this point in time is unworkable, the System Access Reform Group has written to Ofgem in regards to the protections required to deliver the System Access 2030 plan including delay events for system access and correlated delays for the major projects and connections ODIs. We've requested that Ofgem re-introduce the correlated and system access delay events alongside the non-exhaustive list which ASTI allows. We re-iterate our feedback that the P50 guidance must be in place by 1 April 2026 alongside best endeavours being an inappropriate mechanism. We also note the Connections ODI definition for delivered does not reflect final determinations and is currently unworkable. And the innovative delivery incentive should not be the mechanism to penalise TO in regard to system access. We have requested Ofgem adopt SPT's consistent definition of Connection Project Completion Date.
3. **Use of associated documents and future consultation period changes** - the current balance and use of associated documents does not reflect Ofgem's principles on the use of associated documents, with new obligations being introduced in guidance documents, rather than complying with best regulatory practice of expanding or providing further detail. One key example is the CSNP Co-ordination Governance Document, which introduces new obligations on SPT and the NESO which do not reflect the licence nor final determination. Our request to Ofgem is to ensure the licence accurately reflects the obligations of TOs and new stand alone obligations are not solely included within the associated documents. Alongside this SPEN have reviewed each of the licence conditions which includes a period during which representations may be made on a proposed Ofgem direction – the period for representations has been changed to 'up to 28 days' (rather than at least 28 days). We believe that in some cases, such as reviewing the NARM handbook, a longer consultation period is required, which this blanket approach to changing the licence will prohibit. We've provided an Annex on our assessment and request Ofgem consider retaining the minimum requirement of 28 days in certain cases.
4. **Incomplete documentation** - there are a number of associated documents which have not been either seen nor updated, we request these are provided to TOs for review prior to 1 April 2026, most notably a first draft of the Innovative Delivery ODI and an updated ASTI guidance.
5. **New policy introduced in the licence which does not reflect final determinations**, the current licence and guidance documents have introduced new policy which has not been engaged on with TOs nor reflected in the final determinations - for example the materiality threshold being introduced for the non-load re-openers makes this mechanism unworkable in the price control, alongside new PASE obligations being introduced without consultation. Further, as noted above, the documents introduce new obligations on the NESO and SPT which have not been discussed or considered as part of the FD. We request Ofgem update the guidance and licence to reflect the final determination.
6. **Previous feedback from SPT has not been addressed** in the current version of the licence, most notably in the Business Support Cost Re-opener and Closely Associated Indirects UIOLI, Ofgem have not provided details on how an efficient level of expenditure will be identified alongside repeated feedback from SPT that the current licence drafting does not allow for the leasing arrangements of SPT's operational transport. We request further engagement with Ofgem to ensure these changes are reflected in the licence.
7. **Formulae errors** – there are material formulae errors within the current licence including tax allowance, volume driver. These must be amended prior to 1 April 2026 given the materiality and criticality for the operation of the price control. SPT have provided formulae corrections and request Ofgem adopt these, we welcome further engagement with our regulatory finance experts.

Each of these points are considered in full below, and we then outline our proposed next steps for engagement with Ofgem to ensure the licence is operational by the 1 April 2026 and throughout the price control period. We've also indicated where any key issues in this letter were not discussed in the LDWG in Appendix 1.

1. Potential funding gaps

The fixed nature of the **Load UIOLI** allowance creates a risk that the pot is exhausted part way through the price control period with no other mechanism to fund projects within the scope of the UIOLI. While the UIOLI pot is reflective of SPT's pipeline at the time of the business plan submission, Ofgem's pot size at final determination did not include the current contracted position following completion of the Gate Two to Whole Queue process and the final volume driver rates. Due to the current uncertainty associated with Connections Reform we believe this needs to be revisited by Ofgem, noting that the NESO are not likely to be able to finalise their view before Summer/ Autumn 2026. There is no provision for funding of eligible works that were unforeseen at that time.

