

Decision

RIIO-3 Licence Drafting modifications - reasons and effects

Publication date: 3 February 2026

Contact: RIIO-3 Team

Team: Networks Price Controls Setting Team

Email: RIIO3@ofgem.gov.uk

This decision document sets out the changes to the licence conditions required to implement the RIIO-3 settlement for the electricity transmission, gas transmission and gas distribution sectors.

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk.

Contents

1. Introduction.....	3
Types of Licence Conditions	3
Standard Licence Conditions (SLCs)	3
Standard Special Conditions (SSCs)	4
Special Conditions (SpCs)	4
Types of changes to Licence Conditions.....	4
2. Cross Sector Special Conditions.....	6
Decision on changes to Cross Sector Special Conditions.....	6
New conditions for Cross Sector Special Conditions	40
Cross Sector Special Conditions where there is no change from RIIO-2	43
3. Electricity Transmission Special Conditions.....	44
Decision on Changes to Electricity Transmission Special Conditions	44
New Conditions for the Electricity Transmission Sector	76
ET Special Conditions where there is no change from RIIO-2	101
4. Gas Distribution Special Conditions	103
Decisions on changes to Gas Distribution Special Conditions	103
New Conditions for the Gas Distribution Sector	134
GD Special Conditions where there is no change from RIIO-2.....	151
5. Gas Transmission Special Conditions	152
Changes to Gas Transmission Special Conditions	152
New conditions for the gas transmission sector.....	176
Special Conditions where there is no change from RIIO-GT2	197
6. Changes to Standard and Standard Special Conditions	198

1. Introduction

- 1.1 We are making modifications to the licence conditions required to implement our decisions in our Sector Specific Methodology¹ and our Final Determinations² for the RIIO-3 gas distribution, gas transmission and electricity transmission price control settlements.
- 1.2 The modifications we are making are set out in annexes to this consultation.
- 1.3 Within this document, we set out the reasons why we are making these changes and their intended effect.
- 1.4 These modifications do not apply to Electricity Distribution (ED) licences.

Types of Licence Conditions

- 1.5 We are making changes for the following licences:³
 - for RIIO-ET3 - the electricity transmission licences of:
 - 1) National Grid Electricity Transmission (NGET);
 - 2) Scottish Power Transmission (SPT); and
 - 3) Scottish Hydro Electricity Transmission (SHET)
 - for RIIO-GT3 - the Gas Transporter Licence of National Gas Transmission plc (National Gas in this document)
 - for RIIO-GD3 - the gas transporter licences of the following GDNs:
 - 1) Cadent;
 - 2) Northern Gas Networks Limited;
 - 3) Scotland Gas Networks plc;
 - 4) Southern Gas Networks plc; and
 - 5) Wales and West Utilities Limited
- 1.6 There are three types of licence conditions to which we are making changes. These are summarised below.

Standard Licence Conditions (SLCs)

- 1.7 SLCs set out the duties and obligations applicable to all holders of a particular type of licence. All transmission and gas distribution licences contain SLCs. The SLCs include some obligations related to RIIO that do not adjust allowed revenue.
- 1.8 The SLCs are grouped into different parts/sections that either apply or do not apply according to the activities carried out by the relevant licence holder.

¹ [RIIO-3 Sector Specific Methodology Decision for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors | Ofgem](#)

² [RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#)

³ Note that Standard Licence Conditions may apply to licensees other than those listed.

Standard Special Conditions (SSCs)

1.9 SSCs are similar to SLCs but only apply to National Gas and to the GDNs. They are grouped into different parts that either apply, or do not apply, to National Gas or to the GDNs, according to the activities being carried out by that licensee.

Special Conditions (SpCs)

1.10 SpCs are conditions that apply to a particular licensee. The majority of the changes set out in this document relate to SpCs, as most of these relate to RIIO and many contribute to the calculation of allowed revenue.

Types of changes to Licence Conditions

1.11 The licence modifications fall mainly into four categories:

- Amendment: this applies to current licence conditions where we are making changes to reflect RIIO-3 policy;
- New Conditions: These are additions of new licence conditions to reflect new RIIO-3 policy;
- No change: This applies to RIIO-2 licence conditions that we are retaining in the RIIO-3 licences and there is no change to the wording; and

1.12 Removals: Where conditions are no longer needed in RIIO-3 and are being taken out of the licence (e.g. because the RIIO-2 policy is no longer needed).

Change to the consultation period of Self Modifications

1.13 We have received a number of representations in respect of our proposal to modify the period for which the Authority will consult on proposals to modify licence conditions by direction and issue/ amend Associated Documents by direction⁴ from "not less than 28 days" to "up to 28 days". While some stakeholders recognised that shorter periods may be appropriate in certain circumstances, they pointed to the need to ensure that Ofgem allows adequate time for consultation to facilitate meaningful engagement, ensure procedural fairness and ensure that licensees have sufficient time to complete internal governance processes. They also argued that the proposed new wording would undermine expectations and predictability. Stakeholders suggested alternative solutions such as a 2 tier approach where Ofgem retain "at least 28 days" for most conditions but which allows for a shorter consultation period for a limited number of conditions or wording which allows for a "not fewer than 14-days" consultation period in exceptional circumstances. Stakeholders also commented that the proposed modification would introduce a blanket cap of 28 days on self-modification consultations which they say fetters our discretion where a longer

⁴ S.7(5) of the Electricity Act 1989 and s.7B(7) of the Gas Act 1986 provide that conditions in the licence may contain provision for the condition to be modified in the manner specified and at such times and in such circumstances as may be determined. This is commonly referred to as "self-modification"

Decision RIIO-3 Licence Drafting modifications - reasons and effects

period of consultation may be appropriate (for example if there is a particular complexity or the need to obtain expert evidence as part of the consultation process).

1.14 We disagree that a minimum consultation period is required to safeguard adequate consultation. As explained at statutory consultation, stakeholders have previously expressed that they value quick decisions from Ofgem. It is important that we are in a position to make those quick decisions reducing unnecessary consultation burden. The alternative solutions proposed by stakeholders would result in an overly complex regime which would undermine this aim. It would also seem to undermine regulatory independence. We of course acknowledge that we must always consult fairly and that fairness includes providing adequate time to facilitate meaningful engagement - what length of time is adequate will depend on the context, particularly the nature and impact of the decision being made. We do not think that is appropriate to constrain ourselves to a minimum period. However, we do accept that it would also be prudent to allow for a longer period of consultation if exceptional circumstances merit it. We have therefore decided that, when using powers of direction, we will consult for up to 28 days unless the Authority determines that a longer period is appropriate. Please note that we have not repeated our reasoning on a per condition basis and stakeholders should treat this and the preceding paragraph as our decision and reasons for all conditions where this drafting is relevant.

2. Cross Sector Special Conditions

Decision on changes to Cross Sector Special Conditions

Special Condition 1.1 Interpretation and definitions

Type of change: Amendment

Relevant to: GT, GD, ET

Associated Document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.1 We have updated this Special Condition across all three sector companies' licences. The reason for this is to reflect the amendments being made to the rest of the Special Conditions and to refresh the provisions of general interpretation to improve the clarity of the Special Conditions. Definitions in this clause help to give effect to other licence conditions.

Effect of this change

2.2 The effect of the amendments is to:

- Update the list of definitions to include all those used in the Special Conditions, including providing an explanation of when that definition is to be found in another document, such as the SLCs/SSCs;
- Provide for the definitions to apply in other documents setting out the outputs, delivery dates and allowances for PCDs;
- Add provisions of general interpretation including the notations used in relation to Regulatory Year, references to amended conditions and Appendices, the values of accruals, receipts and payments, the timing of things done to issue documents provided for the Special Conditions, the price based used in the Special conditions and the making of directions, consents, derogations, approvals, designations and determinations;
- Deleting provisions of general interpretation relating to definitions that are no longer required.

2.3 This will ensure that other licence conditions which use those definitions operate as intended.

Special Condition 2.1 Revenue restriction (AR_t) (GD/ET)

Type of change: Amendment

Relevant to: GD, ET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 11 and Chapter 12

Decision and reasons for changes

2.4 The reason for amending this condition is to improve the clarity of the condition and to bring into effect our decisions set out in Final Determinations, including to:

- require licensees to self-publish the Price Control Financial Model;
- apply a single time value of money to all prior year adjustments using a consolidated correction term;
- introduce a base revenue forecasting penalty mechanism; and
- introduce a revenue profiling adjustment mechanism.

2.5 The effect of the changes on the various parts of this condition is set out below.

Effects of the Changes

Part A: Licensee's obligation when setting Network Charges

2.6 In GD, we have decided to amend the drafting such that the licensee must use its best endeavours to ensure that Recovered Revenue equals Allowed Revenue, rather than ensuring that Recovered Revenue does not exceed Allowed Revenue. This reflects the reality that any under or over-collection of revenue is treated equally in that it is trued-up using the K correction factor. The existing licence language is asymmetrical in that it suggests licensees should aim to under-collect revenues when compared to Allowed Revenue, which is not the intention of this obligation and does not reflect the reality of the situation that licensees endeavour and the Authority expects them to endeavour to charge the correct amount.

2.7 In ET we have decided to amend the drafting to align the obligation with actual practice, which is that Transmission Operators (TOs) do not set their own network charges. Instead, they notify the Independent System Operator and Planner (ISOP), which sets network charges on behalf of the TOs. The existing language of the licence condition does not reflect this and so we have decided that the licensee must (when notifying the ISOP of its Allowed Revenue) use its best endeavours to ensure that Allowed Revenue is calculated in accordance with this special condition.

2.8 For ET and GD, we have decided to add a new obligation for the licensee to calculate Allowed Revenue using the Price Control Financial Handbook (Handbook) and the Price Control Financial Model (PCFM).

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.9 For ET and GD, we have decided to add a new obligation for the licensee to publish the PCFM containing the value of Allowed Revenue it used when setting network charges (or in the case of the TOs, when notifying the ISOP of the Allowed Revenue) they use on their website, at the point when charges are set/notified.

Part B: Recovered Revenue

2.10 We have decided to make some minor drafting clarifications to the definition of Recovered Revenue.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

2.11 The changes decided upon in this part remove the Adjusted Revenue term which previously captured true-ups for prior year revisions to PCFM inputs. These adjustments will now be captured within the consolidated correction term, in Part F, as set out in our Final Determinations.

Part D: Formula for calculating the Calculated Revenue term (R_t)

2.12 We have decided to add a revenue profiling adjustment term (RPA_t) and associated definition, which enables revenue allowances to be profiled across the RIIO-3 price control as set out in our Final Determinations.

2.13 We have decided to make some minor drafting clarifications to the definitions in this part to align the language used across sectors.

Part E: Formula for calculating the price index term (PI_t)

2.14 The change decided upon in this part has the effect of removing the hybrid price index term that was required for RIIO-2 and replacing it with an updated price index based on CPIH.

Part F: Correction term (K_t) and the of the Adjusted Revenue term (ADJ_t)

2.15 The changes decided upon in this part remove the Adjusted Revenue term from this condition and instead create a consolidated correction term, which applies a single time value of money adjustment to all true-ups.

2.16 We have also decided to remove the penal rate adjustment from the K correction term and have included it within the Forecasting Penalty section of this condition to clarify that there will be two penal rate mechanisms. For ET there will only be one penal rate mechanism, see paragraph 2.17.

Part G: Forecasting Penalty (FP_t)

2.17 The change decided upon in this part implements the forecasting penalties as set out in our Final Determinations Finance Annex. This includes the existing penal rate mechanism, which in RIIO-3 we refer to as the Recovered Revenue Forecasting Penalty and the new Base Revenue Forecasting Penalty, both of which may be fully or partially waived by direction of the Authority. For ET only the Base Revenue Forecasting Penalty will apply.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 2.1 Transportation Owner Revenue restriction (AR_t),

Special Condition 2.3 System Operator Revenue restriction (SOAR_t) (GT)

Type of change: Amendment

Relevant to: GT

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 11 and Chapter 12

Decision and reasons for change

2.18 The reason for amending this condition is to improve the clarity of the condition, to align the principal obligation with actual charge-setting practice and to bring into effect our decisions set out in Final Determinations, including to:

- require licensees to self-publish the Price Control Financial Model;
- apply a single time value of money to all prior year adjustments using a consolidated correction term;
- introduce a base revenue forecasting penalty mechanism; and
- introduce a revenue profiling adjustment mechanism.

2.19 The effect of the changes on the various parts of this condition is set out below.

Effects of the change

Part A: Licensee's obligation when setting Network Charges

2.20 We have decided upon the following changes to this Part:

- to amend the drafting such that the licensee must use its best endeavours to ensure that Recovered Revenue equals Target Revenue, rather than Recovered Revenue not exceeding Target Revenue,
- to amend Allowed Revenue to Target Revenue, which reflects National Gas' actual practice of setting its charges to recover Target Revenue as defined in the charging methodology in the Uniform Network Code, rather than referring to Allowed Revenue. This is due to fundamental differences between the charging year and the gas year, which requires Allowed Revenue to be pro-rated, therefore resulting in the concept of a Target Revenue,
- to add a new obligation for the licensee to calculate Allowed Revenue using the Price Control Financial Handbook (Handbook) and the Price Control Financial Model (PCFM),

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- to add a new obligation for the licensee to publish the PCFM containing the value of Allowed Revenue it used when calculating its Target Revenue used to set network charges on its website, at the point when charges are set/notified; and,
- to add a new obligation for the licensee to publish the value of Target Revenue used to set network charges and an obligation on the licensee to publish the calculation for that value on its website.

Part B: Recovered Revenue

2.21 We have decided to make a minor drafting clarification to the formula for Recovered Revenue to reflect that the value must be net of Bad Debt, which aligns the formula with the provision in this part.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

2.22 See paragraph 2.11 of this consultation.

Part D: Formula for calculating the Calculated Revenue term (R_t)

2.23 See paragraphs 2.12-2.13 of this consultation.

Part E: Formula for calculating the price index term (PI_t)

2.24 See paragraph 2.14 of this consultation.

Part F: Correction term (K_t) and the removal of the Adjusted Revenue term (ADJ_t)

2.25 See paragraphs 2.15 - 2.16 of this consultation.

Part G: Forecasting Penalty (FP_t)

2.26 See paragraph 2.17 of this consultation.

Special Condition 2.2 Tax allowance adjustment (TAXA_t) (GD/ET), 2.2 Transportation owner tax allowance adjustment (TAXA_t) (GT), Special Condition 2.4 System operator tax allowance adjustment (SOTAXA_t) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 7

Decision and reasons for change

2.27 We are making changes to these conditions to allow TAXA_t / SOTAXA_t adjustments to be made without necessitating the use of an Appropriately Qualified

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Independent Examiner. The reason for this is that there may be circumstances where it is clear that an adjustment is required, and appointing an expert to conduct a review would therefore be inefficient.

2.28 References to material unexplained differences have been moved to the PCFH for clarity.

Effect of this change

2.29 The effect of this change is to replace the term 'must' with 'may' at paragraph 2.2.5. This enables the Authority to direct a $TAXA_t$ / $SOTAXA_t$ adjustment without appointing an independent examiner, provided it has undertaken a preliminary review, and taken representations from the licensee into account. The previous wording required an independent examiner to be appointed in all circumstances before the Authority could direct a $TAXA_t$ / $SOTAXA_t$ adjustment. There may be circumstances where it is clear that an adjustment will be required and it may therefore be unnecessary to appoint an examiner, as this would delay the adjustment and create additional costs. An example might be where a licensee has notified the Authority that a $TAXA_t$ / $SOTAXA_t$ adjustment may be required.

2.30 References to material unexplained differences have been moved to the PCFH for clarity.

Special Condition 2.3 Return Adjustment (RTNAt) (GD/ET), Special Condition 2.5 Return Adjustment (RTNAt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 9

Decision and reasons for change

2.31 The only items we have decided to change are the references to RIIO-2, and the associated dates. We are carrying forward the same licence condition into RIIO-3, so the dates have been updated to reflect the RIIO-3 price control period.

Effect of this change

2.32 The effect of this change is that the RIIO-2 Return Adjustment mechanism will be carried forward into RIIO-3.

2.33 See the GD sector specific section of this document for any sector specific amendments to this Special Condition.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUPt and PSUPREt)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Decision and reasons for change

2.34 We are proposing to remove this condition as it is not applicable to RIIO-3.

Effect of this change

2.35 The effect of this change is to remove this condition and insert it into the broader Resilience Re-opener.

Special Condition 3.1 Baseline Network Risk Outputs (NARMt) (GD/ET), Special Condition 3.1 Baseline Network Risk Outputs (NARMt and NARMAHt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET (SPT and SHET)

Linked to: The NARM Handbook and The NARM Asset Risk Workbook

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 4 'Outputs and Incentives', Network Asset Risk Metric (NARM) - Table 4

Decision and reasons for change

2.36 We have decided to update the Baseline Allowed NARM Expenditure in Appendix 1. The reason for this is to give effect to our Final Determinations and set out the requirements on the licensee in respect of its Baseline Allowed NARM Expenditure associated with its RIIO-3 Baseline Network Risk Output. Since our Statutory Consultation, we have removed the Baseline Network Risk Output value from Appendix 1 to reflect that the RIIO-3 Network Asset Risk Workbooks, will be consulted on at a later date as outlined in our Final Determinations to finalise the RIIO-3 Baseline Network Risk Outputs.

2.37 Since the Statutory Consultation, the NARM expenditure values in Appendix 1 have also been updated to reflect any changes to the NARM expenditure as a result of final model runs or where any errors were identified in the values.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.38 Update the references from RIIO-2 to RIIO-3, the references to associated dates and to update the regulatory years in this condition and the NARM Handbook and the NARM Asset Risk Workbooks forming part of this condition. The reason for this is to ensure the wording and dates in this condition and linked documents that form part of this condition refer to RIIO-3. Since our Statutory Consultation, we have updated a cross-reference in the ET condition, updated a definition in the GT condition and updated a cross-reference in the GD condition to correct the references and definitions to ensure the cross-references and definitions are accurately reflected in the licence.

2.39 The NARM Handbook and the Network Asset Risk Workbooks which form part of this condition will be consulted on at a later date.

Effect of this change

2.40 The effect of the amendments is to specify the Baseline Allowed NARM Expenditure associated with the licensee's Baseline Network Risk Output for RIIO-3, once finalised at a later date.:.

Special Condition 3.2 Cyber resilience Re-opener, Price Control Deliverable, and Use it or Lose it (UIOLI) allowance (CYt, CYREt, CYUt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 11

Decision and reasons for change

2.41 The decision is for the licence to be updated to reflect the revised regulatory approach under RIIO-3 that treats Information Technology (IT) and Operational Technology (OT) collectively as cyber resilience activities. Our decision is to remove Special Condition 3.3, with all cyber resilience activities now aggregated into Special Condition 3.2.

2.42 The decision is that these conditions are amended to reflect the status of UIOLI allowances within the RIIO-3 framework, with no provision for the licensee to request additional UIOLI allowances in addition to the UIOLI allowances awarded at final determinations.

2.43 A new Part F is introduced within the licence condition to set out the specific reporting arrangements for UIOLI allowances. This change is introduced to provide a dedicated and clearer reporting route for UIOLI allowances that is distinct from the PCD reporting requirements and assessment process improving

Decision RIIO-3 Licence Drafting modifications - reasons and effects

transparency and alignment with the intended regulatory policy for UIOLI within RIIO-3.

- 2.44 Changes are introduced to the Appendices to the Special Condition 3.2 to distinguish more clearly between allowances for PCDs awarded at Final Determination and those that may be awarded at Re-openers, and those awarded for UIOLI allowances.
- 2.45 A new Appendix 5 has been added to set out the reporting periods associated with Cyber Resilience Price Control Deliverables (PCD), that also serve as the reporting periods for the Licensees to submit UIOLI qualitative reports as described in this condition.
- 2.46 We received representations from six licensees in response to our consultation, with a total of 100 comments directly on this condition. As a result of the comments received from the licensees we have made the following changes:
 - Deletion of the licence condition requiring the licensee to take all reasonable steps to deliver the outputs associated with PCDs in order to remove potential conflict with the application of the PCD assessment principles;
 - Clarification of the reporting requirements, dates and periods in relation to the UIOLI allowances;
 - Amendments to wording and structure for clarification and to better reflect policy decisions; and
 - Corrected typographical errors and incorrect cross-references to improve clarity and internal consistency.

Effect of this change

- 2.47 Special Condition 3.2 becomes the single licence condition governing cyber resilience, replacing the previous separate IT and OT conditions. Licensees will now operate under one combined cyber resilience condition for all relevant cyber resilience activities.
- 2.48 Licensees can submit a single re-opener submission that combines IT and OT cyber resilience activities between 1 and 8 April 2028, and at such other times directed by the Authority. This replaces the previous requirement to produce separate IT and OT re-opener submissions, simplifying the re-opener process.
- 2.49 Unspent UIOLI allowances awarded at the Final Determination may be subject to an adjustment downwards in accordance with the dedicated assessment mechanism.

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRITt and CRITREt) (GD/GT/ET)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.50 The effect of this change is to reflect that Licensee submissions are not separated into IT or OT, and are now referred singularly as Cyber Resilience. See Special Condition 3.2 above.

Effect of this change

2.51 This removes a redundant condition from the RIIO-3 licence.

Special Condition 3.4 Small Decarbonisation Projects (SDP) Re-opener (SDPt)

Type of change: Amendment

Relevant to: GD, GT

Associated document: SDP Re-opener Governance Document

Final Determinations Reference: Overview Document, Chapter 6

Decision and reasons for change

2.52 We have decided to rename the NZASP Re-opener, as it was referred to in RIIO-2, into the Small Decarbonisation Projects Re-opener. We consider this name better reflects the scope of the re-opener, emphasising that it can fund projects supporting both nearer-term and long-term decarbonisation goals. For example, initiatives such as shrinkage reduction, rollout of the Digital Platform for Data Analytics (DPLA) in GD, and biomethane support are not limited to net zero objectives. By focusing on “decarbonisation”, the name signals a broader, adaptable approach that underpins both immediate and future climate ambitions. Additionally, a simpler name helps external stakeholders - such as environmental groups, local authorities, and consumer advocates - better understand its purpose and relevance to decarbonisation goals. This clarity will support engagement. Lastly, aligning terminology with other decarbonisation initiatives (eg with the DEP Re-opener) ensures consistency across our framework, helping stakeholders navigate our policies more easily.

2.53 We have also added an additional criterion to Part A of the licence condition to ensure that any application’s activities are tied to the RIIO-3 period and are separated from the RIIO-2 period. This additional guardrail ensures that any retrospective claims during a new price control are ineligible, and avoids double counting across periods.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

- 2.54 To change the name of the NZASP Re-opener to the Small Decarbonisation Projects (SDP Re-opener).
- 2.55 To tie the eligibility of any activities submitted for SDP Re-opener funding to the RIIO-3 price control period.

Special Condition 3.5 Decarbonisation Project Development (DPD) use it or lose it (UIOLI) allowance (DPDt)

Type of change: Amendment

Relevant to: GD, GT

Associated document: DPD UIOLI Governance Document

Final Determinations Reference: Overview Document, Chapter 6

Decision and reasons for proposed change

- 2.56 We have decided to rename the NZARD UIOLI, as it was referred to in RIIO-2, into the Decarbonisation Project Development UIOLI. We consider that this name better reflects the new scope of the UIOLI, which now includes shrinkage. Shrinkage is not limited to net zero objectives; it also addresses nearer-term decarbonisation ambitions, making the new name more accurate. By focusing on “decarbonisation”, the name signals a broader, adaptable approach that supports both immediate and long-term climate goals. Additionally, a simpler name helps external stakeholders - such as environmental groups, local authorities, and consumer advocates - better understand its purpose and relevance to decarbonisation goals. This clarity will support engagement. Lastly, aligning terminology with other decarbonisation initiatives (eg with the DEP Re-opener) ensures consistency across our framework, helping stakeholders navigate our policies more easily.
- 2.57 In our Final Determinations, we decided to increase the DPD UIOLI allowance for the GDNs and National Gas to 0.5% of their baseline totex. To reflect this, we have decided to update the allowances in Appendix 1. We have also decided to update the reference to regulatory years within Appendix 1. Please note that, owing to a terminology error, the allowances were initially described as being set at 0.5% of base revenue. In practice, the figures have consistently represented 0.5% of baseline totex. This means that, despite the terminology error, the underlying calculation and application of the allowance have always been based on 0.5% of baseline totex, and this approach has remained unchanged.

Effect of this change

- 2.58 The effect of the modification for this licence condition is to:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- change the name of the NZARD UIOLI to the Decarbonisation Project Development (DPD) UIOLI.
- update the allowance for the DPD UIOLI to 0.5% of base revenue for the GDNs and for National Gas.

Special Condition 3.6 Decarbonisation and Environmental Policy Re-opener and Price Control Deliverable (DEPt) (GD/GT/ET)

Type of change: Minor change

Relevant to: GT, GD, ET

Associated document:

Final Determinations Reference: Overview document; Chapter 6

Decision and reasons for change

2.59 The reason for amending this licence condition is to give effect to our decisions in Final Determinations. These include:

- renaming the licence condition from the Net Zero Re-opener to the Decarbonisation and Environmental Policy Re-opener;
- updating the scope of the condition to include Environmental Development; and
- stating in Part C of the licence condition that the application must relate to costs incurred or expected to be incurred on or after 1st April 2026.

2.60 The reason for these changes is to ensure the licence accurately reflects the scope of the re-opener and to clarify the workings of the re-opener. By expanding the scope there is more possibility of the re-opener being utilised, making the re-opener more accessible in RIIO-3 than it was in RIIO-2.

2.61 We have added the additional criterion to Part C of the licence condition to ensure that any application's activities are tied to the RIIO-3 period and are separated from the RIIO-2 period. This additional guardrail ensures that any retrospective claims during a new price control are ineligible, and avoids double counting across periods.