For example, it may be the case that an atypical connection, not foreseen in our pipeline, emerges during 2030, and that this is an accelerated connection due to government targets, which exhausts the UIOLI pot. SPT cannot use the Volume Driver (given it exceeds the atypical threshold) and the project is <£40m meaning that the Load Re-opener cannot be accessed. Given the high volume of connections activity and government targets around both demand and generation we believe this scenario will likely materialise.

We previously asked for this pot to be replenished in the same nature as the APM however this was not actioned. We would **request** Ofgem to allow, by Ofgem's direction, an adjustment to the allowance. We believe this could be supported by TOs via enhanced reporting or a 'mid-period' review following finalisation by NESO of Gate 2 projects to adjust Load UIOLI to better reflect the scale of activity. Alternatively, Ofgem could allow the Load Re-opener to be used in these circumstances.

The Load UIOLI governance document adds further risk to the use of this allowance, stating it will only fund projects that "**begin during the RIIO-ET3 price control period and are expected to complete construction within the RIIO-ET3 price control period**". In the above scenario where a project is identified in 2030, fails the volume driver and is <£40m, if the project is planned for completion after 2031, we have no route to funding. This criteria of project completion within the price control period is new within the governance document and is not reflected in FD, nor the licence itself, this could be resolved by a revision of the expenditure defined within the associated document. We have also sought clarity from Ofgem on a potential funding gap of atypical Volume Driver Projects that fall within the T2 +2 years between RIIO-T2 and T3, at the moment there is no funding route for the T3 proportion of these projects through the UIOLI Pot.

Ofgem have also provided a prescriptive £40m threshold for the UIOLI pot that provides no flexibility if the project is over £40m, this will rely on 100% accuracy of TO estimates, from the very early stage of design through to completion. We appreciate this is a new mechanism to be tested however the licence materiality threshold should apply which is the regulatory norm for outputs associated with load projects. We have raised this with Ofgem⁵, highlighting that Ofgem is expecting the TOs to continue delivering at risk of not being able to recover the allowances despite there being no funding route for costs >£40m, this is an unacceptable level of commercial risk introduced to TOs at final determination without prior engagement.

⁵ SPEN FDQ 25

We also urge Ofgem to re-consider the **fixed profiling nature** of the UIOLI and the PCF allowance, at the moment this is fixed per year of the price control, we would **request** for this to be one pot across the price control which can be drawn on as needed – with the same flexible and agile nature of the APM allowance. We've welcomed engagement on this so far and Ofgem's intention to update the policy on this issue⁶.

Our request to Ofgem is to review the approach to the prescriptive and absolute nature of the materiality threshold and allow for review of the UILO pot, to ensure this mechanism endures and provides flexibility as well as consumer protection throughout the price control period.

2. An unworkable incentive package:

We wrote to Ofgem on behalf of the industry's **System Access Reform group**⁷ in reference to the required protections in the ODI package to deliver the outage plan and system access required to deliver CP2030 this includes: Connections, Major Projects, Innovative Delivery ODI and Energy not supplied.

In addition, we recognise the following issues with the **Major Projects ODI** as making the incentive package unworkable:

- We have not seen workable formulae for the SpC 4.8 Major Projects ODI which reflects the final determination. The introduction of multiple scenarios and associated dates make assessment of this incentive very complex. SPT have proposed workable formulae to Ofgem.
- The Authority approved methodology that Ofgem indicates will enable the ODI target dates to be set on P50 basis also needs to be finalised before the start of the T3 price control. Given the importance of this methodology, we consider this should form part of the licence. The licence should be amended to introduce the methodology when it has been finalised and agreed with the TOs.
- **Non-exhaustive Major Projects delay events:** ASTI provided flexibility to capture delay events which could not have been foreseen - specific events were provided as examples only (ASTI guidance 5.7), whereas the major projects reopener includes a prescriptive list of qualifying delay events. This includes the removal of correlated delay events (see below). We would ask Ofgem to add an additional category of "any other event that is deemed by the Authority to satisfy criteria (a) to (c)" to the definition of the Major Projects ODI Delay Event in order to avoid unintended consequences. We do not think it is appropriate or possible to capture every possible eventuality in the licence including unforeseen supply chain issues like supplier insolvency.
- **Major Projects Correlated delay events:** We are also concerned that Ofgem has not accounted for the fact that many of the projects subject to the Major Projects ODI are likely to span two (or more) transmission licence areas. While the TOs have previously set up JV companies to act as delivery vehicles and for practical purposes (i.e. procurement and contract placement), the individual licenced TO remains responsible for the delivery of the portion of the project which is situated within its transmission licence area. SPT should not be liable for the delays caused by another TO. Ofgem has recognised in the context of the ASTI framework (pursuant to its letter dated 17 December 2025) that TOs may apply for a Delay Event in respect of delays caused by the other TO (even for projects delivered through a JV company). This is the only appropriate policy outcome to prevent TOs being penalised for events outwith their control. We would further highlight that the prohibition on cross-default makes any commercial agreements between the TOs on penalty shifting infeasible. SPT cannot accept a licence obligation the fulfilment of which is entirely outside our control. Ofgem must, at a minimum, add delay caused by another TO to the exhaustive list of Major Projects ODI Delay Events.

⁶ FDQ SPEN32

⁷ Letter Issued 15/1/16 'Joint Letter on System Access and T3 impact'

- We reiterate our feedback that the requirement for **best endeavours to prevent and mitigate** the impact of factors which are outside the TOs' control is inappropriate and logically inconsistent. This undermines the purpose of the delay event mechanism, which is to relieve TOs from the impact of events outwith our control. Practically we are also unclear what Ofgem would expect the TO to do, for example, to use best endeavours to prevent a pandemic or archaeological discovery.
 - The best endeavours requirement transfers excessive risk to the TO and inappropriately increases costs to consumers. In practice, it requires the TO to pursue multiple courses of action and to overlook its own commercial interests. Mitigation efforts should be reasonable in scope and cost, aligned with industry standards – this would be appropriately achieved through a “reasonable endeavours” obligation to mitigate.
 - For example, looking back at the recent pandemic of COVID-19 reasonable actions would be to have appropriate mitigating action plans and working across industry to respond – which the TOs did. Ofgem's additional requirement of ‘prevent’ is unclear in this scenario with regard to what is expected of TOs and whether this would have been sufficient. Another example is the need to prevent the use of Compulsory Purchase Orders - which could introduce unforeseen costs and delays due to potential legal challenges. While we welcome the clarification from Ofgem as to the expectations on TOs to prevent the use of Compulsory Purchase Orders, a ‘best endeavours’ obligation still creates uncertainty as to what will be considered sufficient in preventing events which are ultimately outside of our control. We consider a reasonable endeavours obligation, focused only on mitigation actions, is much clearer in terms of the role and expectation of the TO.

In addition, in the **Connections ODI** (SpC 3.17), Ofgem have introduced complexities by having two different definitions associated with the connections ODI target date. At present we are unclear whether the structure of the licence condition is designed (as described at FD) to allow Ofgem to audit and, at its discretion, change the connection dates submitted by the TOs. This is unacceptable given the lack of transparency as to how Ofgem will make such an assessment. We seek urgent clarity on how this incentive will function and call for any changes to the incentive target date to be made under Section 11A reflecting the difference between the contracted date and connections target date as agreed by the TO and NESO. We have provided a consistent definition of Connection Project Completion Date to mean “the date upon which a Connection Project is agreed to be completed and available for commercial load, as set out in the TO Construction Agreement. Where the Connection Project has multiple stages, it will be the last Completion Date from all stages which is used as the Connection Project Completion Date”. This aligns with both the connections commercial process, the volume driver and the connections ODI policy intent.

Our request to Ofgem remains to revert to reasonable endeavours, include the flexibility which was welcomed under ASTI which could include delays beyond the prescriptive list in the guidance. This could be resolved by Ofgem having discretion to add new delay events and remove the additional requirement to use best endeavours to of ‘prevent’ an event outside of TO control. Alongside this, we would urge Ofgem to adopt the changes required for system access reform across the incentive package and adopting SPT's licence definition for the connection ODI.