2.62 We received 18 responses from licensees and made the following changes in response:

- removed the “’s” from the end of the defined term Environmental Development;
- decapitalised “Environmental Policy” in the title and throughout the licence conditions across each sector;
- corrected a cross-reference at 3.6.11;
- added a half paragraph at 3.6.6.e to align with 3.6.6; and
- clarified the definition of DEPRORt

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

2.63 This allows the condition to apply in RIIO-3.

2.64 To tie the eligibility of any activities submitted for DEP Re-opener funding to the RIIO-3 price control period.

Special Condition 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITRET) (GD/GT/ET)

Type of change: Removal

Relevant to: GD, GT, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 12

Decision and reasons for changes

2.65 We have decided to replace the RIIO-2 Non-operational IT Capex Re-opener with a common Digitalisation Re-opener. The reason for this change is to encourage digitalisation by allowing network companies to seek funding for data and digital related projects with a broader scope than just IT hardware or software upgrades and to align with RIIO-ED2.

Effect of this change

2.66 The effect of this change is to remove this condition, which will be replaced with a common Digitalisation Re-opener for GD, GT and ET, similar to the mechanism currently operating in RIIO-ED2.

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAMt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GD, GT, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Decision and reasons for change

2.67 The reason for amending this licence condition is to give effect to our decisions in Final Determinations. The proposed changes for this condition are:

- To enable the Authority to trigger a re-opener; and
- To remove the annual window for submissions to be made to allow these submissions to be made on an ad hoc basis instead.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- To allow a single network company to unilaterally submit an application subject to the CAM proposal being verified and supported by the NESO.

2.68 We received 20 responses from licensees and made the following amendments in response:

- included a reference to the Re-opener Guidance and Application Requirements Document in condition 3.8.5(h);
- amended the definition of Partner Licensee to allow for intra-licensee transfers among different networks; and
- updated the term NESO to ISOP.

Effect of this change

2.69 The changes will increase the flexibility of the licence condition and encourage further use of the mechanism in RIIO-3.

Special Condition 3.9 (previously 3.21) Operational Transport Emissions Reduction Price Control Deliverable (OTCt)

Type of change: Amendment (new for SPT)

Relevant to: All TOs (except SHET) and GDNs

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 4

Decision and reasons for change

2.70 We have decided to replace the RIIO-2 Gas Distribution (GD) Commercial Fleet Price Control Deliverable (PCD) and the bespoke National Grid Electricity Transmission (NGET) Operational Transport Carbon Reduction PCD licence conditions with a single, cross-sector licence condition establishing a mechanistic PCD.

2.71 This change reflects our decision, set out in our Final Determinations, to implement a mechanistic PCD across ET (excluding SHET - who is excluded due to a lack of applicable outputs) and GD to support the delivery of zero-emission vehicles (ZEVs) in RIIO-3. We consider this work to be broadly comparable across sectors, which underpins our proposal for a common PCD. Since our Draft Determinations, we have removed charging infrastructure from the PCD due to the absence of common costs and outputs, as well as its overall low materiality. This adjustment is reflected in the revised licence condition.

2.72 For ET, where the condition currently applies only to NGET as an Evaluative PCD in RIIO-2, we have decided to modify the condition to reflect the change to a mechanistic PCD design. We have also extended its application to include SPT. For GD, the mechanistic design will remain consistent with RIIO-2, subject to

Decision RIIO-3 Licence Drafting modifications - reasons and effects

adjustments in outputs and costs to align with RIIO-3 requirements. By using the lowest observed costs as the benchmark, we are encouraging the networks to aim for the most efficient procurement practices. This sets a clear expectation that costs should reflect best-in-class performance rather than average or inflated figures.

- 2.73 Following feedback received from Cadent that the vehicle types should be defined (as they were for the GD-only Commercial Fleet PCD in RIIO-2), we have added definitions for Car, Small Van, Medium Van, Large Van, HGV and 4x4.
- 2.74 Following feedback from SPT, we have modified Appendix 2 to be formatted dependent on the licensee procurement approach. Networks that have chosen to lease vehicles throughout RIIO-3 have a table setting out the target number of “ZEV lease payments” over the price control. We have specified that lease payments must relate to vehicles of the relevant category which are available to the licensee for its operations during the price control period, to ensure they deliver consumer benefit. Networks that have chosen to purchase vehicles have a table setting out the target number of vehicles they are able to “purchase” over the price control. This is because a single vehicle may require multiple lease payments (if renewed); however, the purchase of a vehicle should only require a single payment.
- 2.75 We have amended some licensees’ allowances to fix discrepancies in our Final Determinations and the statutory licence consultation. Notably, Cadent was seeking funding to maintain its existing fleet of 1,355 ZEV medium vans through annual leasing. Based upon the data Cadent provided to us alongside its Draft Determinations response, we provided Cadent with a single lease payment per vehicle; however, Cadent was seeking five lease payments (one per year of the price control) to maintain its fleet. We decided to allow this, and have reflected this in Cadent’s PCD allowance.
- 2.76 Lastly, please note that we have updated the unit costs (located in redacted documents) compared to our RIIO-3 Final Determinations. This is to reflect the application of the ongoing efficiency challenge.

Effect of this change

- 2.77 The effect of the condition is to specify the outputs, associated allowances, and unit rates for in-scope activities for the Operational Transport Emissions Reduction PCD.

Special Condition 5.2 RIIO-3 network innovation allowance (NIAt) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: RIIO-3 NIA Governance Document

Final Determinations Reference: Overview Document; Chapter 10

Decision and reasons for change

2.78 The licence condition and definitions relating to the Network Innovation Allowance (NIA) have been updated with RIIO-3 terminology, and references to RIIO-2 as well as RIIO-1 were removed.

2.79 For GT and GD companies, we have removed provisions relating to hydrogen innovation funding, reflecting policy decisions made in SSMD and our position in FDs not to include this type of work under NIA funding in RIIO-3. This decision was made due to there still being significant uncertainty regarding how much (and which parts) of the gas network will potentially be repurposed for hydrogen in the future.

Effect of this change

2.80 The effect of removing provisions relating to hydrogen innovation funding is that GT and GD companies will no longer receive funding for these projects as part of the NIA during RIIO-3.

Special Condition 6.1 Pass-through items (PTt)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

2.81 We have decided to add two additional paragraphs (6.1.7 and 6.1.8) to Part B: Review of Prescribed Rates pass-through term (RBt).

2.82 The reason for this change is to provide additional clarity around the process the Authority will follow when directing a value for Prescribed Rates and to align our wording across sectors.

2.83 See the sector specific sections of this document for any sector specific amendments to Special Condition 6.1.

Effect of this change

2.84 The effect of this change is to clarify the direction process the Authority will follow.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA) (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: RIIO-2 NIA Governance Document

Final Determinations Reference: Overview Document; Chapter 10

Decision and reasons for change

2.85 The licence condition and definitions relating to the Carry-Over Network Innovation Allowance (CNIA) have been updated with RIIO-3 or RIIO-2 terminology where applicable, and references to RIIO-1 have been removed.

2.86 We propose to amend the licence condition regarding the CNIA to implement our SSMD decision to re-introduce this carry-over mechanism in RIIO-3. The CNIA timeframe will be extended from 12 to 18 months to ensure that companies can start projects towards the end of the price control if they still have NIA funds available.

2.87 To reflect this new timeframe, we have added a new formula under Part A of SpC 5.3 and amended the related definitions. We have also removed Part B of SpC 5.3 which contained the formula for calculating the CNIA Value term (CNIAV), as this term is no longer required for under the new CNIA calculation method.

Effect of this change

2.88 The effect of amending the licence condition is that companies will be able to use unspent NIA funding to progress projects started in RIIO-2, and will be expected to complete those projects by 30 September 2027.

2.89 The effect of removing the CNIAV formula is that calculations will no longer include NIC bid preparation costs.

Special Condition 7.11 RIIO-ET1 network innovation competition (GD/GT/ET)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: Gas Network Innovation Competition Governance Document / Electricity Network Innovation Competition Governance Document

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.90 We have decided to remove the current licence condition on the Network Innovation Competition (NIC). The NIC was replaced by the Strategic Innovation Fund (SIF) at the start of RIIO-2 and is no longer used to fund new ET, GT, and GD innovation projects. Following the publication of the Statutory Consultation it has been brought to our attention that while all remaining NIC projects run by ET, GT and GD companies will have received their funding by the end of RIIO-2, there may be legacy NIC projects that will require appropriate provisions for arrangements relating to the regulation, administration and governance of the NIC. We have therefore included provisions for the governance of NIC legacy projects under the condition governing the SIF (SpC 9.19 for ET, SpC 9.11 for GD and SpC 5.7 for GT).

2.91 We have removed other references to the NIC across the licence, including formula for calculating CNIAV (Part B of SpC 5.3), as the term applies to NIC Bid Preparation Costs.

Effect of this change

2.92 The effect of removing the condition and related provisions is that no Network Innovation Competition funding will be available in RIIO-3 for ET, GT and GD companies.

2.93 Governance for any remaining legacy NIC projects will be carried forward under the SIF licence condition, ensuring there is no gap in oversight.

Special Condition 7.1 Legacy adjustments to revenue (LARt) (GT/ET), Special Condition 7.1 Transportation owner legacy adjustments (LARt) (GT), Special Condition 7.10 System operator legacy adjustments (SOLARt)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout” and “RAV opening balances”

Decision and reasons for change

2.94 We have decided to amend this condition to remove redundant RIIO-2 licence terms and to include the relevant RIIO-3 licence terms.

Effect of this change

2.95 The effect of this change is to correctly calculate legacy allowed revenue to ensure it flows into RIIO-3 allowed revenue.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 7.12 Legacy net RAV additions (LRAVt) (ET), Special Condition 7.14 Legacy net RAV additions (LRAVt) (GD), Special Condition 7.9 Legacy net RAV additions (LRAVt) (GT), Special Condition 7.17 System operator legacy net RAV additions (SOLRAVt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout” and “RAV opening balances”

Decision and reasons for change

2.96 We have decided to amend this condition to explain for RIIO-3 the process the Authority will follow when directing opening balances for LRAV as well as tax pool and tax loss balances.

Effect of this change

2.97 The effect of this change is to ensure the wording in this condition is applicable to RIIO-3, and to ensure clarity around the process the Authority will follow when directing opening balances for LRAV, tax pools and tax loss balances.

Special Condition 7.2 Legacy pass-through items (LPTt) (GD/ET), Special Condition 7.2 Transportation owner legacy pass-through (LPTt) (GT)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.98 We have decided to remove this condition as it is not applicable to RIIO-3.

Effect of this change

2.99 The effect of this change is to remove this condition.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 7.3 Legacy MOD (LMODt) (GD/ET), Special Condition 7.3 Transportation owner legacy MOD (LMODt) (GT), Special Condition 7.11 System operator legacy MOD (SOLMODt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout”

Decision and reasons for change

2.100 We have decided to modify this condition to provide for the calculation of the legacy AIP adjustment term (LADJt) and to provide for the process that the Authority will follow when directing LADJt. We have removed reference to LMODt as it is no longer relevant to RIIO-3. The condition contributes to the calculation of allowed revenue. We have decided that LADJt is either spread across the 5 years of the RIIO-3 price control and that a compound WACC is applied accordingly, or it is recovered in the first year of the RIIO-3 price control, whichever was the licensees’ preference.

Effect of this change

2.101 The effect of this change is to allow for the closeout of the RIIO-2 Price Control Financial model to be reflected in allowed revenue in the RIIO-3 Price Control Financial model.

Special Condition 7.4 Legacy K correction (LKt) (ET/GD), Special Condition 7.4 Transportation owner legacy K correction (LKt) (GT), Special Condition 7.12 System operator legacy K correction (SOLKt) (GT)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “RIIO-2 closeout”

Decision and reasons for change

2.102 We have decided to modify this condition to provide for the calculation of the legacy K correction term (LKt) and to provide for the process that the Authority will follow when directing LKt. The condition contributes to the calculation of allowed revenue.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

2.103 The effect of this change is to allow for any under or over-collection of revenue in RIIO-2 to be accurately reflected in the allowed revenue in the RIIO-3 Price Control Financial model.. We have decided that LKt is either spread across the 5 years of the RIIO-3 price control and that a compound WACC is applied accordingly, or that it is recovered in the first year of the RIIO-3 price control, whichever was the licensees' preference.

Special Condition 7.5 Legacy TRU Term (LTRUt) (ET/GD), Special Condition 7.5 Transportation owner legacy TRU term (LTRUt) (GT), Special Condition 7.13 System operator legacy TRU term (SOLTRUt) (GT)

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.104 We have decided to remove this condition as it is not applicable to RIIO-3.

Effect of this change

2.105 The effect of this change is to remove this condition.

Special Condition 8.1 Governance of the ET/GD/GT2 Price Control Financial Instruments

Type of change: Amendment

Relevant to: GT, GD, ET

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.106 We have decided to amend this condition to improve the clarity of the SpC and to align the language with the corresponding condition applicable to the ED sector.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.107 The effect of the amendments is to:

- clarify what constitutes a modification to the Price Control Financial Model
- clarify the process the Authority will follow regarding availability and update of the Price Control Financial Instruments.

Special Condition 8.2 Annual Iteration Process for the ET/GD/GT2 Price Control Financial Model

Type of change: Removal

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Model, Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12; “Annual Iteration Process and Modelling Issues”

Decision and reasons for change

2.108 The AIP is the formal process of updating the PCFM Variable Values to calculate the annual incremental change to Base Revenues as they were set in Final Determinations. For RIIO-3, we have decided to remove this condition from the licence and to instead include a section within the Price Control Financial Handbook and within the PCFM Guidance, describing the steps of the AIP.

2.109 We have decided to require licensees to update and publish the Price Control Financial Model themselves in RIIO-3, in accordance with the Price Control Financial Handbook and in accordance with the PCFM Guidance. With a self-publication requirement, licensees will be responsible for calculating their own Allowed Revenue values and publishing the Price Control Financial Model on their websites at the point of charge setting. This process would not require any Authority direction, instead the Authority will simply publish a consolidated version of the licensee published Price Control Financial Models used for charge-setting.

2.110 The reason for this change is to move towards a process that can run with less intervention from the regulator. This will enable licensees to more easily reflect changes to their variable values where those are subject to volatile fluctuations and this would make the price control more cost reflective. Also, with changes to the licence, PCFM guidance and Price Control Financial Handbook improving the transparency as to how the AIP should be completed, there is no need for the Authority to direct the outcome of the AIP. In the RIIO-2 price control we took a step in this direction, with the Authority still conducting the AIP but publishing it rather than directing it. This goes a step further as we have further grown in

Decision RIIO-3 Licence Drafting modifications - reasons and effects

confidence about the clarity provided on how to conduct the AIP. This also aligns with the Electricity Distribution sector. PCFM Variable values will be calculable based on a clearly defined calculation or separate process set out in either the licence, Price Control Financial Handbook or PCFM Guidance. In some cases, individual variable values may be adjusted by an Authority direction and the process for this will be set out in the individual licence conditions.

Effect of this change

2.111 The effect of this change is the removal of the licence condition encompassing the Annual Iteration Process and the PCFM publication. This text will be inserted into the PCFM guidance that will be provided to licensees for how to update the Price Control Financial Model. We have published the relevant chapter of the RIIO-3 PCFM Guidance alongside this consultation.

Special Condition 9.1 Annual Environmental Report (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: RIIO-3 Environmental Reporting Guidance

Final Determinations Reference: Overview Document; Chapter 4

Decision and reasons for change

2.112 We have decided to amend the RIIO-2 Annual Environment Report (AER) licence condition for RIIO-3 to reflect our FD decision to have in place a quantitative KPI document and a predominantly qualitative commentary document. At FD we said that we consider a common reporting template will allow us and stakeholders to review and compare the companies' AERs.

2.113 We have implemented minor clarifying typographical changes to the modification consulted upon. We have decided to retain the timing between publication of amendments and the amended Environmental Guidance Reporting coming into effect, to ensure that the companies have sufficient time to implement this.

2.114 The revisions to the licence include:

- added wording on the requirement for companies to have two sections (quantitative KPI document and qualitative commentary document);
- added wording on the requirement for companies to submit all data in the AER to the Authority; and
- updates to 9.1.14(b) on changes that the Environmental Reporting Guidance should not be three months before the date of publication or by the commencement of the subsequent Regulatory Year.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

2.115 The effect of this change is to make a common reporting format for the AERs to provide further clarity and comparability across the companies and across sectors.

Special Condition 9.11/9.19/5.7 The strategic innovation fund (SIFt), Special Condition 9.19 The strategic innovation fund (SIFt) (ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Strategic Innovation Fund governance document

Final Determinations Reference: Chapter 10; “Innovation”

Decision and reasons for change

2.116 The changes made for all sectors in relation to the SIF are minor. These changes are minor as we have made the changes decided upon in Final Determinations through the Associated Document, the new SIF Governance for RIIO-3. The new SIF Governance for RIIO-3 was consulted on as part of the Statutory Consultation.

2.117 Following the Statutory Consultation, we have included provisions for the governance of Network Innovation Competition (NIC) legacy projects under the SIF licence condition. The NIC has been replaced by the SIF in RIIO-2 and it is no longer used to fund new projects. However, it has been brought to our attention that there may be legacy NIC projects that will require appropriate provision for arrangements relating to the regulation, administration and governance of the NIC. Because the SIF is a successor of the NIC, we have decided to include such provisions under the licence condition governing the SIF.

2.118

Effect of this change

2.119 We do not envisage these minor updates made in relation to the SIF to have an impact on licensees.

2.120 Bringing the governance of NIC legacy projects under the SIF licence condition will ensure that these projects continue to be appropriately governed.

Special Condition 9.2 Network Asset Risk Metric methodology (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.121 We have decided to make the following changes to this licence condition to give effect to our decisions in Final Determinations in relation to the Network Asset Risk Metric (NARM).

ET, GT and GD

2.122 We have decided to introduce a separate modification process for non-material modifications which can be made to the NARM Methodology. The reason for this is to align the modification processes across the sectors with the process which exists in the ED licence and to simplify the process for licensees to propose non-material changes to the NARM Methodology such as formatting changes.

2.123 Since our Statutory Consultation, we have inserted the text 'which would have a material impact on the licensee's Baseline Network Risk Output' to Part C for all licences to align with the Part intent.

2.124 We have decided to introduce a requirement for licensees to produce Information Gathering Plans (IGPs) and to submit these on the dates specified in the condition. The reason for introducing this is to improve transparency around a licensee's data collection and management practices in respect of the data it collects to implement its NARM methodology.

2.125 Since our Statutory Consultation, we have reviewed the requirement for the Authority to approve or direct modifications of the IGPs in response to comments raised by licensees about this requirement. The IGPs are intended to support companies in setting out how they will obtain the information needed to report against their Baseline Network Risk Outputs. The intention for the IGPs is to be encouraging, forward-looking documents that support companies in planning and communicating their approach to their data collection processes. We do not believe this requires formal approval or direction of modification from the Authority, so we have removed the clauses which relate to the approval or direction processes and any references to this. The removal of the approval or direction process under this part has led to a renumbering of following clauses and required cross-references to be updated.

2.126 Following feedback, we have reviewed the requirement for network companies to keep the IGPs under review at all times. We believe reviewing this document on an annual basis is sufficient and consistent with the review requirements of the NARM Methodology. We have amended the text of the licence to reflect this. We have also removed the quotation marks around the term 'Information Gathering Plan' as this is a defined term in Chapter 1.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.127 We have decided to introduce a requirement for licensees within a sector to work together to produce an Engineering Guidance Document (EDGs) and to submit these on the dates specified in the condition.

2.128 For GT and GD licensees we are proposing a requirement for them to work together in the development of their EDGs where there are common assets between the two sectors.

2.129 The reason for introducing EGDs is to establish common standards in the subjective elements of reporting asset condition data for all assets in their respective NARM methodologies. This is to facilitate greater consistency in reported asset condition data, within sectors and across sectors where there are common assets.

2.130 Since our Statutory Consultation, we have reviewed the requirement for the Authority to approve or direct modifications of the EGDs in response to comments raised about this requirement. The EGDs are intended to encourage network companies in the same sector, and where relevant across sectors, to work together to harmonise their approaches and encourage continuous improvement in asset condition reporting. The production of these should be industry-led and collaborative. For this reason, we do not believe it is necessary for Ofgem to approve or endorse the content of these documents and have removed the need for licensees to submit the EDGs to the Authority for approval. The removal of the approval or direction process under this part has led to a renumbering of following clauses and required cross-references to be updated.

2.131 Following feedback, we have reviewed the requirement for network companies to keep the EDGs under review at all times and believe reviewing this document on an annual basis is sufficient and consistent with the review requirements of the NARM Methodology. We have therefore amended the text of the licence to reflect this.

2.132 We have also removed the word 'data inputs' and added 'asset condition data' to clarify the document scope in response to comments raised around this.

2.133 Since our Statutory Consultation, we have added a sector prefix to all references of the EDG, to provide clarity that a EDG is required for each sector and to distinguish the different documents from each other.

2.134 Since our Statutory Consultation, we have amended the drafting around the requirement for DN Operators and the NTS Operator to work together in the production of their respective Engineering Guidance Documents, where they have similar assets. We have changed the text from 'where appropriate' to 'where the licensee has similar assets'. We believe this provides more clarity on the conditions where the two sectors would be expected to work together in the production of their respective documents. The description of this part in the licence introduction has been amended to reflect this change.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

GT

2.135 Since our Statutory Consultation, we have removed the word ‘would’ from Part C of this condition to align to the text used in this condition with that used in the other sectors.

GD

2.136 We have decided to introduce a requirement for licensees within the GD sector to:

- work together in developing and maintaining a NARM methodology which is common to all DN Operators in the GD sector (“the GD NARM Methodology”), and
- have a methodology for implementing the GD NARM methodology using its own asset data.

2.137 The reason for this is to ensure licensees develop and maintain the GD NARM Methodology to enable comparability and consistency within the GD sector with respect to the NARM Framework.

2.138 Since our Statutory Consultation, we have amended the introduction of this condition to better reflect the requirements on the licensee.

2.139 Following feedback received we have amended the requirement for the licensee to keep the GD NARM Methodology and its own methodology for implementing it under review at all times to reviewing it at least once a year, we believe this is sufficient and also in accordance with the requirements of the NARM Methodology.

2.140 We have further included the text ‘under this Part’ to Part C of this condition, to clarify the modification of the NARM Methodology under this requirement and to align to the text used in this condition with that used in the other sectors.

ET

2.141 We have decided to introduce a requirement for licensees within the ET sector to:

- work together to develop a NARM methodology which is common to all licensees within the ET sector (“the ET NARM Methodology”);
- submit a draft version of the methodology and a final version of the methodology on the dates specified in the condition;
- develop its own methodology for implementing the ET NARM Methodology in the subsequent price control using its own asset data; and
- submit an updated Information Gathering Plan ‘IGP’ to set out how the licensee will gather and record information required in respect of the ET NARM Methodology to enable its implementation in the subsequent price control.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.142 We have also decided to introduce the requirement for licensees within the ET sector to have asset data systems in place which support the development of this methodology. In our Statutory Consultation, we initially proposed that licensees meet this requirement by 2027. Following feedback, we have decided to amend this requirement such that licensees should take all reasonable steps prior to the Authority's approval or direction of the ET NARM Methodology to have asset data systems in place which support the methodology being developed. Licensees must then ensure that asset data systems required to support the approved or directed ET NARM Methodology are established and operational no later than 12 weeks from the Authority's approval or direction of the ET NARM Methodology.

2.143 We believe this strikes the right balance to ensure that companies have systems in place to develop and implement the ET NARM Methodology being developed, and ensuring asset data systems required for the approved or directed ET NARM Methodology are in place so that the ET NARM Methodology can be implemented in the subsequent price control.

2.144 Following feedback received from our Statutory Consultation, we have decided to amend the submission dates for the updated IGP and EGD to be submitted by no later than 12 weeks following the Authority's approval or direction of the ET NARM Methodology. We believe this allows licensees to implement any changes required following the approval or direction of the ET NARM Methodology and that it is aligned to this process.

2.145 The reason for these amendments is to ensure consistency and comparability to support fairer benchmarking and more robust regulatory comparisons across the ET sector.

2.146 Since our Statutory Consultation, we have decided to:

- separate out the submission requirements and content requirements for the updated Information Gathering Plan as we believe this provides further clarity.
- amend the titles of Part H and Part I to reflect the content of those parts.
- include the text 'under this Part' to Part C of this condition, to clarify the modification of the NARM Methodology under this requirement and to align to the text used in this condition with that used in the other sectors.
- add the text 'or any other Transmission Owner's' to Part D to ensure there is no impact on others' Baseline Network Risk Output and its delivery of it.
- remove the reference to the specified date in Part H and added reference to the paragraph where the date is set for clarity purposes.
- amend the direction text in Part H to standard direction text.
- amend the text in Part I from 'Inspection data' to 'condition data' to reflect the data which is required. We have also removed text under this part as it set out requirements for a period which are out of the scope of this licence.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.147 We have also made a number of typographical and cross-reference amendments to improve the clarity of the condition.

Effect of this change

2.148 The effect of these changes is to enable greater consistency, transparency and accountability across the sectors. The development and maintenance of common methodologies will facilitate consistent asset management practices, allowing for greater comparability, within sectors and across sectors.

2.149 This will ensure that similar interventions on comparable asset types, under similar conditions, yield equivalent risk benefit outcomes within the NARM framework and supports fairer benchmarking and more robust regulatory comparisons across network companies. Requiring the networks to work together to produce EGDs will enhance consistency in how network companies report asset data. Requiring the networks to provide IGPs will enhance transparency in how network companies collect, manage and store the data required to report the NARM and also help licensees identify areas for improvements.

Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Decision Reference: SSMD Overview Document; Chapter 6

Decision and reasons for change

2.150 To reflect our decision in our Sector Specific Methodology Decision to further enable flexibility,⁵ we have decided to update this condition with a new provision to allow us to adjust Evaluative PCD allowances upwards in cases where an output is Fully Delivered With An Alternative Specification (where certain criteria are met). To enact this decision, we have:

2.151 Set out various circumstances and specified the appropriate type of adjustment, including where an adjustment is downwards or upwards.

2.152 Revised the text in 9.3.3(b) to clarify how upwards adjustment to allowances will be applied in Evaluative PCD condition formulas. Following our Statutory Consultation, we have amended 9.3.3(b)ii to state that, where an output is Fully Delivered With An Alternative Specification, a potential upward adjustment to the

⁵ [RIIO-3 Sector Specific Methodology Decision Overview](#), paragraph 6.14

Decision RIIO-3 Licence Drafting modifications - reasons and effects

associated allowance requires that (in addition to 9.3.3(b)i) “the Authority is satisfied that the licensee has demonstrated the proportion of increased Consumer Outcome associated with the work delivered”. We have also clarified that “When making such a direction, the adjustment will be in the form of a negative value inputted into the formula for the relevant Evaluative PCD term, in order to result in an upwards adjustment”.

2.153 We will also consider updating the PCD Reporting Requirements and Methodology Document ahead of RIIO-3 to provide further guidance regarding upwards flexibility.

2.154 Further clarity amendments made in response to the consultation include:

2.155 Amended the text in 9.3.3(e)ii following our Statutory Consultation to state that, where an output is Partially Delivered or Partially Delivered With Alternative Specification, a potential downwards adjustment to the associated allowance in accordance with the formula requires that (in addition to 9.3.3(e)i), “the Authority is satisfied that the licensee has demonstrated the proportion of the output or Consumer Outcome associated with the work delivered”.

2.156 Inserted a reference to “9.3.3” into 9.3.3(f) to specify the sub-paragraphs (a) to (e) referred to in the text.

2.157 Updated 9.3.3(f)ii following our Statutory Consultation to apply the defined term of “Fully Delivered”. Amended the text in the old 9.3.3(f), now 9.3.3(g), to clarify that that “the only instance in which the Authority may direct an increase to allowances for an Evaluative PCD is when it is Fully Delivered With An Alternative Specification in accordance with 9.3.3 (b)”.

2.158 Removed “output” from 9.3.4 to ensure that the defined term of “Evaluative PCD” is used.

2.159 Additionally, we have made a minor amendment to the definition of Fully Delivered, adding “to the full specification”. This will align it with the terminology of other definitions associated with the condition.

2.160 We have also updated the title and formatting of this condition to ensure consistency across the GD, GT and ET sectors.

Effect of this change

2.161 Where a licensee demonstrates that any overspend against the associated Evaluative PCD is efficiently incurred and a justified estimate of the proportion of increased Consumer Outcome associated with the work delivered, we may direct an upwards adjustment to the associated allowance.

2.162 The other changes made to this condition following our Statutory Consultation will improve clarity and ensure the consistent application of defined terms.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Re-opener Guidance and Application Requirements Document

Final Determinations Reference: N/A

Decision and reasons for change

2.163 We have made changes to better align Special Condition 9.4 with the relevant Special Condition set out in the RIIO- ED2 licences. As the Re-opener Guidance and Application Requirements Document is relevant to all four sectors within the RIIO price control, it is prudent to ensure the conditions across sectors align.

2.164 The following changes have been made for alignment across RIIO-ED2 and RIIO-3:

- Minor text changes to 9.4.1 and 9.4.3;
- Amending the text in 9.4.6(a) as the Re-opener guidance and application requirement document has been updated and now includes reference to these processes; and
- Removing the text ‘any requirement for assurance’ under 9.4.6(b) as this duplicates the data assurance process and is covered in separate SLCs.

Effect of this change

2.165 The effect of this change is to align SpC 9.4 with the most recent Re-opener Guidance and Applications Requirements Document and ensure that the condition is aligned across all RIIO price control sectors.

Special Condition 9.5 Digitalisation licence

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: Data Best Practice Guidance and Digitalisation Strategy and Action Plan Guidance

Final Determinations Reference: Overview document; Chapter 12

Decision and reasons for change

2.166 We have decided to update the Digitalisation Strategy and Action Plan (DSAP) publication dates contained within this condition to be within the RIIO-3 price

Decision RIIO-3 Licence Drafting modifications - reasons and effects

control period, rather than the RIIO-2 price control period. The reason is to ensure clarity around DSAP publication dates within the RIIO-3 price control period.

2.167 We are proposing to amend the ET and GD conditions to insert the intervals during which licensees must publish their DSAPs. In RIIO-2, the intervals were only contained within the GT condition, and the intervals for ET and GD licensees were contained within the DSAP Guidance. The reason for this change is to ensure consistency across the different licences.

2.168 We have also decided to make minor clerical changes to improve clarity and readability.

Effect of this change

2.169 The effect of these changes is to have the publication dates of DSAP documents contained within the ED and GD licences, and to provide increased clarity and readability of the condition.

Special Condition 9.6 Disapplication of Relevant Special Conditions (GT/ET)

Type of change: Amendment

Relevant to: GT, ET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

2.170 We have decided to make minor typographical changes to improve clarity, as well as to reflect the addition of a definition of the Competition and Markets Authority.

Effect of this change

2.171 The effect of this change is to improve clarity and to add an additional defined term for the Competition and Markets Authority.

Special Condition 9.6 Disapplication of Relevant Special Conditions and Relevant Metering Special Conditions (GD).

Type of change: Amendment

Relevant to: GD

Associated document: N/A

Final Determinations Reference: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

2.172 We have decided to make minor typographical changes to improve clarity, as well as to reflect the addition of a definition of the Competition and Markets Authority.

2.173 In addition, in the version of Special Condition 9.6 in the Gas Distribution licences, we have decided to remove references to the ‘Relevant Metering Special Condition’, which is defined in the licence as Special Condition 9.10 (Restriction of prices in respect of Tariff Capped Metering Activities). Special Condition 9.10 is proposed to be removed from the licence, so we are proposing to remove these references to it. We are also proposing to remove the definition of ‘Relevant Metering Special Condition’ from the licence.

Effect of this change

2.174 The effect of the typographical changes is to improve clarity and to add an additional defined term for the Competition and Markets Authority.

2.175 The effect of removing references to ‘Relevant Metering Special Condition’ is that the licensee will no longer be able to apply for disapplication of this condition – which would be impossible anyway as Special Condition 9.10 has been proposed to be removed from the licence. This change will also bring this licence condition in line with other sectors.

Special Condition 9.7 Directly Remunerated Services (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 12; “Directly Remunerated Services”

Decision and reasons for change

2.176 We have decided to insert a paragraph within Part D: Procedure for issuing directions. We are stating that before issuing a direction, the proposed direction will be published on the Authority’s website.

2.177 We have decided to remove paragraph 9.7.8 (c) which refers to Special Condition 7.7 (RIIO-GT1 network innovation competition) as well as removing a reference of it from the DRS categories in the condition. This is because Special Condition 7.7 no longer exists therefore we do not need to refer to it.

Effect of this change

2.178 The effect of this change is that we are making it clear what the consultation process will be if any directions are to be issued.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.179 The effect of this change is to remove an out-dated cross-reference.

Special Condition 9.8 Tax Reconciliation assurance statement (GD/GT/ET)

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 7

Decision and reasons for change

2.180 The list of documents required to be submitted alongside the assurance statement has been updated to include any corporation tax notification documents submitted to HMRC in respect of uncertain tax treatments under Schedule 17 Finance Act 2022. This is because such notifications will be relevant to understand differences between the tax allowance and actual tax charge.

2.181 Minor wording changes have been made to unambiguously reference the correct accounting periods for the required documents.

Effect of this change

2.182 As stated above, if licensees make any notifications to HMRC in respect of uncertain tax treatments, these will be required to be provided alongside the assurance statement.

RIIO-3 Price Control Financial Handbook

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Model and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12

Decision and reasons for change

2.183 The reason for this amendment is to replace the RIIO-2 Price Control Financial Handbooks with ones that are relevant to the RIIO-3 Price Controls. We have decided upon the following changes:

- adding new obligations that the licensee must fulfil to calculate Allowed Revenue and to publish the PCFM on its own website;

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- updating the cost of debt and cost of equity indexation chapter in line with the proposals set out in the Final Determinations Finance Annex;
- adding a description to clarify our expectation of the behaviour of a notional efficient company, updating the definitions used for the tax clawback calculation and other procedural clarifications to the tax trigger and tax review processes; and
- updating the legacy chapter to clarify and facilitate the close-out of the RIIO-2 price controls.

Effect of this change

2.184 The effect of this change is to update the RIIO-2 Price Control Financial Handbooks to reflect the proposals set out in the Final Determinations Finance Annex.

RIIO-3 Price Control Financial Model

Type of change: Amendment

Relevant to: GT, GD, ET

Associated document: N/A

Linked to: Price Control Financial Handbook and PCFM Guidance

Final Determinations Reference: Finance Annex; Chapter 12

Decision and reasons for change

2.185 The reason for this amendment is to replace the RIIO-2 Price Control Financial Models with ones that are relevant to the RIIO-3 Price Controls.

Effect of this change

2.186 The effect of this change is to update the RIIO-2 Price Control Financial Models to reflect the proposals set out in the Final Determinations Finance Annex.

2.187 We are aware that the RIIO-3 PCFM published alongside this decision requires further amendments with respect to removing the impacts of inflation from the Base Revenue Forecasting Penalty. This will be amended before the Base Revenue Forecasting Penalty has the potential to impact Allowed Revenue in subsequent years of the price control.

New conditions for Cross Sector Special Conditions

Special Condition 3.7 Digitalisation Re-opener

Type of change: New condition

Relevant to: GT, GD, ET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 12

Decision and reasons for change

2.188 We have decided to introduce a common Digitalisation Re-opener that will allow companies to apply for additional funding for digital and data related investments during the price control period. The purpose of this re-opener is to give network companies an additional opportunity to seek funding where new data or digital requirements or specific unforeseen costs arise during the price control period, reflecting the fast-moving nature of technology and policy change in the digitalisation space. This re-opener will include allowances that were previously allocated under the RIIO-2 Non-operational IT Capex Re-opener.

2.189 Following feedback from the statutory consultation we have made the following changes:

- Any modifications made under the Authority-triggered re-opener will be done via the statutory modification process.
- References to 'smart metering' have been removed to bring the condition in line with the structure and terminology applied across other re-openers.
- Minor typographical and wording changes have been made to improve drafting clarity.

Effect of this change

2.190 The effect of this licence condition is to establish a re-opener which can be triggered by the licensees or the Authority that enables companies to progress investments relating to technological or policy changes and developments that contribute to further digitalisation of the energy sector.

Special Condition 3.3 Resilience Re-opener

Type of change: New condition

Relevant to: GT, GD, ET

Associated document: N/A

Final Determinations Reference: Overview Document; Chapter 6

Decision and reasons for change

2.191 We have decided to introduce this new condition which covers governance of both physical security and resilience-related activities under RIIO-3. This replaces the previous approach where physical security was treated separately and resilience activities were not explicitly provided for in the licence.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

2.192 This change has been introduced to reflect our decision to create a single re-opener mechanism that adjusts allowances where the UK Government requires network companies to undertake resilience-related activities not anticipated at the start of RIIO-3.

2.193 In the statutory consultation, several respondents raised concerns that the absence of a formula meant the mechanism was incomplete and potentially inoperable. Respondents also highlighted uncertainty over whether RESREt would be assessed as a PCD-E, noting that the drafting did not establish outputs, delivery dates, or assessment provisions comparable to other evaluative mechanisms. We have included a formula for RESREt and to confirm that the term is assessed as an Evaluative PCD. This brings RESREt fully into line with the treatment of similar re-openers across the RIIO-3 licence, provides a clear mechanism for adjusting allowances, and ensures that the outputs funded under the Resilience Re-opener can be subject to transparent assessment at close-out. This approach gives effect to our original intent for the mechanism and addresses the usability concerns raised by respondents.

2.194 We proposed to licence condition drafting that linked physical security obligations to government-mandated requirements, using the wording “the physical security programme to be designated by UK Government”. Our intention was to ensure the Physical Security Re-opener captured changes arising from updates to government security policy. In the statutory consultation, several respondents explained that this formulation did not reflect how government physical security obligations operate in practice. They highlighted that government designates CNI classifications, but does not “designate” programmes of works, and that the established programme name used throughout RIIO-2 and recognised in industry and government guidance is the Physical Security Upgrade Programme (PSUP). They considered that retaining the RIIO-2 terminology would provide clarity, avoid misinterpretation of government’s role, and align the re-opener with actual operational practice. Having considered these representations, we have decided to adopt the defined term ‘Physical Security Upgrade Programme’ throughout Special Condition 3.3. To give full effect to this change, and to ensure the term operates as a defined term consistent with standard licence drafting practice, we have inserted a definition ‘Physical Security Upgrade Programme’ of into Chapter 1. This updated definition builds on the RIIO-2 definition of the term while ensuring it remains flexible and reflective of any successor, replacement or amended programme introduced by the UK Government during RIIO-3.

2.195 We proposed drafting that linked the Physical Security Re-opener to changes in Critical National Infrastructure (CNI) classification. In the statutory consultation, respondents noted that physical security works are sometimes required even when CNI classification remains unchanged, for example where updated NPSA guidance or revised government standards require action. We have decided to

Decision RIIO-3 Licence Drafting modifications - reasons and effects

amend the drafting so that references to CNI classifications apply “where relevant”. This ensures the re-opener remains usable in cases where mandated security works arise due to updated policy or guidance, even where classification remains the same. This refinement ensures the condition aligns with operational experience and avoids creating unnecessary barriers to its use.

Effect of this change

2.196 The condition establishes:

- Physical Security PCDs - setting baseline outputs, delivery dates, and allowances for physical security works mandated under the government’s physical security programme.
- Physical Security Re-opener term - enabling adjustments to the Physical Security PCD Table where changes occur in Critical National Infrastructure classification or scope of mandated works.
- Resilience Re-opener term- providing a mechanism for the Authority to fund resilience activities required during the price control period in response to changes in UK Government policy.

2.197 This condition will allow for licensees to submit applications under the Physical Security Re-opener during fixed windows where changes occur in Critical National Infrastructure classification or mandated scope. Resilience activities will be funded through Authority-triggered modifications when required by government.

Cross Sector Special Conditions where there is no change from RIIO-2

2.198 There are a number of conditions that we have identified in RIIO-2 which we have decided to retain without any amendments to the wording. Below is a list of these conditions:

- Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity (GT)
- Special Condition 9.9 Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network (GD)
- Special Condition 1.2 Modification of Standard Conditions (ET)
- Special Condition 1.2 Variations to the standard special conditions for the purposes of this licence (GT)

3. Electricity Transmission Special Conditions

Decision on Changes to Electricity Transmission Special Conditions

Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.1 We decided to remove this mechanism from the RIIO-ET3 price control in our Final Determinations because it is no longer applicable in RIIO-3 and is superseded by funding provided by Special Conditions 3.13 (Closely Associated Indirects Use-it-or-lose-it allowance) and 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), and the new Special Condition 3.6 (Decarbonisation and Environmental Policy Re-opener).

Effect of this change

3.2 To remove this redundant mechanism.

Special Condition 3.9 Wider works Price Control Deliverable (WW_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.3 We have removed this mechanism from the RIIO-ET3 price control as it is no longer applicable in RIIO-3 because it is now covered by Special Condition 3.18 (Load Re-opener and Price Control Deliverable), Special Condition 3.17 (Load Use-it-or-lose-it allowance), and baseline allowances, which provide all appropriate funding routes in RIIO-ET3.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.4 To remove this redundant mechanism.

Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE_t and EPI_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.5 In our SSMD we decided to remove this mechanism for RIIO-ET3. This is because we deemed this policy to not be in the interests of consumers in respect of our principal objective under the Energy Act 1989. TOs will be funded to deliver initiatives that conserve and enhance natural beauty through Special Condition 5.4 Landscape Enhancement Initiative (LEI_t) use it or lose it allowance.

Effect of this change

3.6 To remove this redundant mechanism.

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.7 We have decided to implement an amended Generation Connection Volume Driver. The reason for doing so is to provide a flexible funding mechanism that allows Transmission Owners (TOs) to respond to uncertain and variable demand for new electricity generation connections, with minimal risk of over or under recovery.

3.8 The Generation Connection Volume Driver provides allowances for load connection projects based on pre-determined unit rates and unit cost allowances. For all TOs we have included a section setting out the process for identifying projects which have atypical costs and exceed the atypical threshold.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- 3.9 For SPTL, we have decided to include additional volume drivers to account for the differences in cost between different voltages. As stated in our RIIO-3 Final Determinations, we are retaining the fixed cost element for some, like in RIIO-2.
- 3.10 For SHETL we have decided to remove the OHL reconductoring volume driver as they do not have any of these projects and remove the fixed cost element for all volume drivers, as stated in our Final Determinations. We have also decided to include a section defining the recalibration process for setting unit cost allowances. This reflects the policy decision to include a recalibration process, reflecting SHETL's exposure to risk from a change in projects in the connections portfolio.
- 3.11 For NGET we have decided to add an additional volume driver of OHL reconductoring crossings, to account for the differences in cost between OHL general reconductoring projects. The fixed cost element will be retained for substation generation and cable projects, like in RIIO-2, as stated in our RIIO-3 Final Determinations.
- 3.12 The forecast connections volumes set out in the licences and the corresponding forecast PCFM allowances for each of the TOs are based on December 2024 business plans and our subsequent engagement with the TOs. The NESO issued its reformed connections Gate 2 data to TOs in December 2025, which shows that the previous forecasts are likely too low. Given the short amount of time between the Gate 2 data being available and the finalisation of this licence, as well as remaining uncertainty regarding the amount of Gate 2 projects which will ultimately connect, we have not updated our licence/PCFM forecasts from the December 2024 data. This may result in the current forecast understating actual connections allowances during RIIO-ET3. However, this will not matter in reality because of the flexible volume driver approach that has been taken (which will adjust allowances to match real activity) will ensure that TOs are appropriately funded. We will work with TOs and the NESO to agree updated connections forecasts (taking account of Gate 2) in advance of NESO providing its updated 5-year charging forecast later in 2026.

Effect of this change

- 3.13 The effect of the amendments is to remunerate licensees for generation connections they will deliver during RIIO-ET3 plus the first two years of the subsequent price control period up to 31 March 2033.

Special Condition 3.12 Demand Connections volume driver (DRI_t)

Type of change: Amendment

Relevant to: NGET

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: NGET Annex; Chapter 4

Decision and reasons for change

- 3.14 We have decided to implement an amended Demand Connections Volume Driver. The reason for doing so is to provide a flexible funding mechanism that allows TOs to respond to uncertain and variable demand for new electricity demand connections, with minimal risk of over or under-recovery.
- 3.15 For NGET have decided to retain the condition, like in RIIO-2, but for SPTL and SHETL, the condition will be removed as they do not have any demand volume drivers.
- 3.16 We have decided to include a section setting out the process for identifying projects which have atypical costs and exceed the atypical threshold.
- 3.17 For NGET we have retained the fixed cost element for cable projects, like in RIIO-ET2, but remove it for substation demand. As stated in our Final Determinations, we have only applied a fixed cost element where the intercept of the individual regression model is statistically significant.
- 3.18 For NGET we have decided to add an additional volume driver of OHL reconductoring crossings, to account for the differences in cost between OHL general reconductoring projects. The fixed cost element will be retained for cable projects, like in RIIO-2.
- 3.19 The forecast connections volumes set out in the licences and the corresponding forecast PCFM allowances for each of the TOs are based on December 2024 business plans and our subsequent engagement with the TOs. The NESO issued its reformed connections Gate 2 data to TOs in December 2025, which shows that the previous forecasts are likely too low. Given the short amount of time between the Gate 2 data being available and the finalisation of this licence, as well as remaining uncertainty regarding the amount of Gate 2 projects which will ultimately connect, we have not updated our licence/PCFM forecasts from the December 2024 data. This may result in the current forecast understating actual connections allowances during RIIO-ET3. However, this will not matter in reality because of the flexible volume driver approach that has been taken (which will adjust allowances to match real activity) will ensure that TOs are appropriately funded. We will work with TOs and the NESO to agree updated connections forecasts (taking account of Gate 2) in advance of NESO providing its updated 5-year charging forecast later in 2026.

Effect of this change

- 3.20 The effect of the amendments is to remunerate NGET for demand connections it will deliver during RIIO-ET3 plus the first two years of the subsequent price control period up to 31 March 2033.

Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA_t and LOTIRE_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.21 In our SSMD we decided to remove this mechanism for RIIO-ET3. The reason for doing so is the introduction of the Load Re-opener (Special Condition 3.18).

3.22 The LOTI mechanisms will cease on 1 April 2026, and no new applications can be made after this date. Any submissions for relevant projects received before then will be assessed under the licence conditions in force at the time of application. Post-April 2026, any necessary allowance adjustments will be managed through the Load Re-opener or the ET2/ET3 Crossover adjustments (T2ACAt) – see our proposed ET2/ET3 Crossover Guidance and Load Re-opener Guidance and Submission Requirements document for further information.

Effect of this change

3.23 To remove this redundant mechanism.

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

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.24 We have decided to remove this mechanism for RIIO-ET3 because of the introduction of Special Condition 3.17 (Load Use-it-or-lose-it) and Special Condition 3.18 (Load Re-opener and Price Control Deliverable) Uncertainty Mechanisms.

3.25 The MSIP mechanisms will cease on 1 April 2026, and no new applications can be made after this date. Any submissions received before then will be assessed under the licence conditions in force at the time of application. Post-April 2026, any necessary allowance adjustments will be managed through the Load

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Re-opener (where the projects align with the re-opener thresholds) or the ET2/ET3 Crossover adjustments (T2ACAt) – see our proposed ET2/ET3 Crossover Guidance and Load Re-opener Guidance and Submission Requirements document for further information.

Effect of this change

3.26 To remove this redundant mechanism.

Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.27 We have amended this licence condition to give effect to our decisions in Final Determinations, including:

- setting out the process for Load Re-opener projects to gain access to Pre-Construction Funding (PCF);
- setting out the process for TOs to gain access to PCF for CSNP projects;
- setting out the process for TOs to gain access to PCF for tCNSP2 development track projects;
- setting out a process for TOs to gain access to a PCF uplift for tCNSP2 delivery track projects, as compared to the original allowances in RIIO-ET2; and
- setting out the principles for the PCF price control deliverables and re-opener mechanisms in RIIO-ET3.

3.28 By expanding the eligibility criteria of PCF to include Shared Drivers, we are providing the TOs with a funding approach for surveys, assessments, stakeholder engagement, project design and engineering development, tasks associated with wayleaves and planning applications and Early Enabling Works (EEW), in line with our Final Determinations.

3.29 We have also amended the language from the RIIO-2 licence for this condition to increase the threshold for determining the value of any PCD adjustment based on whether TOs have obtained “all material planning consents”. This is to reflect the increased risk to consumers if projects fail to come to fruition because of the increased overall value of PCF for TOs.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- In response to our statutory consultation we made numerous changes, including:
- inserted a new appendix and Part J for ET2 crossover projects;
- amendments to wording and structure for clarification and to better reflect policy decisions; and
- removal of the definition of material planning consents.

Effect of this change

3.30 To ensure that TOs have funding available at the early stage of projects and that the Authority is able to assess that the allowances at the end of the Price Control Period reflect progress made in obtaining material planning consents and project readiness to begin construction.

Special Condition 3.16 Access Reform Change Re-opener (ARR_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.31 In our SSMD we decided to remove this mechanism for RIIO-ET3. This is because it is no longer required as Access Reform was implemented in 2022 and the effects of it will not be felt in RIIO-ET3.

Effect of this change

3.32 To remove this redundant mechanism.

Special Condition 3.16 Advanced Procurement Mechanism (APM)

Allowance and APM Re-opener (APM_t) (Previously Special Condition 3.43)

Type of change: Amendment

Relevant to: All TOs

Associated document: APM Governance Document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.33 We have amended this licence condition to provide additional clarification on several areas following questions raised in response to our Initial Licence

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Consultation in July 2025, as set out below. We also made several minor typographical edits.

- 3.34 We have updated the reporting requirements in Part G to clarify our position that the 2026 RRP process is to be used to report relevant spend that took place prior to the licence condition taking effect in RIIO-ET2 (which happened in 2025 for all three TOs).
- 3.35 We have updated the wording of Part I, 3.16.27(c) to clarify the intent of the word “used”, ie that “using” APM procurement in this context means having allocated it to a project and recorded that under APM Recovered Expenditure – not necessarily having installed that asset yet.
- 3.36 We have updated the definition of APM Recovered Expenditure in Special Condition 1.1. This updated definition is to clarify that APM Recovered Expenditure recorded up to and including any given Regulatory Year cannot exceed APM Expenditure recorded up to and including that same Regulatory Year. This is because expenditure must be allocated to APM Expenditure before it can be allocated to APM Recovered Expenditure.
- 3.37 We have updated Special Condition 1.1 to include the definitions of Flexible Procurement, Equipment, and Related Services as included in the RIIO-ET2 licence for use in the APM licence condition. We also updated Special Condition 1.1 to specify that some definitions are for the purpose of Special Condition 3.16 only.

Effect of this change

- 3.38 These changes do not alter the intent or effect of the condition, but rather provide the TOs with a better understanding:
 - of what is required of them in reporting expenditure to be reflected in their allowances;
 - of how we will assess that reported expenditure; and
 - that total APM Recovered Expenditure at any point in time cannot exceed total APM Expenditure up until that point.

Special Condition 3.17 Shared schemes Price Control Deliverable (SS_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.39 In RIIO-2 Final Determinations we created the Shared Infrastructure Schemes PCD to provide baseline funding for schemes where there are shared assets between SHETL and SPTL. We did not set out in our SSMD the continuation of the Shared Schemes PCD in RIIO-3. Those projects set out under the licensees Special Condition 3.17 (under RIIO-ET2) are expected to be delivered by the end of the price control and be closed-out accordingly, in-line with our PCD Guidance. In our SSMD we decided to remove this mechanism for RIIO-ET3.

Effect of this change

3.40 To remove this redundant mechanism.

Special Condition 3.18 Resilience and Operability Price Control Deliverable (RO_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.41 We decided to remove this mechanism from the RIIO-ET3 price control in our Final Determinations to align with a more holistic approach to resilience and reliability on for RIIO-ET3. It is now covered in the Special Condition 3.18 (Load Re-opener and Price Control Deliverable) term in RIIO-ET3.

Effect of this change

3.42 To remove this redundant mechanism.

Special Condition 3.19 Enhanced Environmental Requirements use it or lose it allowance (EER_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.43 In our SSMD we decided to remove this mechanism for RIIO-ET3, because this allowance can be sought project-by-project and no evidence still required in RIIO-ET3.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

3.44 To remove this redundant mechanism.

Special Condition 3.20 Generation related infrastructure Price Control Deliverable (GRI_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.45 This condition has been superseded by Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t).