3. Use of associated documents and future consultation period changes

Considering Ofgem's associated documents principles⁸, we believe there are substantive requirements being incorporated into associated documents and not the licence. We have indicated in the issues log

⁸ <https://www.ofgem.gov.uk/decision/decision-principles-use-riio-2-associated-documents>

where this is the case, but we believe the correct balance has not been struck, and key substantive regulatory requirements have been set out in associated documents rather than the licence

In particular, SpC 9.20 (The Strategic Innovation Fund) is relatively brief (2 pages), with the majority of obligations associated with the SIF set out in the SIF Governance Document (106 pages), which is substantially more detailed. While the use of Associated Documents (ADs) can support regulatory agility, for the SIF this approach – where multiple material requirements could change over time with lighter or discretionary consultation – does not strike the right balance between flexibility and regulatory certainty, particularly for planning and delivery over the price control.

We raise significant concerns within the issue log on the CSNP Co-ordination Governance Document, with which we “must comply” which increases obligations on SPT which are not clear on the face of the licence. The SIF is another area where there is material expansion of licensee responsibility in the guidance document. There is now a requirement for licensees to provide an Innovator Advisory Service to a wide range of third-party innovators. It represents a material new role for licensees that was not clearly set out in Final Determinations and has been introduced via an Associated Document. The breadth of the obligation risks being resource-intensive, detracting from delivery of innovation activity, and creating open-ended expectations that are difficult to plan for within finite resources.

More generally, the expansion of licensee responsibilities and the introduction of open-ended expectations has cost and resourcing implications that were not clearly identifiable during the business planning process. Obligations of this nature were therefore not reflected in costs submitted in our business plans. Introducing material new requirements at this stage risks creating funding gaps, and creates an expectation that licensees absorb additional responsibilities without appropriate funding or prior visibility or stakeholder consultation.

Our request to Ofgem is to ensure the licence accurately reflects the obligations of TOs and new stand alone obligations are not solely set out within the associated documents. Further we invite Ofgem to and specify the consultation period is up to 28 days in certain circumstance only.

4. Incomplete Documentation

We had previously written to Ofgem requesting all relevant guidance and associated documents ahead of the 16th December consultation⁹. We welcomed Ofgem sharing some guidance ahead of this date however, it’s disappointing and inappropriate to consult on licence conditions without having sight of the full suite of accompanying associated and guidance documents, particularly where the TO is required to sign up to an absolute obligation to comply with the associated document and Ofgem plans to include extensive detail within it.

Further, for new or updated conditions which increase TOs’ licence obligations and risk, for example, it is unclear if Ofgem will provide any updates to the ASTI guidance or ASTI revenue adjustment in light of RIIO-T3 and experience from application of the ASTI mechanisms to date including calculation of the Penalty Exemption Period; we have not been provided with the Innovative Delivery ODI guidance despite it being essential to the RIIO framework. It is also unclear whether Ofgem will update the drafting in the RIIO T2-T3 cross over guidance as our initial review has shown the drafting is in the very initial stages and has not considered the previous feedback raised by SPT.

⁹ We asked Ofgem on 23/12 what was the plan for the ADS not provided but have not yet received a response, we also raised this during the LDWG on 13 Jan. Accelerated Strategic Transmission Investment Guidance and Submission Requirements Document, Conflict Mitigation Methodology, Innovative Delivery Incentive Governance Document, NIC Governance Document, Onshore Competition Information Exchange Guidance and Regulatory Instructions and Guidance

We welcome Ofgem's extension for additional time to review the associated documents listed in Appendix 1. We understand the Innovative Delivery ODI guidance remains in development and this may continue beyond 1 April.

Our request to Ofgem would be to have sight of a first draft of the innovative delivery ODI before the licence comes into effect on 1 April alongside updates to the guidance documents currently missing, most notably ASTI. We are committed to working with Ofgem to ensure the documents are ready for 1 April 2026 and throughout the T3 period.