Effect of this change

3.46 To remove this redundant mechanism.

Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t) (Previously Special Condition 3.40)

Type of change: Amendment

Relevant to: All TOs

Associated document: Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC

Final Determinations Reference: N/A

Decision and reasons for change

3.47 We have decided to modify the ASTI Pre-Construction Funding Price Control Deliverables Outputs, Delivery Dates and PCF allowances for the projects EGL3, EGL4 and GWNC in Appendix 2 of the condition. The reason for these modifications is to reflect the policy decisions in our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC⁶.

Effect of this change

⁶ [material-scope-change-decision.pdf](#), paragraph 6.21.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.48 These amendments are required to give effect to our ‘Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC’ as statutory modifications under section 11A of the Act. The effect of this decision is to change the ASTI ODI Target Dates, PCF and ECF allowances of the respective projects to reflect the new scope of works and updated cost assumptions.

Special Condition 3.21 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t) (Previously Special Condition 3.41)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.49 This change gives effect to our Project Assessment decisions on Eastern Green Link 1 (EGL1), Eastern Green Link 2 (EGL2) and Yorkshire Green (YG). The reason for these modifications is to reflect the PA decisions on the Cost and Output Adjusting Event (COAE) adjustment, approved allowances and outputs, and the consequential changes to defined terms. The modifications are:

- adding details of the ASTI Output and the specific allowances for EGL1, EGL2 and YG in Appendix 1;
- amending paragraph 3.41.17 to incorporate the COAE level determined for these projects; and
- modifying Special Condition 1.1 of TOs’ licences to include updates to ‘Transmission Area’ and the consequential new defined terms: Eastern 1 HVDC Link and Eastern 2 HVDC Link.

3.50 This change gives effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC. The modifications are:

- To modify the ASTI Outputs, Delivery Dates, and to add “ECF” to the ECF/PA column in Appendix 1 to indicate approved ECF for the projects EGL3, EGL4 and GWNC.

Effect of this change

3.51 These amendments in relation to EGL1, EGL2 and YG are required to give effect to our Project Assessment decisions on EGL1, EGL2 and YG as statutory modifications under section 11A of the Act, that is to modify the licences to reflect the allowances approved in these decisions for the respective projects.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.52 These amendments in relation to EGL3, EGL4 and GWNC are required to give effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC. The effect of this decision is to change the ASTI ODI Target Dates, PCF and ECF allowances of the respective projects to reflect the new scope of works and updated cost assumptions.

Special Condition 3.22 Instrument Transformers Price Control Deliverable (InT_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.53 We are removing this condition is to reflect the fact that it has been superseded by other PCDs and so is no longer required.

Effect of this change

3.54 To remove this redundant mechanism.

Special Condition 3.23 Bay Assets Price Control Deliverable (BA_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.55 We are removing this condition as it has been superseded by other PCDs and so is no longer required.

Effect of this change

3.56 To remove this redundant mechanism.

Special Condition 3.24 Protection And Control Price Control Deliverable (PC_t)

Type of change: Removal

Relevant to: NGET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.57 We are removing this condition as it has been superseded by other PCDs and so is no longer required.

Effect of this change

3.58 To remove this redundant mechanism.

Special Condition 3.25 Overhead Line Conductor Price Control

Deliverable (OC_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.59 We are removing this condition as it has been superseded by other PCDs and so is no longer required.

Effect of this change

3.60 To remove this redundant mechanism.

Special Condition 3.25 SF6 asset intervention Price Control Deliverable (SF6_t) (Previously Special Condition 3.27)

Type of change: Amendment

Relevant to: NGET and SHETL

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.61 We have amended this condition to give effect to our Final Determinations to have an evaluative PCD, applicable to NGET and SHETL, to fund asset intervention programmes to reduce Sulphur Hexafluoride (SF6) emissions. This investment is a key part of the TOs' emissions reduction strategies, meaning it is important to hold TOs to account for delivery.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.62 The amendments to the condition are:

- Expanded licensee eligibility to include SHETL in addition to NGET. This reflects this RIIO-ET3 business plan proposals of the TOs, with no PCD proposed by SPTL nor investment above the PCD materiality threshold.
- Output tables in Appendices 1 and 2 are amended to reflect the changes to the outputs for RIIO-ET3.
- Removal of the RIIO-ET2 re-opener mechanism as licensee business plan proposals in RIIO-ET3 did not require it.

Effect of this change

3.63 The effect of the condition is to:

- specify the outputs, delivery dates and associated allowances; and
- set out the formula to adjust allowances at the end of RIIO-ET3 to account for actual delivery of the PCD.

Special Condition 3.26 Substation auxiliary systems use it or lose it allowance (SAS_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.64 We have removed this condition from the RIIO3-ET3 price control as we are not seeking to have a UIOLI funding arrangement for NGET's substation auxiliary systems in RIIO-ET3. This policy was for RIIO-ET2 only.

Effect of this change

3.65 To remove this redundant mechanism.

Special Condition 3.26 Subsea Cable Re-opener (SCR_t) (Previously Special Condition 3.28)

Type of change: Amendment

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: SHET Annex; Chapter 4

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

3.66 The reason for amending this condition is to update the re-opener window dates to ensure the Special Condition continues to apply in RIIO-ET3.

Effect of this change

3.67 The effect of this amendment is to ensure the re-opener can be triggered by the licensee within re-opener window dates where there is a need for Subsea Cable Repair works on the licensee's Transmission System.

Special Condition 3.29 Uncertain non-load related projects Re-opener and Price Control Deliverable (UNLR_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.68 We have removed this mechanism from the RIIO-ET3 price control, because it is superseded by alternative cross-sector led Non-Load Re-opener.

Effect of this change

3.69 To remove this redundant mechanism.

Special Condition 3.30 Wider works volume driver (WWV_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.70 In our SSMD we decided to remove this mechanism for RIIO-ET3, as its purpose is now covered by the Special Condition 3.18 (Load Re-opener and Price Control Deliverable), Special Condition 3.17 (Load Use-it-or-lose-it allowance), and baseline allowances, which provide all appropriate funding routes in RIIO-ET3.

Effect of this change

3.71 To remove this redundant mechanism.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 3.31 Fibre Wrap Replacement Re-opener (FWR_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.72 We have removed this mechanism from the RIIO-ET3 price control, as it was a one-year, time-limited re-opener for RIIO-ET2 only and is not required for RIIO-ET3.

Effect of this change

3.73 To remove this redundant mechanism.

Special Condition 3.32 Civil Related Works Re-opener (CWR_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.74 In our SSMD we decided to remove this mechanism for RIIO-ET3, because NGET is expected to submit well-justified cost proposal that eliminates the need for a re-opener in RIIO-ET3.

Effect of this change

3.75 To remove this redundant mechanism.

Special Condition 3.33 Tower Steelworks and Foundations Re-opener (TSF_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.76 In our SSMD we decided to remove this mechanism for RIIO-ET3, because NGET is expected to submit well-justified cost proposal that eliminates the need for a re-opener in RIIO-ET3.

Effect of this change

3.77 To remove this redundant mechanism.

Special Condition 3.36 Opex Escalator (OE_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.78 Our decision is to remove this condition as allowances for operating expenditure will be provided either through the

3.79 Special Condition 3.13 Closely Associated Indirects Use-it-or-lose-it allowance (CAI_t) for applicable load schemes or through project assessment under the relevant funding mechanism. The reason for the change is to provide operating expenditure for projects which is flexible and fungible, instead of applying a fixed percentage uplift.

3.80 For legacy RIIO-ET2 schemes which are allowed capital expenditure in RIIO-ET3, these will be funded for CAI through Special Condition 3.24 Legacy Opex Escalator (LOE_t).

Effect of this change

3.81 The effect is to remove the mechanism in its current form from the RIIO-ET3 licence.

Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10A_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.82 To remove this licence condition that addressed a RIIO-ET1/RIIO-ET2 issue related to specific non-load projects. The condition is no longer required, as it only

Decision RIIO-3 Licence Drafting modifications - reasons and effects

reflected historical adjustments made to NGET's original baseline totex allowance for RIIO-ET1 and RIIO-ET2, which have now been fully addressed through close-out processes.

Effect of this change

3.83 To remove this redundant mechanism.

Special Condition 3.39 Legacy baseline connections volume driver (LGCE_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.84 To remove this condition, which provided a price index uplift for T1-T2 crossover projects linked to the generation connection volume driver. The condition is no longer needed, as analysis of the RIIO-ET3 BPDTs shows there are no generation connection-related projects crossing over into RIIO-ET3.

Effect of this change

3.85 To remove this redundant mechanism.

Special Condition 3.42 Consequential Costs recovery from the separation of the ESO term (CC_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.86 The RIIO-2 Close Out process will manage the reconciliation through the Legacy Adjustment term (LADJ_t) in Special Condition 7.2 Legacy AIP Adjustment term (LADJ_t) and financial handbook.

3.87 Therefore, this Special Condition is no longer required.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.88 Condition is removed and relevant close-out captured by the Legacy Adjustment term (LADJ_t) in Special Condition 7.2.

Special Condition 3.43 Tyne Crossing Project Re-opener (TCR_t) (Previously Special Condition 3.34)

Type of change: Amendment

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.89 The reason for modifying this condition is to update the re-opener window dates to ensure the special condition's continued application in RIIO-ET3. This includes a change to create an application window during a time we direct, at the suggestion of the TO.

Effect of this change

3.90 The effect of this amendment is to ensure the re-opener can be triggered by the licensee within re-opener window dates where there is a need for the licensee to deliver a project to cross the River Tyne.

Special Condition 3.44 Bengeworth Road GSP Project Price Control Deliverable (BRG_t) (Previously Special Condition 3.35)

Type of change: Amendment

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Appendix 1

Decision and reasons for change

3.91 The reason for modifying this condition is to reflect NGET's changes to delivery dates. We received representations from NGET on this condition in response to our statutory consultation and in considering these we have made the following changes:

- inclusion of a stage 1 term alongside a stage 2 term to facilitate the delivery of ET2 legacy scope elements in ET3; and
- updates to Appendix 1 and the NGET RID to reflect the latest of outputs to ensure the special condition's continued application in RIIO-ET3.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

- 3.92 Ensures NGET delivers the outputs associated with the Bengeworth Road GSP Stage 2 works.
- 3.93 Ensures that NGET's spend related to its ET2 deliverables are accounted for in the ET3 period.

Special Condition 3.44 Development Funding Price Control Deliverable and Use It Or Lose It Adjustment (DF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: Transitional Centralised Strategic Network Plan 2 Guidance and Submission Requirements Document

Final Determinations Reference: N/A

Decision and reasons for change

- 3.94 This mechanism and associated licence condition will no longer exist in RIIO-ET3. The reason for removing this condition is that this condition provided funding for the RIIO-ET2 licence period only to address a RIIO-ET2 specific issue that does not apply to RIIO-ET3.

Effect of this change

- 3.95 The effect of removing this condition is that TOs will no longer have PCD outputs for Development Track projects in RIIO-ET3.

Special Condition 3.45 Delivery Track Pre-Construction Funding, Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCF_t)

Type of change: Removal

Relevant to: All TOs

Associated document: Transitional Centralised Strategic Network Plan 2 Guidance and Submission Requirements Document

Final Determinations Reference: N/A

Decision and reasons for change

- 3.96 This mechanism and associated licence condition will no longer exist in RIIO-ET3. The reason for removing this condition is that Pre-Construction Funding allowances from this condition will be moved to the RIIO-ET3 Special Condition

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)). This is to give effect to our position set out in the RIIO-ET3 Final Determinations.

Effect of this change

3.97 The effect of removing this condition is that PCF and associated PCD outputs from this condition will be carried over into the RIIO-ET3 Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)).

Special Condition 4.2 Energy not supplied output delivery incentive (ENSI_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.98 We are amending the licence condition in multiple ways to reflect our Final Determinations, including providing for:

- an updated Value of Lost Load figure to better represent the value that consumers put on a reliable energy supply;
- an updated target for each of TO to continue to drive performance improvements;
- a change in establishing the incentive exposure to Return on Regulated Equity (RoRE) from ex ante base revenue (EABR); and
- an updated Totex incentive mechanism rate (TIMR).

3.99 Additionally, we have amended the condition to provide further instruction for the process of an in-period amendment to the VoLL figure in response to consultation feedback.

Effect of this change

3.100 The effect of the amendments is to provide a stretching target for TO performance levels and provide a suitable potential financial penalty and reward.

3.101 The amendments will provide clarity on the process around a potential in-period change to the VoLL figure.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.102 We are amending this licence condition to reflect the new Insulation and Interruption Gas (IIG) emissions ODI-F targeting methodology set out in our Final Determinations. As a result of this decision, the provisions for a calculated baseline target are no longer required, meaning the associated formula has been removed and replaced with an annex - which is used to state the licensee targets.

3.103 We have also made amendments to the IIG Exceptional Event definition and function. These reflect our decision to set a new minimum threshold for notification of considered IIG Exceptional Events by the licensee. Additionally, we have amended the IIG Exceptional Event definition to:

- More clearly outline that an event being beyond the reasonable control of the licensee is not the sole determinant of it being exceptional, with requirement on the licensee to mitigate and prevent such risks.
- Remove reference to any event or circumstance related to 'health and safety' prioritisation, because we have sought to create a broad framework, and we do not think it is necessary to deal with one particular scenario alongside that.
- Align definition phrasing to other similar definitions in the licence.

3.104 In our Final Determinations, we also decided to create a bespoke penalty-only deadband for SHETL, meaning the licence condition for SHETL has bespoke algebra to give effect to this decision.

3.105 We received representations from three respondents regarding this condition, each of the TOs:

3.106 Requests from SPT and NGET for more detail or removal of the process for the Authority to amend IIG ODI-F targets in response to Global Warming Potential (GWP) updates made by the IPCC. We have amended this to provide clarity aligned to wording used elsewhere in the licence.

3.107 Request from SHETL to change the IIG Emissions Data Discrepancy submission timeline from 14 days after the regulatory year to RIGs. We think the former is appropriate and so have retained the approach.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.108 Request from NGET to keep the Health and Safety example in the IIG Exceptional Event definition. We disagree, as we would take into account the reasonableness of a licensee's actions in the event of competing priorities should there be a public safety incident. We require evidence of the reasonableness of preventative and mitigating actions (paragraph 4.3.13(b)(iii)). We have amended limb (b) of the definition of IIG Exceptional Event to reflect that preventative and mitigating measures are expected to be reasonable in the circumstances.

Effect of this change

3.109 The effect of this condition is to set out the target IIG emissions for each licensee, which are used to adjust the licensee's revenue to reflect its IIG emissions performance. The effect of the modifications is to:

- Set out the annual IIG incentive targets for each licensee in RIIO-ET3.
- Change the materiality threshold for events that can be submitted by licensees as IIG Exceptional Events.
- Amend the definition of IIG Exceptional Events.

Special Condition 4.4 Timely connections output delivery incentive (CONADJ_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.110 This mechanism and associated licence condition will no longer exist in RIIO-ET3. As stated in our SSMD, we held concerns over this mechanism incentivising the speed of administrative tasks rather than the speed of connecting customers.

Effect of this change

3.111 To remove this redundant mechanism.

Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

3.112 This mechanism and associated licence condition will no longer exist in RIIO-ET3. As stated in our Final Determinations, we held concerns over the low and inconsistent number of responses the survey received, making it an inappropriate basis for an output delivery incentive.

Effect of this change

3.113 To remove this redundant mechanism.

Special Condition 4.6 Environmental scorecard output delivery incentive (ESI_t)

Type of change: Removal

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.114 The condition is being removed because it was redundant and created an unnecessary resource burden. Therefore, this special condition is no longer within the RIIO-3 price control.

Effect of this change

3.115 To remove this redundant mechanism. Network companies will no longer be required to submit an environmental scorecard.

Special Condition 4.6 SO:TO optimisation output delivery incentive (SOTO_t) (Previously Special Condition 4.7)

Type of change: Amendment

Relevant to: All TOs

Associated document: SO-TO Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.116 The reason for amending this licence condition is to give effect to our Final Determinations. This includes:

- reference the SO-TO ODI formula and principles within the SO-TO governance document;

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- the updated eligibility criteria; and
- the closeout clawback mechanism.

3.117 The reason for change is to:

- ensure the licence accurately reflects the SO-TO process and governance framework, and to establish clarity around how enhanced services transition to BAU operations; and
- to clawback a percentage of the incentive benefit in the circumstance that the licensee does not fulfil requests for enhanced services or interventions from the NESO.

3.118 We received 32 responses from the licensees and the NESO, and have made changes in response, including:

- insertion of the definition of Transmission Constraint Costs in the definitions set out in Chapter 1.1;
- updates to the formula; and
- minor edits to sort typographical errors throughout.

Effect of this change

3.119 The amendments will provide clearer governance and operational guidance, ensuring consistency and transparency in managing the transition from innovative services to BAU within the SO:TO framework and protect consumers against unfulfilled requests for enhanced services or interventions from the NESO.

Special Condition 4.7 Accelerated strategic transmission investment output delivery incentive (ASTI_t) (Previously Special Condition 4.9)

Type of change: Amendment

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.120 In our Decision ‘Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC’ we proposed to make modifications to this condition. The reason for these modifications is to modify the columns “Project” and “ASTI ODI Target Date” in Appendix 1, for the projects EGL3, EGL4 and GWNC.

3.121 We have also removed a redundant line 4.7.7 (a) from the condition that was only applicable when the condition was first introduced. We also amended 4.7.8 which referenced this line so that it no longer references the redacted line.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.122 These amendments are required to give effect to our Decision: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC as statutory modifications under section 11A of the Act.

3.123 Removal of 4.7.7(a) and modification to 4.7.8 adds clarity to the condition, avoiding misinterpretation of the redacted line.

Special Condition 4.8 Consumer value proposition

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.124 This condition is removed because it related specifically to the closeout of RIIO-1 items, which has now been completed. Its purpose, to allow forecast amounts to be included in revenue allowances ahead of the formal RIIO-1 closeout, is no longer relevant in subsequent price control periods.

Effect of this change

3.125 To remove this redundant mechanism.

Special Condition 5.4 Landscape Enhancement Initiative (LEI_t) use it or lose it allowance

Type of change: Amendment

Relevant to: All TOs

Associated document: Environmental Reporting Guidance

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.126 We are proposing to make minor amendments to this condition to ensure its continued application in RIIO-ET3.

3.127 The minor amendments we're proposing will include:

- new reporting requirements on the TOs and amendments to definitions and the formula;
- updating the definition of Designated Areas; and
- to separate the LEI from the former visual amenity PCD and re-opener.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.128 These changes will expand the applicability of the UIOLI to reflect feedback from the TOs that the Designated Areas were too restrictive to make the UIOLI useful.

3.129 The changes also provide for clearer reporting by the TOs on their use of UIOLI funding so we can ensure that we are able to understand how the LEI will benefit consumers and local communities affected by transmission infrastructure.

3.130 We received 10 responses from licensees and made the following changes in response:

- we have included National Landscapes and Heritage Coasts as these remits were intended to be in the definition;
- updated the definition of Landscape Enhancement Initiative Projects to include reference to works that otherwise enhance the overall visual amenity of a Designated Area impacted by Pre-existing Transmission Infrastructure; and
- updated the formula as its drafting did not reflect the intent.

Effect of this change

3.131 The effect of these changes is to set out the new reporting requirements on the TOs to specify:

- the total amount spent for the preceding Regulatory Year;
- the Designated Area for each project;
- the amount of funding allocated to each project;
- any additional funding it expects to be allocated to each project
- the benefits each project is seeking to achieve; and
- the expected beneficiaries of each project.

3.132 The changes also update the definition of Designated Area so that the TOs are able to utilise funding for an expanded geographical area of landscapes.

Special Condition 5.5 Net Zero Fund use-it-or-lose-it allowance (NZF_t)

Type of change: Removal

Relevant to: SPTL

Associated document: N/A

Final Determinations Reference: SPT Annex; Chapter 4

Decision and reasons for change

3.133 The reason for removing this condition is to reflect our decision in Final Determinations to not retain the Net Zero Fund in RIIO-3, due to concerns regarding the net consumer benefit of the policy.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

3.134 To remove this redundant mechanism.

Special Condition 5.5 Carbon Compensation use it or lose it allowance (CCO_t) (Previously Special Condition 5.6)

Type of change: Amendment

Relevant to: NGET and SPTL

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.135 The reason for amending this condition is to give effect to our Final Determinations, to provide a flexible funding mechanism for Carbon Compensation activities. This reflects the updated policy objectives, reporting frameworks, and business plan proposals in RIIO-ET3.

3.136 The amendments made to the condition are:

- Changed condition name from “Net zero carbon Capital Construction UIOLI” to “Carbon Compensation UIOLI” to reflect the revised policy in RIIO-ET3 (net zero capital construction is no longer the policy objective, with offsetting activities instead linked to overall Business Carbon Footprint (BCF) emissions).

3.137 Expanded licensee eligibility to include SPTL in addition to NGET, thus accounting for all TO’s with related proposals.

3.138 Changed reporting timelines to align with Annual Environmental Report (AER) timelines and TO offsetting strategies.

3.139 Updated the definitions and terminology to provide common terms.

3.140 Stakeholder feedback to this condition was received from NGET and SPTL. Some formatting amendments have been made in response. In addition:

- SPTL requested that its yearly profiled allowance is a single pot for the price control, which has been actioned.
- NGET proposed changes to the formula. We disagree with these changes and have kept the formula aligned to comparable conditions. NGET also sought clarity on when Authority assessment will take place, which has been amended.

Effect of this change

3.141 The effect of the condition is to:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- specify the allowance for Carbon Compensation and associated reporting requirements.
- set out the formula to adjust allowances at the end of RIIO-ET3 based on actual delivery of the UIOLI.

Special Condition 5.7 Transmission investment for renewable generation (TIRG_t)

Type of change: Removal

Relevant to: SPTL and SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.142 This special condition is no longer needed within the price control. The TIRG was the precursor to RIIO-1's Strategic Wider Work reopeners, RIIO-2's Large Onshore Transmission Investment reopeners and our RIIO-ET3's Load Related Reopeners/CSNP-Funding mechanism. We do not believe there are any TIRG projects remaining for SHETL or SPTL to deliver, therefore the TIRG condition is no longer required in RIIO-ET3.

Effect of this change

3.143 To remove this redundant mechanism.

Special Condition 6.1: Pass-through items (PT_t)

Type of change: Amendment

Relevant to: All TOs

Associated document: For Part D - Community Funds for Electricity Transmission Infrastructure Pass-Through guidance document

Final Determinations Reference: For Part D – ET Annex; Chapter 4

Decision and reasons for change

3.144 The amendment to this condition is to enable TOs to recover costs from Tender Support Activities (TSA), which are unpredictable and unsuitable for baseline funding, aligning with RIIO-3 policy and ensuring cost transparency through reporting.

3.145 There are further changes to allow for the creation of Part D Community Funds for Transmission Infrastructure. A calculation of the allowed pass-through term CF_t (the Community Funds for Transmission Infrastructure term) has been created

Decision RIIO-3 Licence Drafting modifications - reasons and effects

so that licensees can recover (in accordance with the Department for Energy Security and Net Zero Guidance published on 10 March 2025). It also explains the amount of Delivery Costs for the Community Funds may be recovered by the licensees, when the Authority may conduct a review of those costs and the need to comply with Guidance for Community Benefits published by the Authority.

3.146 The reason for implementing Part D as an amendment to this condition is:

- to provide a structured mechanism to enable TOs to delivery community benefits funding for new transmission infrastructure, and for upgrades to existing infrastructure, which are in scope of the DESNZ Guidance;
- to ensure the licensee has clear guidelines and mechanisms for securing funding for community funds, as well as necessarily incurred Delivery Costs; and
- to maintain transparency and accountability in the allocation and adjustment of allowances.

Effect of this change

3.147 The effect of this condition is to create a pass-through mechanism for TOs to recover TSA costs and allows Ofgem to monitor these expenditures effectively.

3.148 The effect of the implementation of Part D as an amendment to this condition is to establish a pass-through triggered by the licensee in relation to community benefits for eligible transmission infrastructure projects. The condition provides for the Authority to publish Guidance, with which the licensee must comply, and which the Authority may amend by direction. It also provides for the Authority to make an amendment to the value of the Delivery Cost term by direction.

Special Condition 6.2 Energy not supplied compensatory scheme pass-through (SHCP_t)

Type of change: Removal

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.149 This mechanism was already proposed for removal in the SSMD and supported by SHETL in June 2024.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.150 To remove this redundant mechanism. Removing the condition reduces administrative burden without any material impact, as its limited purpose no longer justifies the resources needed to maintain it.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.151 We are removing this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

3.152 Condition is removed and relevant close-out captured by the Legacy Adjustment term (LADJ_t) in Special Condition 7.1.

Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDR_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.153 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

3.154 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term (LADJ_t) in Special Condition 7.2.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO_t)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.155 We are proposing to remove this condition to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

3.156 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term ($LADJ_t$) in Special Condition 7.2.

Special Condition 7.8 Close out of the RIIO-ET1 incentive in respect of sulphur hexafluoride (SF6) gas emissions output delivery incentive ($LSFI_t$)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

3.157 This condition is being removed to reflect the updated close-out methodology of RIIO-2 which makes this condition irrelevant.

Effect of this change

3.158 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term ($LADJ_t$) in Special Condition 7.2.

Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI_t)

Type of change: Removal

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.159 We are removing this condition to reflect the updated close-out methodology of RIIO-ET2 which makes this condition irrelevant.

Effect of this change

3.160 Condition is removed and relevant close-out captured by the Legacy AIP Adjustment term (LADJ_t) in Special Condition 7.2.

New Conditions for the Electricity Transmission Sector

Special Condition 3.10 Non-Load Re-opener (NLR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.161 We have decided to introduce this new condition to give effect to our Final Determinations to establish a Non-Load Re-opener mechanism for RIIO-ET3. The reason for this is to provide a route for adjusting allowances where material Non-Load Related Expenditure (NLRE) arises across six different areas that cannot be forecast with sufficient certainty at the setting of the price control.