5. New policy in licence drafting which does not reflect Final Determinations:

As noted above there are 18 licence conditions which do not reflect Final Determination¹⁰: including

SpC 9.24 Ofgem have added in an additional requirement for TOs to provide information to the NESO on Cost and Output Adjustment events – a new requirement which has not been discussed in policy groups nor is included in Ofgem's DD consultation or FD decision.

SpC 6.2 Ofgem have added a 'must comply' to the Independent Technical Advisor condition included the ITA contract on which SPT has shared red lines with Ofgem (including providing Ofgem with uncapped indemnities in respect of SPT's payment obligations). We've welcomed Ofgem's engagement on the ITA contract during the consultation period.

SpC 9.24 The NESO co-ordination licence condition and governance document introduces new roles and responsibilities which are not based on current STCP requirements including the introduction of the NESO reviewing COAE events from TOs, which Ofgem have also included as a requirement for the ITA.

The Load Re-Opener's (SpC 3.18) associated document includes new PASE engineering requirements which have not been discussed with TOs nor included in Ofgem's final determination. Notably point A1.7, outlines a requirement for 132kV assets to be operational at 220kV which we have concerns about from a system planning, asset management, consenting, supply chain, approvals, codes and cost perspective.

The **Non-Load Reopener** (SpC 3.10) licence condition and final determination has introduced into the licence a condition related to GT Pipe Corrosion Mitigation with no engagement with the electricity TO's. This is on the basis that ET OHLs are causing accelerated corrosion on gas pipeline that are laid in proximity and parallel to ET OHLs and work may be required on electrical infrastructure to remediate the problem. It is unclear why Ofgem believe this should be the responsibility of the ET TOs to resolve. The protection systems of any gas pipeline should be managed by the Gas TO and made suitable for the condition they are trying to protect against. If this condition is applied for the Gas TOs' pipeline then it would open up the electricity TOs to being responsible for the remediation of the accelerated corrosion of any ferrous pipework in proximity to ET OHL. It is also unclear how Ofgem would evaluate if gas pipeline corrosion had accelerated due to the overhead line and what measures they would expect the electricity TOs to complete to remediate any issues. Any issue associated with corrosion of the Gas TO infrastructure should be the responsibility of the Gas TO to remediate.

It is also unclear why works on the Gas pipeline should not be subject to a materiality threshold when all other works considered in the licence condition are, including works driven by legislation. The application of the materiality threshold presents significant challenges for SPT with regards to the use

¹⁰ SpC 2.2, SpC 3.1, SpC 3.3, SpC 3.8, SpC 3.10, SpC 3.15, SpC 3.18, SpC 3.20, SpC 3.2, SpC 4.3, SpC 4.4, SpC 4.7, SpC 4.8, SpC 6.1, SpC 6.2, SpC 9.2 and SpC 9.24

of this funding mechanism for issues which emerge and require funding during the RIIO-T3 period. While the licence criteria is consistent with the Final Determination position, there was no prior engagement on this matter before the decision. Setting a threshold without any exceptions to this for example safety issues is potentially prohibitive to the funding of necessary work which fall below the threshold will inevitably lead to situations arising which may be as detrimental to the safe and reliable operation of energy infrastructure as that posed by pipeline corrosion.

Our request to Ofgem is to ensure the licence and guidance reflects final determination in these areas which have not had prior discussion with TOs.

6. Previous feedback not addressed:

*Business Support Costs Re-opener (SpC 3.14) and Closely Associated Indirects UIOLI (SpC 3.13) - While they reflect the FD position there are points that we previously raised that have still to be addressed. These include how Ofgem will determine "an efficient level of expenditure" in BSC re-opener applications and CAI UIOLI top-up processes and **how the CAI UIOLI adjustment will be addressed** through the T3 close out process.*

*In respect of SpC 3.9, we have previously outlined that SPT lease operational transport rather than purchase and we have provided formulae amendments to reflect this however this hasn't been actioned. Our **request** to Ofgem is to clarify whether this is an error or policy position from Ofgem as this will impact SPT's commercial arrangements and business model for operational vehicles.*

Our request to Ofgem is to address SPT's previous feedback on the above given the materiality of these mechanisms.

Formulae errors:

As noted in the introduction there are 19 incorrect formulas¹¹ including:

- SpC 2.1 – Tax allowance adjustment - formulae does not reflect a semi-nominal WAAC, not reflecting Ofgem's FD position or responding to SPT feedback.
- SpC 3.11 – Volume Driver- Ofgem's formulae appears to vary the rates of the volume driver across the price control rather than fix the rates. It is not clear whether the term ATYPCGCE is fixed for the duration of the RIIO-T3+2 VDUM because of ambiguity in paragraphs 3.11.9 & 3.11.10. If the volume driver becomes variable it dilutes the automatic and forecastable aspect and benefit. This does not reflect final determination.
- As noted above in SpC 4.8 and SpC 3.19 for the Major Project ODI and SpC 3.9 lease operational transport.

Our request to Ofgem is to revise the formulae based on the changes suggested by SPT, we welcome further engagement with Ofgem to walk through the formulae changes suggested.

Next Steps

To deliver the best consumer value and enable the acceleration of transmission investment to deliver Clean Power 2030, we want to ensure that we have an acceptable licence which does not create **operational and regulatory uncertainty from the start of the price control**. We as a TO alone have sent c. 1,000 pieces of feedback, critical Ofgem effect the following actions. We're mindful Ofgem have a

¹¹ SpC 2.1, SpC 2.3, SpC 3.11, SpC 3.14, SpC 3.17, SpC 3.23, SpC 3.7, SpC 3.8, SpC 3.9, SpC 4.5, SpC 4.7, SpC 4.8 and SpC 9.3

very short turnaround of feedback between now and 4 Feb to allow the RIIO-T3 licence to become operational by 1 April 2026. To achieve this Ofgem must:

- Carry out the planned workshop on associated documents, which we welcome.
- "Book 'Live drafting sessions' in the diary to streamline the licence drafting process. We found the LDWG session on 13 January 2026 particularly efficient and productive which incorporated this aspect. SPT would be supportive of this and willing to aid Ofgem in any resourcing requirements including the role of coordinating TO feedback as we did for the mentioned LDWG.
- Provide clarity on any associated documents which have not been updated as part of the statutory consultation including ASTI and provide a first draft of the Innovative Delivery Guidance prior to 1 April 2026.
- Ensure there the process to ensure the licence is fully functional and operational including a targeted action list if there are any licence 'and review session throughout the T3 period.

We have welcomed Ofgem's receptiveness of the agile approach so far and would welcome the opportunity to discuss the above points further and explore how we can support Ofgem in achieving a transparent and effective outcome to ensure the licence is operational on 1 April 2026 and beyond. Please let us know a suitable time for engagement.

Yours sincerely,



Andrew Stanger
RIIO-T3 Programme Director

Appendix 1: Summary of Key Issues

The below outlines a list of SPT's Licence feedback which we see as a material risk requiring further engagement. This list was provided by the TOs to Ofgem ahead of the formal consultation closing and were discussed as part of the LDWG on 13 January 2026. Where there are any issues which were SPT specific and were not discussed by SPT we have included a *Not included in LDWG*.