3.162 We received representation from the three TOs on 3.10 and as a result we have made various changes, including the following:

- We have removed all gas-pipeline-related text from the licence condition. We recognise that more time is required for further evidence, coordinated engagement with TOs, and a structured policy process before this could be introduced.
- We have amended the structure to reflect a clearer hybrid approach, ensuring that NLR_RESt and NLR_FAULTt remain Authority-triggered LOs, while other elements operate as PCD-Es consistent with the Load Re-opener and other uncertainty mechanisms.
- We have updated the drafting to allow the licensee to demonstrate that a load driver has fallen away, while retaining the ability for ISOP to confirm such circumstances where appropriate.
- We have implemented several improvements to definition Exceptional Fault or Failure Events, to reflect our Final Determinations.

Effect of this change

3.163 The effect of this condition is to establish a structured process for licensees and the Authority to trigger re-openers for qualifying NLRE, ensuring timely funding for

Decision RIIO-3 Licence Drafting modifications - reasons and effects

critical works such as compliance with new legislation, and fault rectification. It defines application windows, requirements for submissions, and enables the Authority to act where necessary to maintain system integrity. Outputs and allowances will be set out in Appendices 1 to 5 and updated via statutory modification under section 11A of the Act.

Special Condition 3.13 Closely Associated Indirects Use-it-or-lose-it allowance (CAI_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: Closely Associated Indirects Use it or lose it Allowance Governance Document

Final Determinations Reference: ET Annex; Chapter 5

Decision and reasons for change

3.164 We decided to implement this new condition to replace the RIIO-ET2 Opex Escalator mechanism (previously Special Condition 3.36 Opex Escalator (OE_t)) with a new Closely Associated Indirects (CAI) Use it or lose it allowance. This is to ensure TOs have flexible and timely access to funding for CAI activities linked to the delivery of the load capex programme. Any unused allowance will be recovered at the end of the price control period, or where expenditure did not meet the scope of application or not spent in an efficient way. The condition provides for the Authority to publish the CAI UIOLI Governance Document, with which the licensees must comply.

3.165 We received representations from all three licensees in response to our consultation in December 2025, with a total of 34 comments directly on this condition. On 13 of these comments, we considered that no change to the condition was necessary. As a result of the other comments, we have made the following changes to this condition:

- minor edits to correct typographical errors and reduce repetition;
- clarifications regarding defined terms;
- clarifications about the modifications we can make for further allowances under Part C and the addition of an appendix for this value term; and
- amended the condition so that any modification for the Use It Or Lose It Adjustment under Part D will be subject to section 11A of the Act.

3.166 We received seven responses expressing concerns that the time, manner and circumstances of modifications were not sufficiently defined, and direction-based powers should either be limited or brought under section 11A of the Act. We have decided to amend Part D of the condition to bring the Use It Or Lose It Adjustment mechanism under section 11A of the Act. Given the scale of the allowances

Decision RIIO-3 Licence Drafting modifications - reasons and effects

involved and the planned ex post efficiency assessment, we consider it appropriate that this modification is made on a statutory basis. We have decided not to change the direction powers for Part C of the condition and instead added clarifications on the time, manner and circumstance of an amendment under Part C. We explain this further in our consultation response log.

Effect of this change

3.167 The effect of the condition is to establish a use it or lose it allowance available to the TOs throughout the price control to fund CAI activities for lower materiality load projects in scope. It provides for CAI costs to be recovered for schemes funded through SpC 3.11 Generation Connections volume driver, SpC 3.12 Demand Connections volume driver, SpC 3.17 Load use it or lose it allowance and SpC 3.18 Load Re-opener projects with direct costs below £150m.

3.168 It also provides for a top-up mechanism under which further CAI use it or lose it allowances may be requested once 80% of the total CAI use it or lose it allowance has been used. The Authority will apply a 10% CAI uplift to the capex for additional schemes and providing additional allowances for schemes under construction where the licensee demonstrates the residual 20% of the total CAI use it or lose it allowance is insufficient. There will be an end of period Use It Or Lose It Adjustment which will consider the overall level of efficient CAI expenditure, any use of allowances which does not comply with the CAI UIOLI governance document, and any unused or ineligible expenditure.

Special Condition 3.14 Business Support Costs Re-opener (BSCR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: Re-opener Guidance and Application Requirements Document

Final Determinations Reference: ET Annex; Chapter 5

Decision and reasons for change

3.169 We decided to implement this new condition to provide additional funding for Business Support Costs. Business Support Costs are, in most cases, costs related to general support activities necessary in the running of a typical network operator. Providing additional funding through the re-opener ensures TOs potential need for further growth is supported. This is particularly important given the expected growth and delivery challenges in RIIO-ET3 as TOs will need to size their organisation ahead of delivering CP2030 commitments.

3.170 The re-opener will be triggered if actual Business Support Costs expenditure exceeds the baseline Business Support Costs allowance by at least 10% in a single regulatory year, in any regulatory year during the price control period.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.171 We received representations from all three licensees in response to our consultation in December 2025, with a total of 20 comments directly on this condition. On eight of these comments, we considered that no change to the condition was necessary. As a result of the other comments, we have made the following changes to this condition:

- minor edits to correct typographical errors;
- clarifications regarding defined terms and allowances;
- clarifications about the 10% trigger being annual, not cumulative; and
- clarifications about the modifications we can make under this condition.

3.172 We received three responses proposing that some, or all, of the separately assessed costs under Business Support Costs be included in the Business Support Costs Re-opener. We have decided to keep separately assessed costs excluded from the Business Support Costs Re-opener, as these costs were funded at, or very closely to, best view forecast submissions. We explain this further in our consultation response log.

Effect of this change

3.173 The effect of the condition is to establish a re-opener for the TOs to apply for a direction to adjust the value of the Business Support Costs Re-opener term if the 10% trigger is reached.

Special Condition 3.17 Load use-it-or-lose-it allowance (LI_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: Load Use-it-or-Lose-it governance document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.174 To introduce a new use-it-or-lose-it allowance, to be used for specific types of projects that have a financial materiality below the Load Re-opener (£40m or less) and sit outside the scope of the Generation and Demand Volume Drivers.

3.175 The allowances under the Load UIOLI reflect the need to accelerate delivery of smaller, time-sensitive projects without the delays of full re-opener assessments. This approach gives TOs flexibility to act quickly while maintaining consumer protection through clawback of unused funds.

3.176 We received representations from all three licensees in response to our consultation in December 2025, with a total of 36 comments on this condition. In response we made various changes, including updating the licence formula.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.177 The effect of the condition is the establishment and specification of a TO-specific use it or lose it allowance from which the licensee can draw-down.

3.178 The condition provides for the Authority to publish the Load UIOLI Governance Document, with which the licensee must comply, and to make an amendment by direction. It also provides for the Authority to make an amendment to the value of LIR_t by direction.

Special Condition 3.18 Load Re-opener and Price Control Deliverable (LR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: Load Re-opener Guidance and submissions requirements document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.179 The Large Onshore Transmission Investment (LOTI) condition and Medium Sized Investment Projects (MSIP) adjust the licensee's allowed expenditure for load-related investments on the transmission network in RIIO2.

3.180 We are introducing the Load Re-opener mechanism that will replace the LOTI and MSIP re-openers. This enables the TOs to apply for funding for load related investments.

3.181 We received representations from all three licensees in response to our consultation in December 2025, with a total of 70 comments directly on this condition. As a result of these comments we have made the following changes to this condition:

- Simplified drafting and clarified the sequencing of obligations across the Eligibility Letter, Needs Case and Project Assessment stages.
- Updated planning consent requirements, including corrected definitions and clarification of how obligations apply where planning consent is not required.
- Clarified procedural expectations for TOs, including treatment of T2 costs, with further detail to be set out in the Associated Document.
- Corrected typographical errors and incorrect cross-references to improve clarity and internal consistency.
- Clear procedural expectations, and the applicability of T2 costs will be provided through the Associated Document (Load Re-opener Guidance and Submission Requirements Document).

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.182 The effect of the condition is to establish a bi-annual re-opener, which would allow the TOs to submit a funding request for load related projects that are more than £40m that may be required during the price control period.

3.183 The condition provides for the Authority to specify the assessment process, outputs, delivery dates and associated allowances for the PCDs which are approved through the re-opener, and provides for the subsequent assessment of those PCDs.

3.184 The condition provides for the Authority to publish the Load Re-opener Governance Document, with which the licensee must comply, and to permit the Authority to amend the Guidance Document by direction. It also provides for the Authority to make an amendment to the value of the Load Re-opener Output term and any Cost and Output Adjusting Event by Section 11A of the Act.

Special Condition 3.19 CSNP Re-opener and Price Control Deliverable (CSNPR_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: CSNP Re-opener Guidance and Submissions Requirements Document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.185 The reason for introducing this new condition is to give effect to our decision in our Final Determinations to introduce the CSNP Re-opener mechanism to provide allowances and assign PCDs to projects that arise from the CSNP or other NESO-led network plans published during RIIO-ET3.

3.186 The condition introduces an expedited regulatory process for projects if the NESO outputs and TO inputs are of sufficient quality to avoid the requirement for the Authority to undertake a separate assessment of need and initial design. This is to support delivery of the NESO's plans for the network as are developed through a centralised approach.

3.187 The condition makes provision for projects that arise from the CSNP or other NESO-led network plans to be designated by the Authority as 'CSNP Re-opener Outputs' with delivery dates and PCDs.

3.188 This condition also provides for:

- A TO re-opener to request a CSNP Project Assessment Decision that provides the TO with the funding required to proceed to the procurement and construction phases of a CSNP Re-opener Output.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- Adjustments to the delivery date assigned to a CSNP Re-opener Output if there has been an approved Major Projects ODI-F Penalty Exemption Period or Major Projects Fundamental Scope Change under Special Condition 4.8.
- Licence obligations which apply to the delivery of CSNP Re-opener Outputs to enable the Authority to hold the TO to account if it does not deliver the asset on time or if the delivered assets do not meet a project-specific minimum availability standard.

3.189 We received representations from all three licensees in response to our consultation in December 2025, with a total of 38 comments directly on this condition. On ten of these comments, we considered that no change to the condition was necessary, with responses provided in the issue log. As a result of the other comments we have made the following changes to this condition:

- clarifications to the requirement for delivery of CSNP Re-opener Outputs in the licence obligations;
- deletion of the wording that the P50 Delivery Date will be used as the delivery date for CSNP Re-opener Outputs and inserting that the CSNP Re-opener Guidance and Submissions Requirements Document will provide the methodology for setting the delivery date, which will be the later of the P50 Delivery Date and any NESO-determined Optimal Delivery Date; and
- facilitating the opportunity for alternative submission windows for CSNP Re-opener Project Assessment Decisions;
- clarifying that commercially sensitive values in Appendix 1 will instead be in the relevant licensee's redacted information document; and
- minor edits to correct typographical errors throughout.

Effect of this change

3.190 The effect of this condition is to establish an Authority-triggered re-opener for projects that arise from the CSNP or other NESO-led network plans to specify delivery dates and assign PCDs to such projects and provides for the subsequent assessment of those PCDs.

3.191 This condition also gives effect to the CSNP Re-opener Guidance and Submissions Requirements Documents which sets out detail on the following, in line with our Final Determinations ET Annex:

- when and why we will designate projects as CSNP Re-opener Outputs and how we will set the delivery date that we enter into the licence;
- what the TO must submit as part of its application for Project Assessment Decision and how we will assess that; and
- what the TO must submit as part of any application for a Cost and Output Adjusting Event.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 3.23 ET2/ET3 Crossover adjustments (T2ACA_t)

Type of change: New Condition

Relevant to: All

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.192 The reason for proposing the introduction of this new condition is to provide for calculation of the aggregate crossover adjustment term and set out individual adjustment components for various outputs.

3.193 It also establishes the ET2/ET3 Crossover Submission Requirements and Guidance Document to provide general principles to which the Authority will have regard when amending values in Appendix 1, and other guidance for licensees.

Effect of this change

3.194 The effect of this licence condition is to provide a framework to adjust allowed revenues to account for ET2/ET3 Crossover Items.

Special Condition 3.24 Legacy Opex Escalator (LOE_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 5

Decision and reasons for change

3.195 We decided to introduce this new condition to provide Closely Associated Indirect (CAI) allowances for schemes which are crossing over from RIIO-ET2 and incurring costs in RIIO-ET3. It is a legacy condition as it applies to schemes which were applicable under the RIIO-ET2 SpC 3.36 Opex Escalator. This condition has been introduced to ensure CAI allowances remain consistent with the funding levels provided under RIIO-ET2, since these schemes were already approved in RIIO-ET2 and the corresponding condition has been removed for RIIO-ET3. We decided not to include the Network Operating Costs (NOCs) uplift within the Legacy Opex Escalator condition due to concerns around double funding where maintenance costs for these assets will be captured in RIIO-ET4 baseline allowances and interventions in RIIO-ET3 are likely to be covered under warranty.

3.196 We received representations from two licensees in response to our consultation in December 2025, with a total of 6 comments directly on this condition. On two of

Decision RIIO-3 Licence Drafting modifications - reasons and effects

these comments, we considered that no change to the condition was necessary. As a result of the other comments, we have made the following changes to this condition:

- minor edits to correct typographical errors; and
- clarifications regarding the definition of terms in accordance with SpC 3.23 ET2/ET3 Crossover adjustments.

Effect of this change

3.197 The effect of adding this condition is to calculate CAI allowances in line with RIIO-ET2 for crossover schemes funded under legacy uncertainty mechanisms which were applicable under the RIIO-ET2 condition. It provides that, where allowances are provided for crossover RIIO-ET2 schemes and derived in accordance with Part A of SpC 3.23 (ET2/ET3 Crossover adjustments), those schemes will be eligible for CAI allowances during the RIIO-ET3 period under this licence condition.

Special Condition 3.27 Property Re-opener (PR_t)

Type of change: New Condition

Relevant to: SHETL

Associated document: N/A

Final Determinations Reference: SHET Annex; Chapter 4

Decision and reasons for change

3.198 The purpose of this condition is to introduce a new re-opener for SHETL to make an application or applications to recover efficiently incurred costs for the delivery of the Transmission Operations Campus, Transmission Training Centre and Transmission Operations Depots non-operational property projects.

3.199 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

3.200 The effect of this condition is to provide SHETL with re-opener windows in April 2027 and September 2028 to apply for funding for the delivery of the Transmission Operations Campus, Transmission Training Centre and Transmission Operations Depots non-operational property projects where the costs exceed 0.5% of annual ex ante base revenue and SHETL can demonstrate that no allowance has already been provided for these costs.

3.201 This condition provides for the Authority to make a modification to the License term where it is satisfied that the needs case for the work has been established,

Decision RIIO-3 Licence Drafting modifications - reasons and effects

the proposed option is justified and costs are efficiently incurred. The re-opener is TO and Authority-triggered.

Special Conditions 3.28 – 3.39 SHETL’s Price Control Deliverables

Type of change: New Conditions

Relevant to: SHETL

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: SHETL Annex

Decision and reasons for change

3.202 The reason for introducing these conditions is to reflect our Final Determinations position to have PCDs to fund various programmes of work on SHETL’s infrastructure.

Effect of this change

3.203 The effect of these conditions is to:

- specify the volume of interventions, outputs, delivery dates and associated allowances;
- set out the formulas to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCDs; and
- ensure that money is returned to consumers where assets are not delivered.

Special Condition 3.40 NESO separation Re-opener

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4

Decision and reasons for change

3.204 The purpose of this condition is to introduce a new re-opener for NGET to be able to make an application to recover efficiently incurred costs caused by the separation of NESO. NESO became operationally independent from the National Grid Group on 1 October 2024 but will rely on NGET for certain services under commercial agreements until October 2026. NGET is expected to incur costs related to NESO exiting these agreements.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.205 We received six comments directly on this condition in response to our consultation in December 2025, all from NGET. As a result, we corrected typographical errors and definitions.

Effect of this change

3.206 The effect of adding this condition is to provide NGET with two re-opener windows (October 2026 or April 2027) to recover costs incurred from the NESO separation, where NGET can demonstrate that no allowance has already been provided for these costs and that they could not reasonably be mitigated or even avoided.

Special Condition 3.41 Property Re-opener Alpha (PRA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4

Decision and reasons for change

3.207 The purpose of this condition is to introduce a new re-opener for NGET to make an application or applications to recover efficiently incurred costs for the delivery of the Eakring Training Centre, Bradwell OHL Training Facility and Substation Operational Estate non-operational property projects.

3.208 We received representations from NGET, as a result we have made a range of minor wording changes to the condition. These do not alter the effects of the condition.

3.209 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

3.210 The effect of this condition is to provide NGET with three re-opener windows in April 2027, April 2028 and April 2029 to apply for funding for the delivery of the Eakring Training Centre, Bradwell OHL Training Facility and Substation Operational Estate non-operational property projects where NGET can demonstrate that no allowance has already been provided for these costs. This condition provides for the Authority to make a modification to the licence term where it is satisfied that the needs case for the work has been established, the proposed option is justified and costs are efficiently incurred. The re-opener will be TO-triggered.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 3.42 Property Re-opener Beta (PRB_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Final Determinations Reference: NGET Annex; Chapter 4, REDACTED

Decision and reasons for change

3.211 The purpose of this condition is to introduce a new re-opener for NGET to make an application or applications to recover efficiently incurred costs for the delivery of specific non-operational property projects. Due to the sensitive nature of these works, these projects have been redacted.

3.212 We received representations from NGET and have made a range of minor wording changes to the condition. These do not alter the effects of the condition. Subsequent discussions with NGET highlighted additional concerns over the use of a common Redacted Information Document for both Alpha and Beta Property Re-openers. To address these concerns we have created the Redacted Information Document Beta which is used solely for SpC 3.42.

3.213 The reason for this condition is to address the high level of cost and scope uncertainty around these projects and to enable the Authority to re-evaluate the needs case and scope at the time of submission.

Effect of this change

3.214 The effect of this condition is to provide NGET with two re-opener windows in April 2027 and April 2028 to apply for funding for the delivery of Redacted non-operational property projects where NGET can demonstrate that no allowance has already been provided for these costs.

3.215 NGET must make an application under this condition in writing and provide detailed supporting evidence as is reasonable in the circumstances to justify the technical need, proposed option and cost efficiency. This condition provides for the Authority to make a modification to the License term where it is satisfied that the needs case for the work has been established, the proposed option is justified and costs are efficiently incurred. The re-opener will be TO-triggered.

Special Condition 3.45 REDACTED Price Control Deliverable (REDACTED_t)

Type of change: New Condition

Relevant to: NGET

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for change

3.216 The reason for introducing this condition is to reflect our Final Determinations position to have an evaluative PCD to fund REDACTED. This is because of the uncertainty related to the connections works associated with the interventions.

Effect of this change

3.217 The effect of the condition is to:

- specify the volume of interventions, outputs, delivery dates and associated allowances;
- set out the formulas to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCDs; and
- ensure that money is returned to consumers where assets are not delivered.

Special Condition 3.46 NOT USED

Special Condition 3.47 NGET Non-Load Related Major Projects Re-opener and Price Control Deliverable (NGETNLMP_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Decision and reasons for change

3.218 This condition is designed to provide a PCF allowance for NGET's eight Non-Load Related Major Projects (as listed in NGET's Redacted Information Document) and then enact a Price Control Deliverable for each project.

3.219 We received representations from NGET, and as a result we have made the following changes:

- Included an additional (eighth) project, Substations Cables Portfolio.
- Amended the NGET RID to separate the scopes for the PCF allowance awarded at Final Determinations and the scope which is to be delivered at the conclusion of the optioneering assessment and used for subsequent project assessment.
- This condition does not allow for PCF to be applied for any other Non-Load Related projects.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

3.220 The effect of the condition is to:

- ensure NGET receives appropriate funding for the eight Major Project interventions Replacements through the specification of the outputs, delivery dates and associated allowances;
- ensure that there is distinction between Load Related Expenditure and Non-Load Related Expenditure works;
- ensure under delivery is not counted as efficiency; and
- set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.

Special Condition 3.48 NLRE Named Price Control Deliverable (NPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Decision and reasons for change

3.221 This condition sets out the rules for calculating the annual allowance for NGET relating to specific named asset non-load related deliverables for NGET. Its purpose is to ensure that funding reflects the interventions delivered.

3.222 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.

3.223 The reason for this licence condition is to ensure that NGET is sufficiently funded for its named asset interventions, while preventing under delivery being counted towards efficiency.

3.224 We received representations from NGET in response to our consultation in December 2025, with a total of 12 comments directly on this condition. As a result of these comments we have made the following changes to this condition:

3.225 The appendices to the condition are now referred to within the NGET Redacted Information Document.

3.226 Drafting revised so that named pipeline price control deliverables do not require a PCD assessment.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.227 Drafting revised to make provision to fund deliverables on which work commenced during the ET3 period and is delivered in year 1 of the next price control period.

Effect of this change

3.228 The effect of this licence is to

- determine the annual funding NGET receives for delivering specified named non-load related interventions; and
- allow the Authority to adjust that funding if outputs are not fully delivered.

Special Condition 3.49 NLRE Volume Price Control Deliverable (VPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Decision and reasons for change

3.229 This condition sets out the rules for calculating the annual allowance for NGET relating to specific non-named volume-based non-load related deliverables for NGET. Its purpose is to ensure that funding reflects the actual number of units delivered (e.g. number of asset interventions) rather than fixed named projects.

3.230 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.

3.231 This condition creates a mechanism to adjust the maximum volumes funded for each asset group so that NGET has the flexibility to request changes to capped volumes where necessary.

3.232 The reason for this licence condition is to ensure that NGET is sufficiently funded for its volume asset interventions, while preventing under delivery being counted towards efficiency.

3.233 We received representations from NGET in response to our consultation in December 2025, with a total of 15 comments directly on this condition. As a result of these comments we have made the following changes to this condition:

- Drafting amended to introduce standardised clauses relating to Price Control Deliverables.
- Drafting amended to merge baseline and pipeline deliverables into one set of Price Control Deliverables.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- Licence algebra amended so that adjustments to allowances are made annually at the end of each year rather than at the end of the Price Control Period.
- Drafting amended to create provision for NGET to request, and for the Authority to make changes to, maximum volumes funded under each asset group.
- The appendices to the condition are now referred to within the NGET Redacted Information Document.

Effect of this change

3.234 The effect of this licence is to:

- Determine the annual funding NGET receives for delivering specified volume non-load related interventions; and
- Allow the Authority to make changes to the maximum volumes funded for each asset group where NGET has demonstrated the need for the change.

Special Condition 3.50 NLRE Combi Price Control Deliverable (CPA_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document & NGET Redacted Information Document

Final Determinations Reference: NGET Annex; REDACTED

Decision and reasons for change

3.235 This condition sets out the rules for calculating the annual allowance for NGET relating to assets included within the combined Named and Volume allowance category. This will provide NGET flexibility to intervene on assets with an End of Life (EoL) above 75 to a maximum volume. Assets below 75 EoL are included in the named asset lists. Its purpose is to ensure that funding reflects the actual number of units delivered (e.g. number of asset interventions) while providing a blend of fixed units and flexible volumes to accommodate changes to the NGET plans.

3.236 This condition will define how much funding NGET receives each year for the associated named projects and the expected Price Control Deliverables, which feeds into the overall Totex Allowance for the price control period.

3.237 This condition creates a mechanism to adjust the maximum volumes funded for each asset group under the volume allowance category so that NGET has the flexibility to request changes to capped volumes where necessary.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.238 The reason for this license is to ensure that NGET are sufficiently funded for their Named and Volume based asset interventions, while preventing under delivery being counted towards efficiency.

3.239 We received representations from NGET in response to our consultation in December 2025, with a total of 4 comments directly on this condition. As a result of these comments we have made the following changes to this condition:

- The appendices to the condition are now referred to within the NGET Redacted Information Document.
- Drafting revised so that named combi pipeline price control deliverables do not require a PCD assessment.
- Drafting revised to make provision to fund deliverables on which work commenced during the ET3 period and is delivered in year 1 of the next price control period.
- Drafting amended to introduce standardised clauses relating to Price Control Deliverables.
- Drafting amended to merge volume combi baseline and pipeline deliverables into one set of Price Control Deliverables.
- Licence algebra amended so that adjustments to allowances are made annually at the end of each year rather than at the end of the Price Control Period.
- Drafting amended to create provision for NGET to request, and for the Authority to make changes to, maximum volumes funded under each asset volume combi group.

Effect of this change

3.240 The effect of this condition is to:

- Determine the annual funding NGET receives for delivering specified named and volume non-load related interventions detailed within the NGET Redacted Information Document.
- Allow the Authority to make changes to the maximum volumes funded for each asset group under the Volume allowance category where NGET has demonstrated the need for the change.
- Allow the Authority to adjust that funding if baseline outputs under the Named allowance category are not fully delivered.

Special Condition 3.51 NGET V-String Busbars and Price Control Deliverable (NGETVSB_t)

Type of change: New Condition

Relevant to: NGET

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Chapter 4

Decision and reasons for change

- 3.241 The purpose of this condition is to provide an opportunity to apply for allowances for NGETs V-String Busbar replacement portfolio and then enact a Price Control Deliverable for each asset.
- 3.242 The reason for this condition is to ensure that where NGETs V-String Busbar assets are in a poor condition they have sufficient allowances to replace them if justified.
- 3.243 We received representations from NGET via consultation response, as a result, we have made a range of minor wording changes to the condition.
- 3.244 The re-opener will be Authority Triggered when NGET have provided evidence to show that they have completed the Trial V-String Replacements from their baseline allowances.

Effect of this change

3.245 The effect of the condition is to:

- ensure NGET receives appropriate funding for the V-String Busbar Replacements through the specification of the outputs, delivery dates and associated allowances;
- set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.
- ensure under delivery is not counted as efficiency.

Special Condition 3.52 NGET Reactive Compensation Re-opener and Price Control Deliverable (NGETRC_t)

Type of change: New Condition

Relevant to: NGET

Associated document: Price Control Deliverable Reporting Requirements and Methodology Document

Final Determinations Reference: NGET Annex; Chapter 4

Decision and reasons for change

- 3.246 This condition is designed to provide an opportunity to apply for allowances for NGETs Reactive Compensation portfolio and then enact a Price Control Deliverable for each asset. NGET will engage with NESO ahead of the submission

Decision RIIO-3 Licence Drafting modifications - reasons and effects

to ensure that NESOs reactive compensation requirements are clearly understood and that no investments via this re-opener impacts the Network Service Tenders NESO runs.

3.247 The scope of works can include any reactive compensation replacements. This does not include Reactors, which is included in either a separate PCD or Load Related Expenditure which is covered by either the Load UIOLI or the LRR.

3.248 We received representations from NGET via consultation response, as a result, we have made a range of minor wording changes to the condition.

3.249 The reason for this condition is to ensure that because some of NGETs Reactive Compensation portfolio assets are in a poor condition they have sufficient allowances to replace them if justified.

Effect of this change

3.250 The effect of the condition is to:

- ensure NGET receives appropriate funding for the Reactive Compensation Replacements through the specification of the outputs, delivery dates and associated allowances;
- ensure that NGET has engaged with the NESO as to the NESOs requirements for Non-Load Related Reactive Compensation, and that NGETs works do not negatively impact NESO Network Services Tenders;
- ensure that there is distinction between Reactive Compensation LRE and NLRE works;
- ensure under delivery is not counted as efficiency; and
- set out the formula to adjust allowances at the end of RIIO-3 to account for actual delivery of the PCD.

Special Condition 4.4 Connections output delivery incentive

Type of change: New Condition

Relevant to: All TOs

Associated document: N/A

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.251 We have introduced a financial delivery incentive for connections projects.

3.252 The reason for this new condition is to encourage the timely delivery of connection projects. We will set the incentive target dates following review of the register of connections projects maintained by the licensee, having regard to the need for connections dates to be ambitious, as we described in our Final Determinations. There are also exemptions in place for customer inaction and

Decision RIIO-3 Licence Drafting modifications - reasons and effects

extreme planning delays. We have also provided for a 30 day deadband as well as movement of the incentive target date and penalty exemptions in limited circumstances.

- 3.253 In response to feedback to our statutory consultation, we have clarified numerous areas, including the timings of exemption applications, the changing of Connections Incentive Target Dates in-period, and the timings of submissions of updated Connections Project Register. Additionally, throughout, we have made better use of defined terms.
- 3.254 As regards the circumstances in which the Authority may seek to reject the Connection Project Completion Date when establishing the Connections Incentive Target Date, we have decided to do this under Section 11A of the Act. We are unable to provide criteria setting out what may result in a rejection of the Connection Project Completion Date due to the complexities of connections reform and uncertainty regarding TO offer dates. We are aware of the need for transparency in our approach to assessing whether connection dates are ambitious, and will engage with TOs and the NESO on this in due course.
- 3.255 As regards the circumstances in which the Authority may direct a change to the Connections Incentive Target Date (Part C), we have removed the second limb we proposed as part of the statutory consultation (“where the licensee and ISOP agree a delay of date in the TO Construction Agreement”). This is to better reflect our policy intent that the incentive is to hold TOs account to dates which are agreed with connections customers, as per the policy for this licence condition set out in our Final Determinations. We want to ensure that once connection incentive target dates have been agreed, the target dates only change where a revised connection date is requested by the affected customer. In rare cases where TOs are requested by the NESO to agree a significantly later connections date than originally agreed, and the connections customer does not agree to that change, we may consider on a case-by-case basis whether to direct a revised target date or move the project into the incentive deadband. An example of this would be severe system operability issues, excluding system access issues, that it would not have been possible to foresee at the time the connection offer was made.
- 3.256 As regards the planning related provision for an exemption from penalty (Part D), we have concluded that only referencing circumstances where bodies responsible for giving consent “have not done so” is not sufficiently clear. We have therefore amended paragraph 4.4.14(c) and included a new paragraph 4.4.15. As we set out at paragraph 4.4.14(c), we have decided that projects that are eligible to be considered for the purpose of this exemption will be those where the relevant planning authorities are causing severe delays to the timescales within which planning permission is being granted compared to delays typically experienced. This approach reflects our decision as set out in our Final Determinations that this exemption should mitigate specific extreme

Decision RIIO-3 Licence Drafting modifications - reasons and effects

circumstances in response to licensees' concerns about the effect of regional sensitivities to new and expanding energy infrastructure. We set out in our Final Determinations that the exemption would only apply in the most significant cases of regional planning uncertainty, including but not limited to complete indecision or political opposition to new or expanding energy infrastructure. We anticipate that licensees will have comparative data about planning delays across different projects so that a fair assessment could be made in any particular case. We have also added a requirement that the licensee is able to evidence its efforts to conduct its planning responsibilities in a timely manner because we need to be sure that the delay was not caused by TO bad practice, rather than the planning system. In paragraph 4.4.15 we have provided more detail on timing of the application, which should be made along with the submission of the Connection Project Register at the first opportunity after a licensee considers that the 16% threshold of affected projects has been reached.

Effect of this change

3.257 The TO will be rewarded for the on-time and early connection of projects and penalised for late connections.

Special Condition 4.5 Innovative Delivery output delivery incentive

Type of change: New Condition

Relevant to: All TOs

Associated document: Innovative Delivery Incentive Guidance Document (we will consult at a later date on this associated document)

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.258 We have decided to introduce a financial incentive to reward TOs for demonstrable and significant innovation earlier in the project development cycle. The scale of new network investment required in RIIO-ET3 means there could be material consumer value derived from encouraging fundamental changes to TO behaviour in areas such as supply chain/contracting, design/engineering, delivery timelines, NESO collaboration, and outage management.

3.259 The incentive has two assessment windows, one in 2027/28 and another in 2029/30. Submissions will be assessed by a panel of independent experts, who will make non-binding recommendations to the Authority. The Authority will then determine the value of the reward.

3.260 The Innovative Delivery Incentive Guidance Document, which will be consulted on later in 2026 will set out further details that TOs must comply with, including

Decision RIIO-3 Licence Drafting modifications - reasons and effects

submissions requirements, assessment criteria, the assessment process, and methodology to calculate the reward.

3.261 We received 21 responses on Special Condition 4.5. The majority relate to policy decisions on the design of the incentive as set out in our Final Determinations and have therefore not been actioned. However, we have clarified in the licence that submissions to the Innovative Delivery output delivery incentive are not mandatory; TOs can choose not to take advantage of this incentive. If TOs do submit, they must make submissions in both assessment windows.

Effect of this change

3.262 The Authority will be able to reward those TOs that apply for the incentive for displaying innovative behaviours in their project delivery.

Special Condition 4.8 Major Projects output delivery incentive (ODI-F)

Type of change: New Condition

Relevant to: All TOs

Associated document: Major Projects ODI-F Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.263 We are introducing this condition to give effect to our decision in our Final Determinations to allow the Authority to apply a financial delivery incentive to significant new infrastructure projects.

3.264 The reason for this condition is to incentivise the timely delivery of significant new infrastructure projects through a mechanism which aligns TOs' financial interests with consumers' interests. TOs can receive financial rewards for the on-time or early delivery of projects. Financial penalties will apply to TOs for delays, recognising the costs to consumer of delay (eg constraint costs).

3.265 The condition provides for the incentive to apply to projects which are designated as CSNP Re-opener Outputs under Special Condition 3.19 and to other load-related projects that we consider to be strategically important.

3.266 The condition contains a formula which sets out the reward and penalty calculation methodology, with incentive parameters and targeted delivery date for each project determined in accordance with the criteria set out in our Final Determinations ET Annex and the Major Projects ODI-F Governance Document.

3.267 We received representations from all three licensees in response to our consultation in December 2025, with a total of 35 comments directly on this condition. On six of these comments, we considered that no change to the

Decision RIIO-3 Licence Drafting modifications - reasons and effects

condition was necessary, with responses provided in the issue log. As a result of the other comments we have made the following changes to this condition:

- corrections to ensure that the formula in paragraph 4.8.4 reflects the policy as in our Final Determinations ET Annex;
- confirming that commercially sensitive values in Appendix 1 and Appendix 2 will instead be in the relevant licensee's redacted information document; and
- minor edits to correct typographical errors throughout.

3.268 In response to feedback from the licensees we have also updated the definition of Major Projects ODI-F Delay Event to account for potential delays caused by transmission licensee partners in joint venture deliveries.

Effect of this change

3.269 The effect of this condition is to:

- provide that TOs will receive a reward for delivering in-scope projects on or before the targeted delivery date, and a penalty for delivering after the targeted delivery date; and
- give effect to the Major Projects ODI-F Governance Document which sets out further detail on the how the incentive operates.

Special Condition 6.2 Independent Technical Adviser (ITA_t)

Type of change: New Condition

Relevant to: All TOs

Associated document: ITA Governance Document

Final Determinations Reference: ET Annex; Chapter 4

Decision and reasons for change

3.270 We have introduced this licence condition to give effect to the decision in our Final Determinations to establish the Independent Technical Adviser (ITA) in RIIO-ET3.

3.271 This condition outlines the behaviour principles and obligations upon TOs regarding their engagement with the ITA. These obligations are intended to enable the ITA to fulfil its assurance role on TO projects to the best of its ability. In enabling effective collaboration between the TO and ITA, this condition is designed to foster the ITA outcomes of accelerated and improved regulatory decision-making (through independent assurance of TO delivery of eligible projects – the effectiveness of which would be hindered without licensee collaboration).

Decision RIIO-3 Licence Drafting modifications - reasons and effects

3.272 This condition also provides mechanism for the TOs to recover costs incurred in the payment of the ITA. This is required as each TO is responsible for payment of the ITA for costs by its assurance role on licensee projects. Costs will be treated as a pass-through mechanism, which this condition establishes.

3.273 We received 3 responses in total, from each of the TOs. The main issues raised were:

3.274 Lack of clarity regarding the ITA Contract definition. We have amended the definition and related clauses to more clearly reflect the proposed form of contractual agreement between the ITA, the TOs and the Authority, and differentiate between an ITA Call-off Contract and an ITA Framework Agreement.

3.275 Lack of clarity regarding the requirement on TOs to use reasonable endeavours to comply with the behaviour principles and obligations set out in Part C. We consider the clause is appropriate given the licensees have had sight of and provided feedback on associated documents (including the ITA Guidance Document, ITA Terms of Reference and ITA Call-off Contract) which provide context and clarity.

3.276 Concern regarding what were formerly clauses 6.2.19 and 6.2.20 in the original draft, which created an obligation for the TOs to pay any cost incurred by the Authority on the ITA in instances where a tri-partite agreement could not be reached. These clauses have been removed.

3.277 Concern regarding what was formerly clause 6.2.16 in original draft, which created requirement for TOs to enter into a contractual agreement with the ITA. We have amended this clause and developed it further within the clauses 6.2.16, 6.2.17 and 6.2.18 to provide greater detail regarding the licensee's role in relation to the ITA contractual agreement. We have also clarified that the licensee must not unreasonably withhold or delay its agreement to enter into a contract agreement with the ITA.

Effect of this change

3.278 The effect of this condition is to:

- provide mechanism for licensees to recover costs incurred in the payment of the ITA; and
- give effect to the ITA Guidance Document – which includes further information on our approach to ITA appointment and project eligibility decision-making during RIIO-ET3.

Special Condition 9.22 CSNP Coordination

Type of change: New Condition

Relevant to: All TOs

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: CSNP Coordination Governance Document

Final Determinations Reference: ET Annex; Chapter 3

Decision and reasons for change

3.279 We have decided to introduce this condition to implement our Final Determinations by establishing a clear obligation on licensees to actively support the Independent System Operator for Planning (ISOP) in the development and delivery of the Central Strategic Network Plan (CSNP). This condition ensures that TOs provide the information and assistance required for effective whole-system planning and coordination.

3.280 We received representations from all three licensees in response to our consultation in December 2025, with a total of 30 comments directly on this condition. As a result of these comments we have made the following changes to this condition:

3.281 Implemented drafting changes to ensure clarity of obligations.

3.282 Relocated COAE-related requirements from the licence to the Associated Document, improving structural coherence and ensuring that procedural detail sits in the appropriate place.

3.283 Updated the content that is set out in the CSNP Coordination Governance Document.

3.284 Removed duplicative provisions and corrected drafting errors to improve clarity and operability.

3.285 Stakeholders raised concerns that the operability of Special Condition 9.22 at the start of RIIO-T3 is constrained by the absence of an approved CSNP Methodology and the limited detail in the CSNP Coordination Governance Document, creating risks that TOs may be unable to comply with their obligations from 1 April 2026. We will include wording in the CSNP Coordination Governance Document that reflects the proportionate treatment in the absence of the ISOP's CSNP Methodology.

Effect of this change

3.286 The effect of this condition is to place an obligation on licensees to provide the ISOP with timely and quality data that is necessary to support the ISOP produce the CSNP, ensuring coordinated and informed network planning.

3.287 It also gives effect to the introduction of the CSNP Coordination Governance Document, which sets out the principles, roles, and processes across all parties to support the timely and accurate data exchange between licensees and the ISOP.

ET Special Conditions where there is no change from RIIO-2

3.288 There are a number of conditions that we have identified in RIIO-2 which we are retaining without any material amendments to the wording, set out below.

Special Condition Number	Special Condition Name	Relevant TO	Licensee Comments
3.22 (Previously 3.37)	Entry and exit connection asset allowance (EECA _t)	All	Minor comments on more clarity and alignment with the RIGs, We strengthened the drafting, including adding explicit cross-references to the RIGs and clarifying the definition of EECA _t , while maintaining that the existing terminology appropriately reflects policy intent.
9.6	Disapplication of Relevant Special Conditions	All	N/A
9.9	Activities Restrictions	All	N/A
9.10	Network Access Policy	All	N/A
9.11	Provision of information to the System Operator	NGET	Greater clarity was sought for “significantly different” when TOs update estimates to the ISOP. We note that this wording was agreed with the TOs as part of the work to split the ISOP licence.
9.12	Basis of Transmission Owner Charges	All	Commented on the obligation that TOs cannot fully control – particularly the timing dependence on our approval of the Charging Statement – and requested amendments to make the requirement more practicable and clearly time-bound. We recognise delays may arise, but have not amended the drafting and will apply proportionality when assessing compliance, confirming no change is required.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition Number	Special Condition Name	Relevant TO	Licensee Comments
9.13	Allowances in respect of a Security Period	All	N/A
9.14	Restriction on the use of certain information	SPTL and SHETL	Highlighted formatting and numbering inconsistencies. We have corrected these errors while confirming that no substantive policy changes were required
9.15	Appointment of a Compliance Officer	SPTL and SHETL	Stakeholders raised formatting and cross-referencing errors within SpC 9.15. We have corrected these issues while confirming that no substantive policy changes were required.
9.16	Independence of and appointment of managing director of the Transmission Business	SPTL and SHETL	Stakeholders identified formatting and referencing errors. We have corrected these issues.
9.17	Prohibited activities and conduct of the Transmission Business	NGET	N/A
9.18	Business separation requirements and compliance obligations	NGET	N/A
9.19	Special Condition 9.19 The strategic innovation fund (SIF _t) (NGET and SHETL)	NGET and SHETL	N/A
9.21	Tender Support Activities in Onshore Electricity Transmission	All	N/A
9.22	Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise	All	N/A
9.23	Termination of the Operational Services Agreement	All	N/A

4. Gas Distribution Special Conditions

Decisions on changes to Gas Distribution Special Conditions

Special Condition 2.3.6 Return Adjustment (RTNAt)

Type of change: Clarification

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 2 'Revenue Restriction'

Decision and reasons for change

- 4.1 The Licence algebra, specifically regarding RAVDt and RAVLt, is not reflected in the PCFM logic. Return Adjustment Mechanisms only trigger at the end of the price control.
- 4.2 In setting out the RAMs, it was our intention to measure performance at the level of the distribution network, not the level of the individual licensee. We have decided that the PCFM will be modified to reflect this. Accordingly, we have not modified Special Conditions 2.3.6, 2.3.7 or 2.3.8.

Effect of changes

- 4.3 The licence special condition is not modified. The effect of the change to the PCFM will be to align it with the logic of the PCFM in RIIO-2 for the Gas Distribution sector.

Special Condition 3.10 Tier 1 Mains decommissioned Price Control

Deliverable (T1MDt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3 'Outputs and Incentives', Secure and Resilient Supplies

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- 4.4 We have decided to remove the cap on the upwards adjustment mechanism, previously set at 3%, by updating the formula in Part A, condition 3.10.3. This will allow GDNs to over deliver on the Tier 1 Mains workload without an upwards cap. There is more information on this decision in our Final Determinations. The upwards adjustment exists so that if a GDN over-delivers on Tier 1 mains decommissioning, the allowed revenue can increase to compensate the GDN for that extra work. The 3% cap meant that the increase in Allowance Adjustment could not exceed 3%. We have decided to remove the cap due to the proximity of the 2032 IMRRP deadline. We think that removing the upwards adjustment cap could lead to a more efficient overall programme of Tier 1 work. It is low risk for consumers, as it is unlikely to lead to additional cost being passed onto bills. Removing the cap allows companies to optimise delivery without being constrained by an artificial ceiling.
- 4.5 We have decided to update the tables in Appendix 1 with the correct regulatory year dates, workload volumes and allowances for RIIO-GD3. These allowances have been added to the licence condition.
- 4.6 We have decided to define the term 'Outturn Workload Value Of Tier 1 Mains Decommissioned' as 'the value of the total volume of decommissioning at a Tier 1 Mains Decommissioned Workload Activity level as delivered throughout the Price Control Period'. This term falls under Part C, reporting requirements. The Outturn Workload Value Of Tier 1 Mains Decommissioned is summed across all Tier 1 Mains Decommissioned Workloads Activities, essentially giving the total value of the actual work undertaken within the Price Control. If this value is more than 2% below the Tier 1 Mains Baseline Value set ex ante, there is a requirement on the licensee to submit a report detailing the reasons for this.
- 4.7 While this term was capitalised in the RIIO-2 licence, it did not have an associated definition, so we have decided to add one for RIIO-3 to provide clarity on the reporting requirements and retain consistency with other defined terms.

Effect of changes

- 4.8 The effect of updating the formula in Part A, Condition 3.10 to remove the upwards adjustment cap will mean that GDNs can be funded for over delivery of the Tier 1 Mains workload.
- 4.9 Updating the delivery dates, workload volumes and allowances will allow this PCD to fund the Tier 1 Mains decommissioned workload for RIIO-GD3.
- 4.10 The new definition allows us to be more specific about the reporting requirements in Part C of the licence condition. This does not change the requirements, or the way the licence condition works.

Special Condition 3.11 Tier 1 Services Repex Price Control Deliverable (T1SRt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3 'Outputs and Incentives'; Secure and Resilient Supplies

Decision and reasons for changes

- 4.11 We have decided to remove the cap on the upwards adjustment mechanism, previously set at 10%, by updating the formula in Part A, Condition 3.11, and removing paragraph 3.11.4 calculating the value of FVM. The definition of FVM will also be removed from the licence. This will allow GDNs to over deliver on the Tier 1 Services workload without an upwards cap. There is more information on this decision in our Final Determinations. Under the current licence condition, if a GDN over-delivered on Tier 1 services decommissioning, the allowed revenue could increase to compensate the GDN for that extra work. The 10% cap meant that the increase in Allowance Adjustment could not exceed 10%. Due to the proximity of the 2032 IMRRP deadline, and that services numbers are uncertain and driven by the mains workload, we think removing the cap could lead to a more efficient programme of Tier 1 services work. We think that it is low risk for consumers, as it is unlikely to lead to additional cost being passed onto bills. Removing the cap allows companies to optimise delivery without being constrained by an artificial ceiling.
- 4.12 We have updated the dates, workload volumes and allowances set out in this licence condition for RIIO-GD3. We have now included these allowances in the licence condition.
- 4.13 We have decided to add the word 'Repex' to the end of the title of the table in Appendix 1, so that the title of the table becomes 'Baseline Target Workloads Of Tier 1 Services Repex'. We have also decided to add the word 'Repex' to the title of Appendix 2 so that the title of the table becomes 'Baseline Activity Volumes Of Tier 1 Services Repex and Allowed Unit Costs'. This is to ensure that the tables accurately reflect the defined terms within the condition.

Effect of this change

- 4.14 Updating the formula in Part A, condition 3.11.3, and removing condition 3.11.4, removes the upwards adjustment cap. This means that GDNs can be funded for over delivery of the Tier 1 Services workload.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.15 The other modifications allow this PCD to fund the Tier 1 Services Repex workload for RIIO-GD3.

Special Condition 3.12 [old] Capital projects Price Control Deliverables (CAPt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

4.16 We have decided to remove this licence condition as we are removing the PCD for RIIO-3. At SSMD we said that we expect projects funded under this PCD to be completed by the end of RIIO-GD3. Therefore, we do not consider it is required for RIIO-3.

Effect of this change

4.17 The effect of this modification is that there will be no PCD for capital projects in RIIO-GD3.

Special Condition 3.12 [previously 3.16] Tier 2A mains and services replacement volume driver

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 4; Secure and Resilient Supplies

Decision and reasons for changes

4.18 We have decided to update the dates to reflect the RIIO-GD3 price control period and to update the allowances in Appendix 1 with our cost decisions made at Final Determinations.

4.19 In paragraph 3.12.3 we have decided to amend:

- the term $L_{n,t}$, replacing 'defined as set out' with 'prescribed' and replacing 'covered' with 'prescribed' and;

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- the table, specifically the column ‘Nominal internal diameter of mains decommissioned (inches)’, where we have improved the notation of the diameter bands to make it clearer and easier to read.

4.20 The reason for these changes is to ensure that the language used in the term clarifies the use and function of the table and to clarify the notation of the size bounds of the internal diameter measurement within each band to assist with categorising the mains into the Diameter bands.

Effect of this change

4.21 Updating the dates and allowances will allow the volume driver to fund Tier 2A Mains and Services replacement for RIIO-GD3.

4.22 The clarificatory changes to the term $L_{n,t}$ makes the function of the table in condition 3.12.3 clearer within the licence.

4.23 The effect of the amendment to the table is that the licence condition will be easier to understand and use, further clarifying the revenue attributable to licensees.

Special Condition 3.13 [old] Commercial Fleet Price Control

Deliverable (OTCt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.24 We have decided to remove this licence condition to give effect to our decision to remove this PCD for RIIO-3, as in our SSMD we stated that we considered this activity to be BAU for the GDNs. However, in our Draft Determinations, we proposed a cross-sector Operational Transport Emissions Reduction PCD (for all network companies except National Gas and SHET) as we consider it important to protect consumers and to ensure the delivery of zero emission vehicles (ZEVs) in RIIO-3. We also consider this activity comparable across sectors. Please see the Final Determinations Overview⁷ document for further information.

Effect of this change

4.25 The effect of this modification is the removal of a GD-specific PCD for commercial fleet in RIIO-GD3 and for this to be replaced by the Operational Transport

⁷ [RIIO-3-Final-Determinations-overview.pdf](#)

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Emissions Reduction PCD, which will apply to all network companies except National Gas and SHET.

Special Condition 3.13 [previously 3.17] HSE policy Re-opener (REPt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 4; Secure and Resilient Supplies

Decision and reasons for changes

4.26 We have decided to amend this licence condition to give effect to our decisions in Final Determinations in relation to the scope of the re-opener, and to update it for the RIIO-GD3 period. This includes:

- removing the second trigger from the scope of this re-opener pertaining to Emergency and Repair relating to shift worker fatigue.
- introducing a new trigger, to allow the GDNs to fund programmes of work for the remediation of Legacy Safety Disconnections.
- updating the re-opener windows for trigger 1 which relates to Repex Related HSE Policy areas. There are two windows as there may be multiple changes of this type within the price control, these are 1 – 7 October 2027, and 1 - 7 October 2029.
- introducing one re-opener window for trigger 2 which relates to Legacy Safety Disconnections, for the GDNs to submit applications at the same time to allow for benchmarking.
- amending the dates throughout the licence condition to reflect the dates for RIIO-GD3.

4.27 The reason for removing the Emergency Repair trigger is to reflect that HSE policy on this requirement is now stable, and we think the GDNs have enough information to build these costs into their baseline allowances, so we consider that a re-opener is not needed.

4.28 The new trigger is to allow the GDNs to fund programmes of work for the remediation of Legacy Safety Disconnections, is that we now agree that this programme of work should be funded through this re-opener. We are satisfied that this workload results from a clarification in the HSE's position, and it is reasonable that the GDNs had not been performing disconnections to this standard in the past. We have therefore made changes in the drafting throughout the condition to facilitate this change in scope.

4.29 We also have decided to update the definition of Repex Related HSE Policy Area, to:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

‘means:

- a) government policy related to Repex including under any of the following pieces of legislation:
 - i. the Pipeline Safety Regulations 1996 Regulation 13A;
 - ii. the Gas Safety Management Regulations 1996;
 - iii. the Pressure System Safety Regulations 2000; and
 - iv. the Health and Safety at Work etc Act 1974, or
- b) an established HSE enforcement policy related to Repex.’

- 4.30 This change means that the definition covers more of the HSE mandated changes which in practise will impact the GDNs repex programme costs.
- 4.31 We have also decided to amend the definition of Repex in the licence, which now means ‘replacement expenditure related to the long-term programme of work to replace old and deteriorating mains, risers and services’. We have decided to remove the reference to ‘plastic pipes’ to reflect the fact that pipes may be replaced with pipes of different materials.
- 4.32 Since the Statutory Consultation we have decided to update the defined term ‘Legacy GS(IU)R Disconnections’. All four GDNs raised the fact that the relevant obligation under GS(IU)R, specifically regulation 16(3), sits with the supply licensees rather than the GDNs. We have therefore decided to change the name of this term to ‘Legacy Safety Disconnections’ as suggested, and the definition is now ‘means Safety Disconnections undertaken by licensees before the start of RIIO-GD3 as Simple Disconnections.’ This removes the reference to the disconnections being undertaken under the GS(IU)R regulation.
- 4.33 Since the Statutory Consultation we have decided to update the defined term ‘GS(IU)R Disconnections’. As above, all four GDNs raised the fact that the relevant obligation under GS(IU)R, specifically regulation 16(3), sits with the supply licensees rather than the GDNs. We have therefore decided to change the name of this term to ‘Safety Disconnections’ as suggested, and the definition is now ‘means a disconnection undertaken by the licensee in accordance with its obligations under regulation 14 of the Pipeline Safety Regulations 1996 and in recognition of the overlapping obligation on supply licensees under regulation 16 (3) of the Gas Safety (Installation and Use) Regulations 1998.’ This references the correct regulation under which the GDNs have an obligation, whilst still pointing towards the overlapping obligation on supply licensees, which is also related to disconnections.
- 4.34 These decisions have resulted in changes throughout Special Condition 3.13, and Special Condition 1.1 (Definitions).