No.	Name.	Issue
Overarching		<ul style="list-style-type: none"> • Use of direction and associated documents we have not seen (example SpC 4.5) • How PCDs are drafted in general, fixed in the licence and difficult to change • 'Up to 28 days' application across on licence conditions • Thematic issue of re-openers not covering legitimate T2 spend (also intersects with T2/3 cross over condition). All re-openers are framed as only allowing costs incurred after 1/4/26 and so T2 costs could be unfunded. The re-opener should not be restricted to costs from 1/4/26 provided that the costs incurred prior to that date are not funded elsewhere. • System access reform considerations across ODIs
SpC 4.8 in conjunction with SpC 3.19	Major Projects ODI	<ul style="list-style-type: none"> • P50 dates – guidance from NESO outstanding • Licence Obligation tied to P50 date even if ODD is later meaning potential licence breach for 'on time' delivery under the ODI • Delay event dilution (interface risk and system access removed from schedule) and list made exhaustive • Narrow definition of COAE • Best endeavours • Algebra errors • AD review underway
SpC 4.4	Connections ODI	<ul style="list-style-type: none"> • Complexity of definitions • Unilateral change of target dates • Issue of register by April due to connections reform
SpC 3.17	Load UIOLI allowance	<ul style="list-style-type: none"> • No route to re-open • Fixed allowance per year due to drafting (also applied to PCF) • What happens when a project during delivery has costs that exceed the £40m threshold for legitimate reasons? The drafting is not very clear on this, in terms of what actions TOs can take (just says overspend may not be funded).
SpC 3.13	Closely Associated Indirects UIOLI	<ul style="list-style-type: none"> • These include how Ofgem will determine "an efficient level of CAI expenditure" and how this will be addressed through the close out process. • By direction
SpC 3.11	Volume Driver	<ul style="list-style-type: none"> • Ofgem's formulae appears to vary the rates of the volume driver across the price control rather than fix the rates. It is not clear whether the term ATYPCGCE is fixed for the duration of the RIIO-T3+2 VDUM because of ambiguity in paragraphs 3.11.9 & 3.11.10. If the volume driver becomes variable it dilutes the automatic and forecastable aspect and benefit. This does not reflect final determination.

		<ul style="list-style-type: none"> The intent for application of the RAC (risk) term is correct, however, the formula does not state this correctly ie. application of a 10% uplift to the allowance should be represented as, "Allowance = direct allowance + (direct allowance*10%)" or similar. The current formula, as written, would provide GCET with only 10% of calculated allowance. The Licence broadly details the volume driver calculations as anticipated; certain issues remain unresolved. For example, further clarification is required in relation to Grid Parks, definition of the delivery date, and Baseline Outputs. In addition, the identified errors and rounding issues within the formulas necessitate correction.
SpC 3.23	Cross Over condition	<ul style="list-style-type: none"> Clarity of funding conditions Unclear on what happens with LOTI The licence drafting currently contradicts our understanding of existing T2 framework. This affects projects which are currently in active delivery. We need clarity regarding the funding position (even if that is confirmation that it will be included in T2 close-out) as a matter of urgency.
SpC 3.15	PCF	<ul style="list-style-type: none"> Concerns with definitions including timing of the conclusion of when PCF can be spent- when material planning consents are submitted Issue on when assessment happens, including why the closeout assessment is necessary and how this sits with the PCD assessment Formulae errors Missing PCF PCDs, e.g. existing SpC 3.15 and 3.45 PCDs <p>Further details:</p> <ol style="list-style-type: none"> Language in the licence currently suggests the true up of spend on pre-construction activities will be carried at T3 close out as opposed to at PA stage - this makes the current PCF framework unworkable especially for projects where PA is expected before T3 closeout. This is a key flexibility lever to work alongside the fixed 8.2% initial allowance approach and must be fixed asap. The initial PCF allowance of 8.2% of total project costs not explicitly mentioned in relevant ADs where this is applicable - this needs to be updated to reflect policy intent and to avoid issues in projects where PCF will be awarded in-period. Definitions - for pre-construction activities need to be corrected and those for Early Enabling Works (broad definitions and non-exhaustive list) need to be included in the licence. Must be fixed to avoid interpretation issues and subsequent potential disallowances. Outputs for PCF PCD need to be made clear and assessment of this PCD should happen at PA, not T3 closeout. Must fix to avoid interpretation issues and to make the current PCF framework workable. PCF formulae need to be rechecked and updated - must fix as fundamental. PCF PCDs for existing T2 licence conditions need to be transferred into T3 licence as currently missing - must fix to ensure T2 PCF conditions flow into T3.
SpC 3.19	CSNP Re-opener	<ul style="list-style-type: none"> LO date setting - Current proposal is to set LO date 12 months after ODI target date. For less mature projects this may equate to a P60-P70 probabilistic date and result in a relatively high chance of licence breach (97% likelihood of at least one of 10 outputs being in breach). Need clarity from Ofgem that the intent is that where the NESO ODD optimal date is later than the P50, the Licence Obligation (under 3.19.5, as defined by 3.19.9) is always intended to be "no later than 12 months after" the P50 date. If so, this would lead to unacceptable regulatory risk for TOs and perverse outcomes for consumers.