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.35 Since the Statutory Consultation we have decided to slightly modify the wording in paragraph 3.13.8(a)i. to remove the requirement that the evidence needs to be 'of enforcement'. This was raised in a comment by Cadent. We agree that the intention of the re-opener is to allow applications where there has been a change to a Repex Related HSE Policy Area (more broadly than enforcement). The updated drafting makes this clearer.

4.36 Since the Statutory Consultation we have amended the wording in paragraph 3.13.7 to allow the Authority to direct additional re-opener windows.

Effect of this change

4.37 The removal of the Emergency and Repair trigger relating to shift worker fatigue means that the GDNs will no longer be able to trigger this re-opener for costs relating to this statutory requirement.

4.38 The introduction of a new trigger relating to Legacy Safety Disconnections means that the GDNs will be able to trigger this re-opener to apply for the recovery of costs when they have agreement in writing from the HSE of changes to programmes of work to remediate Legacy Safety Disconnections.

4.39 Updating the definitions of Repex Related HSE Policy Area, and Repex, ensures the licence is more reflective of practises from HSE and GDNs.

4.40 The updates relating to the re-opener windows in Part B of this condition provides clarity on when GDNs are able to apply to the Authority for an adjustment. Retaining the text allowing the Authority to direct further re-opener windows provides flexibility for the re-opener to be triggered at other times during the Price Control, as directed by the Authority, where necessary.

Special Condition 3.14 [old] Fuel Poor Network Extension Scheme volume driver

Type of change: Removal

Relevant to: All GDNs

Associated document: FPNES Governance Document

Final Determinations Reference: N/A

Decision and reasons for changes

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.41 We have decided to remove this licence condition to give effect to our decision to remove the Fuel Poor Extension Scheme (FPNES) for RIIO-3.⁸ We have also decided to remove the associated FPNES Governance Document.

4.42 In RIIO-GD2, this condition calculated the FPNES adjustment term, adjusting revenue to fund the licensee for connections made under the FPNES. We have decided to remove the FPNES in RIIO-GD3 as the limited funding available for First Time gas Central Heating systems has restricted the use of the scheme and we are not aware of new funding sources becoming available. Due to the limited number of FPNES connections, we do not consider that the administration costs would be proportionate to the consumer benefit of continuing the scheme. We are also mindful of the risks in connecting additional fuel poor households to the gas network and facilitating the installation of natural gas central heating systems while there is uncertainty around the future of gas.

Effect of this change

4.43 The effect of the removal of this licence condition is to remove a redundant condition.

Special Condition 3.14 [previously 3.19] Heat policy Re-opener (HPRAt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.44 We have decided to amend this licence condition to remove the licensee's ability to trigger this re-opener. This would align the licence drafting with our SSMD decision to remove the licensee trigger and make this re-opener Authority triggered only in RIIO-GD3. We consider the Authority trigger is sufficient to account for possible policy changes and ensures that we are satisfied with the impact of change in question, and whether it should be funded via consumers.

4.45 Additionally, we have decided to remove reference to energy efficiency from the definition of Heat Policy Areas as we no longer consider this to be an area of uncertainty following the government's decision to no longer consider imposing energy efficiency responsibilities on GDNs.

4.46 We proposed to include the government's 2026 hydrogen for heat decision within the defined Heat Policy Areas term to enable the Authority to trigger the re-opener

⁸ [RIIO-3 SSMD - GD Annex](#), paragraphs 4.204 - 4.206

Decision RIIO-3 Licence Drafting modifications - reasons and effects

to adjust costs in response to any changes arising from this decision. Following feedback received from Cadent that adding a date to this part of the definition was unnecessarily prescriptive and that the definition did not include other potential heat policy decisions that could be made, we have decided to remove reference to a specific date and modified the definition accordingly.

Effect of this change

4.47 The effect of amending the scope of this re-opener to remove reference to costs associated with energy efficiency and to include the government's decision on hydrogen heat ensures that the mechanism effectively manages the ongoing heat policy uncertainty in RIIO-GD3 by allowing the GDNs to propose adjusted costs in response to any changes.

Special Condition 3.15 [old] Domestic Connections volume driver (CAT)

Type of change: Removal

Relevant to: GD

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.48 We have decided to remove this condition as the Domestic Load Connections allowance subsidy is being removed in RIIO-3. As a result, no funding will be available to the GDNs for this activity.

Effect of this change

4.49 The effect of this change is that this volume driver will not be available in RIIO-3.

Special Condition 3.15 [previously 3.20] Diversions and Loss of Development Claims Re-opener (DIVt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.50 We have decided to amend the timelines for the trigger windows to reflect the RIIO-GD3 Price Control.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.51 The effect of this change is that it will allow the GDNs to trigger the re-opener in year 3 of RIIO-GD3 to recover funding for material additional diversion costs, where applicable.

Special Condition 3.16 [previously 3.22] New Large Load Connections Re-opener (NLLRt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.52 We have decided to amend the timelines for the trigger windows to reflect the RIIO-GD3 Price Control.

Effect of this change

4.53 The effect of this modification is that it allows GDNs to trigger this re-opener during RIIO-GD3 to recover New Large Load Connection costs where applicable.

Special Condition 3.17 [previously 3.24] Specified Streetworks Costs Re-opener (STWt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.54 We have decided to update the timelines to allow GDNs to trigger the re-opener during RIIO-GD3.

4.55 We have decided to allow hazardous waste costs dated from October 2025 to April 2026 to be included within the RIIO-3 Streetworks Re-opener. This is to account for the new Material Classification Protocol that has replaced the existing Environment Agency Regulatory Position Statements (RPS) 298 and 299.

We have added a definition for Material Classification Protocol. This ensures clarity and consistent interpretation for GDNs and the Authority. Effect of this change

4.56 The effect of this modification is that it would allow the GDNs to trigger the re-opener for RIIO-GD3.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.57 This re-opener would allow GDNs to recover Specified Streetworks where applicable and receive funding for the new Material Classification Protocol from October 2025.

Special Condition 3.18 [old] Tier 1 Stubs Repex policy Re-opener (STUBt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.58 We have decided to remove this licence condition for RIIO-GD3. The reason for removing it is because we consider the workloads for Tier 1 Iron stubs are more certain than what they were at the start of RIIO-GD2. Therefore, we have decided to introduce a new condition, Special condition 3.19, that is a Price Control Deliverable to allow funding for the licensees Tier 1 Stubs Repex workload.

Effect of this change

4.59 The effect of these changes is that licensees will be funded for Tier 1 Stubs Repex workloads for RIIO-GD3 through a new PCD licence condition instead of through the Re-opener. Please see our Final Determinations Gas Distribution Annex and paragraphs 4.183 - 4.192 of this document for more information on our decision.

Special Condition 3.21 [old] Multiple Occupancy Buildings safety Re-opener (MOBSt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.60 We have decided to remove this licence condition. As set out in our SSMD, we believe that this re-opener would no longer be appropriate for RIIO-GD3.

4.61 The MOBs Safety Re-opener was established in RIIO-2 to enable the GDNs to respond to any new safety standards imposed on MOBs in response to the then ongoing Hackitt review. As the Hackitt review inquiry has now concluded, we

Decision RIIO-3 Licence Drafting modifications - reasons and effects

proposed in our SSMD to remove this re-opener, as the GDNs will no longer face uncertainties relating to new safety standards resulting from the review.

Effect of this change

- 4.62 The effect of the removal of this licence condition is that there will not be a common re-opener for Multiple Occupancy Buildings safety in RIIO-GD3.
- 4.63 We further set out in our Gas Distribution Final Determinations section on the HSE Policy Re-opener, that we do not consider that non-repex MOBs maintenance costs should be considered under the scope of the HSE Policy Re-opener, and instead these maintenance and upkeep costs can be funded through existing opex allowances.
- 4.64 Changes to HSE legislation or policy which impact the replacement of risers on MOBs will be covered by the HSE Policy Re-opener.

Special Condition 3.23 [old] Smart Metering Roll-out Costs Re-opener (SMRt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

- 4.65 We have decided to remove this licence condition to implement our decision at Final Determinations to remove the Smart Metering Rollout Costs Re-opener for RIIO-3. We consider that the Smart Metering Rollout Costs Re-opener will no longer be needed for RIIO-3 as current government policy remains that suppliers have binding targets to roll out smart meters to remaining customers by the end of 2025. DESNZ is responsible for smart meter policy and once the new policy framework for smart meters is confirmed for 2026 onwards, GDNs will be provided with further clarity.

Effect of this change

- 4.66 The effect of this change is that this re-opener will be redundant for RIIO-3, which means that GDNs will not be able to recover costs associated with smart meter rollout.

Special Condition 3.25 [old] Gas Holder demolitions Price Control Deliverable (GHRt)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: NGN and WWU

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.67 We have decided to remove this licence condition for RIIO-3.

4.68 The reason for this is to reflect our decision in Final Determinations, as we expect projects funded under this PCD to be completed by the end of RIIO-GD2. Therefore, we do not consider it is required for RIIO-3.

Effect of this change

4.69 The effect of this change is that this condition will be redundant as the projects funded through it will be completed before the start of RIIO-GD3.

Special Condition 3.26 [old] Personalising welfare facilities Price Control Deliverable (PWfT)

Type of change: Removal

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.70 We have decided to remove this licence condition for RIIO-3 to give effect to our decision in Final Determinations that we consider this area of work to be BAU for Cadent and will instead provide funding for personalising welfare activities through baseline funding. Therefore, we do not consider a PCD is required for RIIO-3.

Effect of this change

4.71 The effect of this change is that the PCD is no longer required for RIIO-GD3 as licensees will be funded for personalising welfare activities through baselines.

Special Condition 3.28 [old] Intermediate pressure reconfigurations Price Control Deliverable (IPRt)

Type of change: Removal

Relevant to: SGN Scotland

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for changes

4.72 We have decided to remove this licence condition for RIIO-3. The reason for this is to reflect our decision in Final Determinations to remove this PCD as we consider it is not required as we expect SGN Scotland to complete this area of work by the end of RIIO-2.

Effect of this change

4.73 The effect of this change is that the PCD for intermediate pressure reconfigurations will be redundant due to no longer being required.

Special Condition 3.29 [old] Remote pressure management Price Control Deliverable (RPMt)

Type of change: Removal

Relevant to: SGN So

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.74 We have decided to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3. We consider that it is no longer required for RIIO-3 as we expect SGN Southern to complete this area of work by the end of RIIO-2.

Effect of this change

4.75 The effect of this change is that this PCD will be redundant as the works it funded will be completed before RIIO-GD3.

Special Condition 3.29 [previously 3.27] London medium pressure Price Control Deliverable (LMPt)

Type of change: Amendment

Relevant to: Cadent North

Associated document: N/A

Final Determinations Reference: Cadent Annex

Decision and reasons for changes

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.76 We have decided to update the outputs and allowances in Appendix 1 in line with the programme outputs for RIIO-GD3. The updated allowances added reflect our decisions at Final Determinations.

4.77 We have also decided to amend the typographical error in the text which references 'Redundant Asset PCD Table' and to replace it with a reference to 'table located in Appendix 1'.

4.78 Since the Statutory Consultation we have made a correction to a value in Appendix 1 'Outputs: Mains replacement sections'.

Effect of these changes

4.79 These modifications provide clarity on the outputs, delivery dates and allowances the GDNs will be provided to deliver the London Medium Pressure project for RIIO-GD3. The condition also provides a mechanism to claw back any funds not used to deliver the project holding the licensee accountable for any under-delivery for the project.

4.80 Correcting the typographical error ensures that Part C of this licence condition contains the correct reference to Appendix 1 for RIIO-GD3.

Special Condition 3.30 [old] Biomethane improved access rollout Price Control Deliverable (BMLt)

Type of change: Removal

Relevant to: SGN So and Sc

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.81 We have decided to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3 as we consider that it is not required as we expect the work associated with this PCD to be complete by the end of RIIO-GD2.

Effect of this change

4.82 The effect of this change is that this PCD will be redundant, as the works funded by it will be completed before RIIO-GD3.

Special Condition 3.31 [old] Gas escape reduction Price Control Deliverable (GERt)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: SGN So and Sc

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.83 We have decided to remove this licence condition. The reason for this is to reflect our decision in Final Determinations to remove this PCD for RIIO-3 as we do not consider it will be required, as we expect the work associated with this PCD to be complete by the end of RIIO-GD2.

Effect of this change

4.84 The effect of this change is that this PCD will be redundant as the works funded through it will be completed before RIIO-GD3.

Special Condition 4.1 Total output delivery incentive performance

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.85 We have decided to make minor amendments to this condition to reflect the changes to the incentive conditions in Chapter 4 of the licence, as set out in more detail in the section on Special Condition 4.4 [old] Shrinkage Management output delivery incentive.

4.86 We have decided to remove the term SM_t from the formula calculating ODI_t along with its definition in part 4.1.2. This is because we have decided to remove Special Condition 4.4 (Shrinkage Management output delivery incentive) from the licence for RIIO-3, therefore this term is now redundant.

4.87 We have decided to update the definitions in Part A, 4.1.2 of this condition to reflect the numbering changes resulting from the removal of Special Condition 4.4.

4.88 We have decided to add the term $STED_t$ to the calculation of ODI_t and to the definitions in Part A, 4.1.2 of this condition, to reflect the addition of a new licence condition to Chapter 4 - Special Condition 4.6 (7 and 28 day repair standards output delivery incentive).

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.89 Since our Statutory Consultation we have made minor changes to the definitions of UIP_t and $STED_t$ in paragraph 4.1.2 to ensure they refer to the correct title of each relevant licence condition.

Effect of these changes

4.90 The effect of the updates to this condition is that it will reflect the changes to the licence conditions in Chapter 4 ensuring that the ODI_t term is accurate, and the correct numbers are fed into the Totex model.

Special Condition 4.2 Customer Satisfaction Survey output delivery incentive (CSt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex, Chapter 3

Decision and reasons for changes

4.91 We have decided to update the formulae and acronyms associated with each of the 3 Customer Satisfaction (CSAT) elements – planned work, unplanned work and connections - set out in this licence condition to more closely align the GD licence condition with those set out in similar RIIO-ED2 licence conditions, improving consistency across the sectors. Following stakeholder feedback in response to our Statutory Consultation, we have further amended the formulae and acronyms associated with the calculation of “CSCt” under the Connections Element of the Customer Satisfaction Survey to address errors in our previous drafting.

4.92 We have decided to insert tables with company-specific maximum rewards, reward incentive rates, maximum penalties, and penalty incentive rates for each of the 3 CSAT elements, to reflect the change in incentive rate from percentage of base revenue to the equivalent percentage of RoRE.

4.93 We have also decided to introduce a tapered incentive into the Connections Element, with networks eligible for 100% of the incentive at 1500 jobs and 0% of the incentive at 0 jobs. In addition, we have set a minimum survey return threshold of 200. We have decided to make updates to the formula to reflect this. The reason for this is to ensure that financial rewards and penalties are only applied where data is statistically reliable, and to prevent the GDNs from receiving rewards or penalties which we consider are disproportionate to the volume of work delivered. Since our Statutory Consultation, we have amended the formula used to calculate “CSCMT” to address errors in our previous drafting.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.94 We have decided to amend the defined term of “Connections Element” by adding “as defined in the RIGs” to provide additional clarity.

4.95 Since our Statutory Consultation, we have amended the values in Appendices 1-11 to reflect updates in the calculation of the networks’ RoRE.

Effect of these changes

4.96 The changes to this incentive provide the licensees with clarity on how the rewards and penalties will be calculated in relation to its performance under the three CSAT elements in RIIO-GD3.

4.97 In relation to the Connections Element, the tapered financial incentive will reduce the applicable reward or penalty as jobs decrease to ensure the incentive does not become disproportionate to workloads. Should a network not meet the minimum survey returns threshold associated with the Connections element in any given regulatory year, it will be ineligible for the financial incentive associated with this element for this year.

4.98 The effect of changes to the Connections Element formulae and acronyms since our Statutory Consultation is to ensure that the “CSCt” term can be calculated correctly.

Special Condition 4.3 Complaints metric output delivery incentive (CMt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.99 We have decided to update the formula and acronyms associated with the Complaints Metric incentive to reflect our decisions at Final Determinations and facilitate calculation of the incentive using a percentage of RoRE. Since our Statutory Consultation, we have amended the acronym used in Part B to “CMASt” to resolve an error in our previous drafting and to reflect the acronym used in Part A.

4.100 We have decided to insert two tables with company-specific maximum penalties, and penalty incentive rates. This reflects the change in incentive rate from percentage of base revenue to the equivalent percentage of RoRE. We have set out network specific £m values in the tables.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.101 We have decided to update the licence to reflect our SSMD decision that the timeframe for complaints received after working hours should start on the next working day.

4.102 In Part B, we have decided to amend the wording of “...means the percentage of Complaints unresolved...” to “...means the percentage of Complaints which are not Resolved Complaints...”, applying the defined term “Resolved Complaint”. We consider this will improve clarity and ensure consistent reporting under this metric.

4.103 To provide additional clarity, we have decided to amend the definition of “Ombudsman Finding Against The Licensee”. In section (a), we intend to replace “over and above” with “which is greater than”. In section (c), we provide further specificity by amending this to “both (a) and (b).

4.104 We will engage with stakeholders ahead of RIIO-3 to determine what, if any, clarifications are required through the RIGs to ensure the consistent interpretation and application of the terms “Complaint” and “Resolved Complaint”.

4.105 Since our Statutory Consultation, we have amended the acronym used in Appendix 1 to “CMMPt” to address an error in our previous drafting. We have also amended the values in Appendices 1 and 2 to reflect updates in the calculation of the networks’ RoRE.

Effect of these changes

4.106 Updating the formulae and acronyms will more closely align the Complaints Metric licence condition with those set out elsewhere in RIIO-GD3 (e.g. CSAT) and similar RIIO-ED2 licence conditions, improving consistency across the sectors. Amending the acronym used in Part B to “CMASt” will ensure clarity throughout the licence condition. Removing the multiplication “x” from the formulae in 4.3.4 provides consistency throughout the condition.

4.107 Inserting tables with the company-specific rewards and penalties provides the licensees with clarity and certainty about how the incentives will be calculated in RIIO-GD3.

4.108 The effect of the changes is that complaints received between the time of the licensee’s Customer Service Centre closing and 23:59 of the same day will be considered as having been received on the next Working Day for the purposes of calculating the complaints metric.

Special Condition 4.4 [old] Shrinkage Management output delivery incentive (SMt)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.109 We have decided to remove this licence condition. This change implements our decision at Final Determinations to remove the shrinkage incentive for RIIO GD-3. Our rationale is that GDNs can continue to undertake shrinkage reduction activities through their baseline allowances and through the Decarbonisation Project Development (DPD) UIOLI, rather than through a separate incentive. We have also decided to introduce Special Condition 9.12 (Shrinkage and Leakage Model Maintenance) for continued reporting on modelled shrinkage. Therefore, we do not consider this condition is required for RIIO-3 as its objectives will be achieved through alternative mechanisms.

Effect of these changes

4.110 The effect of this change is that the allowances for rewards and penalties calculated through this incentive will be redundant in RIIO-GD3 and a new condition has been added to retain reporting on modelled shrinkage.

Special Condition 4.4 [previously 4.5] Unplanned Interruption Mean Duration output delivery incentive (UIPt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.111 We have decided to amend this licence condition to implement our Final Determination decision to create separate non-MOB and MOB measures for NGN, SGN and WWU. This will provide a consistent and comparable measure of the GDNs' performance. To reflect this, we have added two formulae that would apply to all GDNs for non-MOB and MOB performance measures.

4.112 We have decided to insert two tables (Appendix 3 and 4) with company-specific maximum penalties for non-MOB and MOB measures. This reflects the change in the cap from a percentage of base revenue to the equivalent percentage of RoRE. The tables set out network-specific £m values.

4.113 We also have decided to include a table (Appendix 1) for non-MOB penalty levels. This reflects our Final Determination policy decision to establish common

Decision RIIO-3 Licence Drafting modifications - reasons and effects

non-London performance targets and London-specific performance targets for non-MOBs, to account for network-specific characteristics that are unique to London-based networks.

Effect of this change

4.114 The effect of this modification is to create separate non-MOB and MOB performance measures for all GDNs and to embed a common non-MOB unplanned interruption target for the GDNs for non-London based GDNs. The London-based GDNs will have a different threshold to account for regional effects.

4.115 The modifications provide the means of calculating the penalty that will apply if a GDN breaches its mean duration target for non-MOB and MOBs.

Special Condition 4.5 [previously 4.6] Collaborative streetworks output delivery incentive (CSWt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: Collaborative Streetworks Governance Document

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.116 We have decided to amend this licence condition to give effect to our decisions at Final Determinations to expand the incentive to all GDNs in RIIO-3.

4.117 The modifications include:

- removal of reference to the ENA portal and replaced with FEN innovation portal;
- amendments to the formula to include updated incentive reward rates bands;
- inclusion of new defined terms to update the licence formula eg CSWCt, SCSWP, CSWPT and CSWP;
- include details on the licence status;
- include directions for the eligibility criteria; and
- introduction of minimum project thresholds based on RIIO-2 performance.

4.118 Since our Statutory Consultation we have added Part E to the licence condition, which gives effect to the Collaborative Streetworks Governance Document and the process that must be followed to amend it.

4.119 We have also amended Appendix 1 to reflect our SSMD position to apply the cap across the five-year Price Control period.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of these changes

4.120 The effect of these amendments is to allow all GDNs to access the incentive once a suitable coordinator has been established. GDNs would also have access to an incentive reward rate allowing them to access either an incentive rate based on minimum or strategic projects undertaken.

4.121 The minimum performance thresholds will be based on RIIO-2 performance. This will mean that networks accessing the incentive for the first time will be able access the incentive immediately.

4.122 The introduction of the Collaborative Streetworks Governance Document provides expectations and guidance for GDNs and central coordinators accessing the incentive.

4.123 The cap being applied across the Price Control Period rather than annually will provide flexibility to GDNs and recognises projects that may not be completed within a calendar year.

Special Condition 4.7 [old] Consumer value proposition

Type of change: Removal

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

4.124 We have decided to remove this condition. Its purpose in the RIIO-GD2 licence was to calculate additional revenue for Cadent to deliver outputs based on the Business Plan Incentive (BPI), which were set for RIIO-GD2. These outputs and associated allowances are not being continued into RIIO-GD3, so this condition is now redundant.

4.125 For RIIO-GD3, the BPI decisions are set out in our Final Determinations Document.

Effect of this change

4.126 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 5.1 Total other revenue allowances (ORAt)

Type of change: Amendment

Relevant to: All GDNs

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

4.127 We have decided to make a minor amendment to the definition of the term NIA_t in Part B, to reflect that this term is derived from Special Condition 5.2 (RIIO-3 Network Innovation Allowance). We have also decided to amend the title of Special Condition 5.2 for RIIO-3 as set out in Chapter 3 of this document on cross sector conditions.

Effect of this change

4.128 The effect of this change is to correctly reflect the title of Special Condition 5.2 as referenced in this licence condition, meaning that the allowances can be carried through correctly.

Special Condition 5.4 Vulnerability and carbon monoxide allowance (VCMt)

Type of change: Amendment

Relevant to: All GDNs

Associated document: VCMI Governance Document

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.129 We have decided to introduce a new value, VCMCUT, into the formula for calculating the vulnerability and carbon monoxide allowance. This will give effect to our decision in Final Determinations to introduce minimum ringfenced funding of 3% of total VCMA funding for projects where the GDN or GDNs collaborate with other utilities across energy, water and telecoms through the Cross-Utilities Collaborative VCMA Project allowance, as set out in conditions 5.4.3 and 5.4.6. As a result, we have decided to rename the “Collaborative VCMA Project allowance” as the “GDN Collaborative VCMA Project ring-fenced allowance” in conditions 5.4.3 and 5.4.5 to ensure the different collaborative allowances are accurately reflected.

4.130 We have decided to amend the defined term of “Company Specific VCMA Project”, replacing “which is funded by one person” with “which is funded by one of the following: Cadent Gas Ltd, Northern Gas Networks Ltd, the SGN Group and Wales & West Utilities Ltd”. This will provide additional clarity and improve consistency across the VCMA-related terms.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.131 We have decided to introduce a new defined term of “Cross-Utilities Collaborative VCMA Project”, which “means a VCMA Project in which one or more of the Gas Distribution Networks (Cadent Gas Ltd, Northern Gas Networks Ltd, the SGN Group and Wales & West Utilities Ltd) collaborate with one or more other utilities across energy, water and telecoms”. This will provide clarity following the decision to introduce the Cross-Utilities Collaborative VCMA Project allowance in our Final Determinations.

4.132 We have decided to introduce formula in condition 5.4.6 to calculate the Cross-Utilities Collaborative VCMA Project allowance. We have replicated the approach used to calculate the GDN Collaborative Project Allowance in 5.4.5.

4.133 We have decided to amend the regulatory year referred to in the algebraic formula in 5.4.4, updating it from 2021/22 in RIIO-GD2 to 2026/27 in RIIO-GD3.

4.134 In our July 2025 Licence Consultation, we proposed using a version of the algebraic formula in condition 5.4.5 for deriving the GDN Collaborative VCMA Project allowance that relates to the licensee which conflicted with a contemporaneous licence modification.⁹ Therefore, we have decided to amend this condition to reflect the modified formula currently applied in RIIO-GD2, and update references to the relevant RIIO-GD3 regulatory years.

4.135 We have decided to amend references to the “VCMA Governance Document” to the “VCMI Governance Document” to implement our Final Determinations decision to rename the document as the Vulnerability and Carbon Monoxide Initiatives Governance Document. This reflects its broader scope which will now also include reporting associated with BAU vulnerability and CO safety activities and PSR-related ODI-Rs.

4.136 We have decided to update condition 5.4.12 to provide clarity that proposed changes to the VCMI Governance Document are subject to consultation before modification.