		<ul style="list-style-type: none"> As per FDs, incentivising TOs to accelerate ahead of the ODD is not appropriate as it would reward delivery earlier than is optimal for consumers. However, Ofgem's position on Licence Obligations under SpC 3.19 would in some cases place a much stronger incentive on TOs to accelerate ahead of the optimal date to avoid the risk of licence breach. COAE (also in COAE definition) - The same Major Projects Delay Event list is used for COAE but for COAE it is unclear if the list is exhaustive or non-exhaustive given the removal of Supply Chain and System Access/Interface risk. Clarity needed from Ofgem to confirm rationale for this with a request for alignment to the ASTI approach.
SpC 3.14	BSC Re-opener	<ul style="list-style-type: none"> Lack of clarity on what expenditure means Includes self-mod
SpC 3.10 *Not included in LDWG*	Non-Load Re-opener	<ul style="list-style-type: none"> 3.10.14 states that we must deliver by the delivery dates in Appendices 1 - 6. This is a licence obligation but we believe this should instead be an evaluative PCD. Separately we would expect some guidance for non-load re-openers specifically. *Not included in LDWG* new obligations introduced on Gas Pipe Corrosion without any prior engagement with TOs was discussed but not included in original 'key issues list'. Setting of materiality threshold deems this re-opener unusable for non-load
SpC 3.18 *Not included in LDWG*	Load Re-opener PCD	<ul style="list-style-type: none"> Complex condition Unclear on why every output is a PCD *Not included in LDWG* New requirements being delivered under PASE - this was discussed but not included in original 'key issues list'.
SpC 6.2	Independent Technical Advisor	<ul style="list-style-type: none"> Ofgem have added a 'must comply' to the Independent Technical Advisor Paragraphs 6.2.19 and 6.2.20 are concerning and should be deleted.
SpC 9.24	NESO CO-ORDINATION	<ul style="list-style-type: none"> Roles and responsibilities increase for NESO for example additional requirement for TOs to provide information to the NESO on COAE Guidance and licence (SpC9,24) for TO's to provide timely and accurate information to the NESO (ISOP) is not reciprocal with NESO licence obligations or requirements within this Guidance. Changes should be made to the NESO licence as our ability to provide timely and accurate information is intrinsically linked to the quality and appropriateness of the overall CSNP methodology and information requests from the NESO.
SpC 3.3	Resilience Re-opener	<ul style="list-style-type: none"> Formulae incomplete and material Resilience Actions are only eligible where they are the result of UK Government policy change which would exclude, for example, updated flood data from SEPA or the EA. Issues with allowances <ul style="list-style-type: none"> The licence as drafted is incomplete as the Resilience Formula is not set out in the Licence and therefore it is not possible to recoup allowances via the SLC.

SpC 9.20 *Not included in LDWG*	Strategic Innovation Fund	<ul style="list-style-type: none"> Use of associated document vs licence – 102 associated document with 2 page licence conditions, associated documents introducing additional obligations
SpC 3.9 *Not included in LDWG	Operational Transport	<ul style="list-style-type: none"> The current formulae needs to allow for leasing of operational vehicles
SpC 2.1 *Not included in LDWG	Tax Allowance	<ul style="list-style-type: none"> Formulae does not reflect a semi-nominal WAAC

Associated documents agreed for further review as agreed Ofgem:

We would particularly welcome further engagement with Ofgem on the following ADs:

- Major Projects ODI Governance Document
- Load Re-opener Guidance
- SO:TO Governance Document
- ITA guidance
- CAI UIOLI, ET2/ET3 crossover, BSC- assume with Ofgem cost team for development?
- CSNP co-ordination / CSNP re-opener
- IDI – we have not seen this AD yet, our as is for a first draft before 1 April 2026