4.137 We have decided to update Appendix 1 which sets out the network allowance figures to give effect to the decisions in our Final Determinations. We have decided to continue to ring-fence 25% of total VCMA funding so that a minimum of 25% of the VCMA is used for GDN Collaborative VCMA Projects. We have also decided to introduce an additional ring-fence of 3% of total VCMA funding so that a minimum of 3% of the VCMA is used for Cross-Utilities Collaborative VCMA Projects. These minimum ring-fenced funds will encourage the GDNs to collaborate and align their approaches to addressing VCMA-related issues with other GDNs and utilities to maximise their impact, while the capped Company Specific allowances will continue to allow GDNs flexibility to address priorities within their network areas. The GDNs will be able to use their Company Specific

⁹ [Decision-on-ET-ED-GT-and-GD-PCFI-and-Licence-Modifications.pdf](#), Section 3.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Allowances to fund both GDN Collaborative and Cross-Utilities Collaborative VCMA Projects.

4.138 Since our Statutory Consultation, we have amended the terminology used throughout the condition to make clear that the Company Specific VCMA Project expenditure allowances are “capped”, and the GDN Collaborative VCMA Project expenditure allowances and Cross-Utilities Collaborative Project expenditure allowances are “ring-fenced”. We have also replaced references to “cap” with the terms “allowance” and “expenditure allowance” throughout the condition to improve consistency.

4.139 Please note, we are consulting on changes to the VCMI Governance Document ahead of RIIO-GD3, in accordance with the provisions outlined in Part B of condition 5.4.

Effect of these changes

4.140 The modifications to the formula and the networks’ VCMA allowance figures give effect to our decisions at Final Determinations to set VCMA funding at £165m and actively encourage greater GDN and cross-utilities collaboration.

4.141 The introduction of the Cross-Utilities Collaborative VCMA Project allowance and corresponding formula is to incentivise collaboration with wider utilities to more effectively support consumers in vulnerable situations.

4.142 The algebra used in 5.4.5 and 5.4.6 will align the RIIO-3 GDN Collaborative and Cross-Utilities Collaborative VCMA Project allowance formulas with the modified RIIO-GD2 formula approach for collaborative funding. The formula used in 5.4.5 for our July consultation did not provide flexibility to enable greater levels of collaboration between the GDNs beyond the ringfenced 25% minimum. Our amendment better reflects our policy goal of fostering greater collaboration among GDNs and wider utilities. The intention is to allow GDNs the flexibility to allocate some of their VCMA allowance from their Company Specific VCMA Project capped expenditure allowance to their ring-fenced GDN Collaborative VCMA and Cross-Utilities VCMA allowance expenditure caps, as specified in Appendix 1, ensuring that individual licensees do not exceed their total expenditure allowance.

4.143 Updating the terminology used in relation to “capped” and “ring-fenced” “allowances” and “expenditure allowances” since our Statutory Consultation will provide further clarity and consistency, and contribute to facilitating the goals outlined in the paragraph above.

Special Condition 6.1 Pass-through items (PTt)

Type of change: Amendment

Relevant to: All GDNs

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: GD Annex

Decision and reasons for changes

4.144 The changes to this licence condition are outlined below under headings which correspond to the different parts of the licence.

4.145 The reasons for these changes are to provide additional clarity, to ensure that all formulas and references have been updated for RIIO-GD3 and to include a new pass-through term for Supplier of Last Resort (SOLR).

Part A: Formula for calculating the allowed pass-through term (PTt)

4.146 We have decided to make a minor change to the wording in Part A for the Pension Scheme Established Deficit repair expenditure (EDEt) for clarity.

4.147 We have decided to remove the definition of Distribution Network Pension Deficit Charge (PDt) and remove the term from the algebraic formula as final payments were made to the NTS for Pension Deficit Charges in 2021. Therefore, the term is not required in RIIO-GD3.

4.148 We have decided to add a new pass-through term for costs associated with SOLR covered under Standard Special Condition A48 (Last Resort Supply: Payment Claims). These costs were previously directed by the Authority under the Miscellaneous pass-through (MPt) term.

Part C: Formula for calculating Third Party Damage and Water Ingress Costs pass-through term (TPWI_t)

4.149 We have decided to amend the paragraph referencing in Part C. Update the reference to paragraph 6.1.10 to 6.1.12, and reference to paragraph 6.1.8 to 6.1.10.

4.150 We have decided to amend the formula for calculating TPWI_t to reflect our decision to reduce the materiality threshold from 1.5% to 0.5%.

4.151 We have decided to amend the licence condition to include an explicit reference to the recovery of GSoP1 and GSoP3 payments through TPWI_t, in order to clarify the inclusion of GSoP1 and to extend the scope of recoverable costs to include GSoP3.

Part D: Formula for calculating the Shrinkage costs pass-through term (SLt)

4.152 We have decided to remove the reference to Part B of Special Condition 4.4 (Shrinkage Management output delivery incentive), as we have decided to remove this condition for RIIO-GD3. We have decided to add a reference here to Part E of this licence (Special Condition 6.1), which is a new part of this licence.

Part E: Formula for calculating the gas price reference cost (GPRCt)

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.153 We have decided to add a new part to this licence condition - Part E. This is the formula for calculating the gas price reference cost, which is required for calculating the Shrinkage cost. This formula has been lifted from Special Condition 4.4, which is being removed for RIIO-GD3.

4.154 We have decided to remove the conversion to real 2023/24 prices in the formula as the pass-through is in nominal terms. We have also decided to amend the reference to Part F of Special Condition 2.1 to Part E of Special Condition 2.1 to reflect changes to the labelling of parts in that licence condition.

4.155 We have decided to remove the definition of PI_t as it is no longer used in the formula and therefore no longer required.

Effect of these changes

4.156 The effect of these modifications is to improve the clarity of the licence and enable the network companies to fully recover any change in costs that are substantially outside of their control directly from customers. The inclusion of a new pass-through term for SOLR removes the need for the Authority to issue a direction for costs associated with this.

Special Condition 7.8 [old] Close out of the RIIO-GD1 Discretionary Reward Scheme (LDRWt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.157 We have decided to remove this licence condition. The RIIO-GD1 Discretionary Reward Scheme (DRS) was in place for RIIO-GD1 to deliver social, carbon monoxide (CO) safety and environmental initiatives beyond those funded directly through the price control but for RIIO-GD2 the social and CO safety elements of the DRS was replaced with a consumer vulnerability package and the environmental aspects of the DRS were also removed. Therefore, the DRS was not available to GDNs in the RIIO-GD2 licence with the purpose of this condition to close out the DRS for RIIO-GD1.

4.158 The reason for removing this close out licence condition is because it is no longer relevant or in the licence for RIIO-3.

Effect of this change

4.159 The effect of this change is to tidy up the licence by removing a redundant condition.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 7.9 Close out of the RIIO-GD1 Broad Measure of Customer Satisfaction Incentive (LBMt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.160 We have decided to remove this licence condition.

4.161 The reason for removing this close out condition is because it is no longer relevant or needed in the licence for RIIO-3 as the Broad Measure of Customer Satisfaction Incentive was replaced in RIIO-GD2 by the Customer Satisfaction ODI-F and Complaints Metric ODI-F.

Effect of this change

4.162 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 7.10 Close out of the RIIO-GD1 Shrinkage Allowance Revenue Adjustment (LSHRt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.163 We have decided to remove this licence condition. The reason for removing this close out condition is because the RIIO-GD1 incentive will no longer be relevant or needed in the licence.

Effect of these changes

4.164 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 7.11 Close out of the RIIO-GD1 Environmental Emissions Incentive (LEElt)

Type of change: Removal

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.165 We have decided to remove this licence condition. RIIO-GD1 included both a shrinkage allowance and an Environmental Emissions Incentive (EEI). These provided enhanced incentives to reduce gas transport losses and network emissions, based on over or underperformance against performance targets.

4.166 In our RIIO-GD2 SSMD, we decided to replace the existing shrinkage allowance and EEI with a different, three-part approach – an ODI-F, an ODI-R and bespoke ODIs.

Effect of these changes

4.167 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 7.12 Close out of the RIIO-GD1 Fuel Poor Network Extension Scheme Incentive (FPIt)

Type of change: Removal

Relevant to: All GDNs

Associated document: FPNES Governance Document

Final Determinations Reference: N/A

Decision and reasons for changes

4.168 We have decided to remove this licence condition as the FPNES Incentive was removed in RIIO-GD2 and, therefore, this close out mechanism is no longer relevant or required in RIIO-3.

Effect of these changes

4.169 The effect of this change is that it will remove a redundant condition.

Special Condition 7.13 Close out of the RIIO-GD1 Exit Capacity Cost Adjustment (LExt)

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for changes

4.170 We have decided to remove this closeout licence condition as it applies to RIIO-GD1 cost adjustment which is no longer required or needed in the RIIO-3 licence.

Effect of these changes

4.171 The effect of this change is to tidy up the licence by removing a redundant condition.

Special Condition 9.10 Restriction of prices in respect of Tariff Capped Metering Activities

Type of change: Removal

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.172 We have decided to remove this licence condition, along with the corresponding Special Condition 9.16 in the Gas Transmission licence.

4.173 Traditional gas metering obligations have historically been embedded within the Gas Transporter Licence, requiring GDNs and National Gas to provide metering services under regulated conditions. These obligations were introduced to ensure continuity and consumer protection during the national smart meter rollout. With the rollout now substantially complete and the current licence conditions due to expire on 31 December 2025, we recently consulted on the most appropriate framework for the future of these metering services beyond this date. Our decision is to transition from regulated obligations to a voluntary agreement from January 2026.¹⁰ This approach aims to balance flexibility for industry participants with robust consumer protection, supporting innovation and efficiency in metering services while avoiding unnecessary regulatory burden.

4.174 This means that Special Condition 9.10 will expire on 31st December 2025, and will no longer be in effect.

Effect of these changes

4.175 Removing this condition means that GDNs will operate under the voluntary arrangements decided on, rather than under licence obligation.

¹⁰ [Future of gas transporter traditional metering obligations post-2025 | Ofgem](#)

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 9.12 [old] HyNet Front End Engineering Design Price Control Deliverable (Hyt)

Type of change: Remove

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.176 We have decided to remove this licence condition for RIIO-3 to reflect our decision at SSMD as we expect and still consider that the work associated with this PCD will be completed by the end of RIIO-GD2.

Effect of these changes

4.177 The effect of this change is to remove a redundant PCD as the works funded through it will be completed before RIIO-GD3.

New Conditions for the Gas Distribution Sector

Special Condition 3.18 [new] Safety Disconnections Volume Driver (GDVD_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.178 We have decided to include a new licence condition to introduce a volume driver to provide a mechanism for adjusting revenue to fund the GDNs for disconnections carried out under the Gas Safety (Installation and Use) Regulations 1998 (GSUIR).

4.179 The reason for introducing this new condition is due to the uncertainties around the volumes of disconnections over the RIIO-3 price control period. A volume driver ensures that funding can flex in line with actual disconnection volumes.

4.180 Since the Statutory Consultation we have changed the wording in paragraph 3.18.2 to remove reference to GSIUR Disconnections and instead refer to Safety Disconnections. The title of the condition has also been modified as Safety Disconnections is now a defined term. This is to clarify, following responses from

Decision RIIO-3 Licence Drafting modifications - reasons and effects

all GDNs, that the licensees do not have obligations under the GSIUR regulations. More information about this can be found in the section of this document relating to Special Condition 3.13 HSE policy Re-opener.

4.181 Since the Statutory Consultation we have slightly amended the wording in the definition of Complex Disconnection, replacing 'practically possible' with 'reasonably practicable' for consistency and clarity.

Effect of these changes

4.182 The intention is to provide the GDNs with the appropriate level of funding for Safety Disconnections in the event that the disconnection volumes differ from forecast levels. Safety Disconnection means a disconnection undertaken by the licensee in accordance with its obligations under regulation 14 of the Pipeline Safety Regulations 1996 and in recognition of the overlapping obligation on suppliers under regulation 16 (3) of the Gas Safety (Installation and Use) Regulations 1998. This mechanism avoids under- or overfunding and supports compliance with safety legislation without creating unnecessary cost risk for consumers.

Special Condition 3.19 [new] Tier 1 Stubs decommissioning PCD (STBD_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: Gas Distribution Annex; Chapter 3; Secure and Resilient Supplies

Decision and reasons for changes

4.183 We have decided to include a new licence condition to introduce a common mechanistic Price Control Deliverable to allow funding for the delivery of the decommissioning of Tier 1 Iron Stubs. We think that a PCD is the best mechanism for funding this workload in RIIO-GD3, as it allows protection for consumers if the proposed workload is not met.

4.184 This new condition splits the workload into two categories:

- Tier 1 Stubs Decommissioned means Tier 1 Stubs which have been physically removed or made safe by one of the following replacement designs:
 - (a) Insertion
 - (b) Replacement by open cut
 - (c) Remote foam bagging

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- (d) Parent main cut-out
- (e) Other approved replacement design
- Tier 1 Stubs Investigated But Not Decommissioned means instances where a Tier 1 Stub has either:
 - (a) Been identified in off-site processes, but upon on-site investigation (e.g. digging) has not been found, or
 - (b) Has been found on-site, but has been determined to be suitable, in alignment with HSE criteria, to be left in-situ.

4.185 This condition specifies the workload of Tier 1 Iron Stubs under each category for each GDN, along with allowed unit costs for each category for each GDN.

4.186 There is an upwards adjustment mechanism for the Tier 1 Stubs Decommissioned workload, meaning GDNs can be funded for over delivery on this workload. This is because the GDNs will need to decommission all Tier 1 Stubs by 2032, and allowing over delivery may lead to a more efficient programme overall.

4.187 There is no upwards adjustment mechanism on the Tier 1 Stubs Investigated But Not Decommissioned, meaning there is a maximum number of interventions of this type that the GDNs can be funded for. This is because we do not think GDNs should be funded for over delivering this type of workload.

4.188 For both categories of workload there is a clawback mechanism meaning that any under delivery will be accounted for in final allowances when the PCD is assessed at the end of the price control period.

4.189 Since the Statutory Consultation we have decided to amend the formula in 3.19.7. This is because the formula as previously drafted would only yield a positive number, regardless of whether the licensee over-delivered or under-delivered on their target workload of Tier 1 Stubs decommissioned, meaning there would always be a downwards adjustment to the overall allowance. Cadent suggested an alternative drafting which we have accepted, and we are satisfied the formula now works.

4.190 We have further corrected some of the numbers in Appendix 3 to better reflect the year on year and total forecast of Tier 1 Stubs investigated but not found submitted by Cadent.

4.191 We have also added some wording to paragraph 3.19.5 to clarify the workloads, and which Appendix they are in.

Effect of these changes

4.192 This new PCD provides clarity on the outputs, delivery dates and allowances the GDNs will be funded to deliver the workloads of Tier 1 Iron Stubs decommissioning, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered during RIIO-3. It also protects

Decision RIIO-3 Licence Drafting modifications - reasons and effects

consumers by clawing back funding in the event that a GDN does not deliver its workload within the price control period.

4.193 The update to the formula in 3.19.7 means that where licensees over-deliver on their Tier 1 Stubs decommissioning target workload, there is an upwards adjustment to the allowance to reflect that. Conversely, any under-delivery against this target workload will result in a claw back of the allowance.

Special Condition 3.20 [new] General Reinforcement Re-opener (GRCR_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.194 We have decided to introduce a new re-opener after GDNs raised concerns that general reinforcement projects would not meet the capacity or materiality threshold of the New Large Load Connections re-opener and therefore would not be able to apply to recover additional costs incurred for these projects through the existing scope.

4.195 We have therefore introduced a dedicated new re-opener which allows the GDNs to group smaller eligible reinforcement projects together in order to meet the materiality threshold to trigger the re-opener providing the GDNs the ability to apply for the recovery of costs for these projects.

4.196 We have updated this condition following feedback received to remove the wording 'specific'. This is to ensure that there is clarity that this re-opener only applies to general reinforcement works carried out and not to specific reinforcement. We have also updated the definition for general reinforcement to provide further clarity that not all general reinforcement work is required due to connections and have therefore removed the reference to expenditure that cannot be recovered through the connection charge, amending this to 'any other charge' to reflect this.

4.197 We have removed the wording 'the Authority' in relation to how this re-opener can be triggered. This is consisted with our Final Determinations decision with only the licensee triggering the reopener.

Effect of these changes

4.198 This new re-opener enables the GDNs to apply for the recovery of costs related only to general reinforcement projects undertaken to enhance network capacity

Decision RIIO-3 Licence Drafting modifications - reasons and effects

and reliability that fall outside the scope of the New Large Load Connections re-opener.

4.199 Removing the ‘Connections Charge’ to ‘any other charge’ allows the re-opener to be more flexible and better aligned with the new General Reinforcement definition. It ensures GDNs can apply for costs recovery for General Reinforcement activities that are not customer driver and where expenditure may not relate to connection charges at all.

Special Condition 3.21 [new] Biomethane Distributed Entry Reinforcement use it or lose it allowance (BDER_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: Biomethane UIOLI Governance Document

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.200 We have decided to introduce a new licence condition setting up a use it or lose it (UIOLI) mechanism to allow funding for activities to address capacity constraint issues associated with new or existing Biomethane Connections to the distribution network.

4.201 The licence condition specifies the scope of the UIOLI, along with the allowed costs to be funded per connection. The scope of this condition enables the allowance to be used to fund reinforcement activities incurred from new or existing Biomethane entry connections. The allowance may also be used to support projects associated with Green Gas Support Scheme (GGSS)-supported sites as well as sites already connected to the distribution network that are looking to expand.

4.202 We have decided to introduce a condition which enables the Authority to conduct a review of the licensee’s management of Biomethane in year two of the price control if it considers necessary. The reason for introducing this is to account for any changes to government funding schemes for Biomethane or significant market or technological developments that may take place during the Price Control Period.

4.203 We have also decided to introduce the Biomethane UIOLI Governance Document which sets out the governance and administration of the UIOLI allowance, the eligibility criteria for UIOLI expenditure incurred, reporting obligations which the licensee must meet, and the cap level that each project must not exceed.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.204 Following feedback received from Cadent, we have decided to amend the definition of UIOLI in Chapter 1 of the licence to make reference to the Biomethane Distributed Entry Reinforcement licence condition and its associated governance document. We have made this amendment to ensure that the definition accurately reflects all the UIOLI conditions. Effect of these changes

4.205 The introduction of this new UIOLI will provide GDNs with quick and flexible access to funding when required by the GDNs to facilitate new and existing Biomethane Connections. The review period enables the Authority to review the appropriateness and size of the UIOLI mechanism if there are changes to government funding schemes. This mechanism protects consumers in the event that a GDN does not deliver new Biomethane Connections.

Special Condition 3.22 [new] Complex Distribution Systems Re-opener (CDS_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 4

Decision and reasons for changes

4.206 We have decided to introduce a new common re-opener to enable GDNs to apply for funding for any additional costs incurred relating to the replacement of assets within Complex Distribution Systems 'CDS'. The re-opener will be licensee triggered only with the re-opener window set mid-way through the price control to allow GDNs time to develop CDS programmes.

4.207 The reason for introducing this re-opener is to give effect to our decision in Final Determinations to introduce a new common re-opener for CDS work for RIIO-GD3 rather than it being funded through the NARM mechanism. This is due to the unique nature of CDS assets which are not currently covered by the NARM methodology. The re-opener outlines the scope, what GDNs should include in an application, the re-opener window, and the steps the authority will take in directing an adjustment to the term.

4.208 Further updates to this condition were made following a Licence Drafting Working Group in October 2025, expanding the scope of the reopener to include 'assets' within the definition of CDS rather than it just specifically applying to risers and laterals, recognising that there are other essential components of CDS which may need replacing as well as updating the definition of Complex Distribution Systems.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.209 We have decided to make further amendments to the definition of Complex Distribution System, based on feedback received from WWU and Cadent.

4.210 WWU suggested that we amended part (a) of the definition as 'extended lengths of pipework' could be subjective, and may mean that some CDS site work is not able to be included. We agree and so have updated that part of the definition to be '(a) There are extended lengths of pipework and other gas network owned infrastructure e.g. pipework or valves, installed on, in, along, or over the building,'.

4.211 Cadent suggested that the definition could exclude some buildings that should be in scope, for instance hospitals with extended and complex lengths of pipework but less than three meter points. We agree, and have included 'and/or' between the two bullet points to avoid the need to fulfil both bullet points in every case. These changes can be found in Special Condition 1.1.

4.212 Following feedback received we have further decided to amend the wording in paragraph 3.22.5 to enable the Authority to direct additional re-opener windows.

Effect of these changes

4.213 The effect of introducing this licence condition is that GDNs will be able to apply for an allowance for any additional costs incurred for Complex Distribution Systems which are in poor condition and need assets replacing, once the scope and costs of these are better understood, therefore providing protection to consumers and the GDNs.

Special Condition 3.23 [new] Flow-weighted average calorific value (FWACV) Compliance Price Control Deliverable (FLOT)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Decision and reasons for changes

4.214 We have decided to include a bespoke PCD to allow funding for Cadent's design and installation of 28 FWACV systems to replace current FWACV systems.

4.215 Cadent's FWACV compliance project aims to upgrade aging FWACV systems to modernise all its systems to the same standard. Modernising these systems with ultrasonic meters would provide improved accuracy and reliability and reduce the likelihood of service disruptions. It also aims to provide adaptability, which would support the integration of renewable gases, such as biogas and hydrogen, into the energy system.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of these changes

4.216 The effect of this new condition is to specify the outputs, delivery date and allowances for Cadent, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered. The condition also provides a mechanism to claw back any funds which were not used to deliver the project holding it accountable for any under-delivery for the project.

Special Condition 3.24 [new] Grays medium pressure Price Control Deliverable (GMP_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Decision and reasons for changes

4.217 We have decided to introduce a new condition to give effect to our decision in Final Determinations to establish a bespoke PCD for the delivery of Cadent's project to replace 42.5km of its medium pressure network in its North London network during RIIO-3.

Effect of these changes

4.218 The effect of this new condition is to specify the outputs, delivery date and allowances for the Grays Medium Pressure deliverable, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered during RIIO-3. The licence condition also provides a mechanism for clawing back any funds not used to deliver the project and also holds GDNs accountable for any under delivery for the project.

Special Condition 3.25 [new] Tinsley viaduct diversion Price Control Deliverable (TVD_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 2

Decision and reasons for changes

4.219 We have decided to introduce this new condition to implement our decision in Final Determinations to establish a bespoke PCD for the delivery of Cadent's

Decision RIIO-3 Licence Drafting modifications - reasons and effects

project to decommission and divert two intermediate pressure pipelines located on the underside of the M1 Tinsley Viaduct which are in poor condition.

Effect of these changes

4.220 The effect of this new condition is to specify the outputs, delivery date and allowances for the PCD, and the formula that will be used to calculate an end of period adjustment to reflect the actual workload delivered. The condition also provides a mechanism to claw back any funds not used to deliver the project, whilst also holding the licensee accountable for any under delivery of the project.

Special Condition 3.26 [new] London subways and tunnels Re-opener (LST_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex; Chapter 4

Decision and reasons for changes

4.221 We have decided to introduce a new condition to implement our decision in Final Determinations to establish a bespoke re-opener to allow for the recovery of uncertain costs relating to additional engineering costs arising from compliance with specified legislative requirements relating to London Subways and Tunnels which are not part of the normal Tier 1 Iron Mains decommissioned workload.

4.222 The licence condition also requires the licensee to submit clear justification for the needs case, engineering justification statement, risk assessments and CBA.

Effect of these changes

4.223 The effect of this new condition is to provide Cadent with the opportunity to apply for an adjustment to the London Subway and Tunnels (LST_t) term as a result of any additional engineering costs which they may incur as a result of complying with the specified legislative requirements for London Tunnels and Subways.

Special Condition 3.27 [new] South London mains Price Control Deliverable (SLM_t)

Type of change: New Condition

Relevant to: SGN

Associated document: N/A

Final Determinations Reference: SGN Annex; Chapter 2

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for changes

4.224 We have decided to introduce a new condition to implement our decision in Final Determinations to establish a bespoke PCD to allow funds for SGN to deliver the replacement of 15km of iron mains for its South London Mains network and to hold SGN to account on delivering this project.

Effect of these changes

4.225 The effect of this new condition is to specify the outputs, delivery dates and allowances for the PCD and to specify the formula to calculate the recovery of associated allowances for any non-delivery of the PCD outputs. This condition also provides a mechanism for clawing back any funds not used to deliver the project.

Special Condition 3.28 [new] Full site and system rebuilds Price Control Deliverable (FSR_t)

Type of change: New Condition

Relevant to: SGN

Associated document: N/A

Final Determinations Reference: SGN Annex

Decision and reasons for changes

4.226 We have decided to introduce a new condition to implement our decision at Final Determinations to establish a bespoke evaluative PCD to provide funding for 16 Full Site and System Rebuild projects across SGN's network, which involves the replacement of critical systems within a pressure reduction station (PRS) along with associated civils upgrades to accommodate the rebuild.

4.227 Between the July Consultation and the Statutory Consultation we added Welling PRS project in the outputs table. We have specified the site names for the Full Site and system rebuilds programme in Appendix 1.

Effect of these changes

4.228 The effect of this new condition is to specify the outputs, delivery dates and allowances for the 16 Full Site and System Rebuild projects. It also specifies the formula to calculate the recovery of associated allowances for any non-delivery of the PCD outputs and provides a mechanism for clawing back any funds not used to deliver the project protecting consumers in the event that a project is not delivered.

Special Condition 3.30 [new] Mandated category 3 security Price Control Deliverable and Re-opener (MDS_t)

Type of change: New Condition

Relevant to: Cadent

Associated document: N/A

Final Determinations Reference: Cadent Annex

Decision and reasons for changes

4.229 We have decided to introduce a new evaluative PCD to allow funding for Cadent's works to upgrade or refresh a number of sites to Critical National Infrastructure Category 3 Security specification.

4.230 The licence condition specifies the outputs, delivery dates and associated allowances for the sites.

4.231 We have also decided to establish a re-opener through this condition to allow Cadent to apply for funding for additional specified sites which have not yet been fully scoped.

4.232 We have decided on a single re-opener window for Cadent to apply to the re-opener. We think a single window is sufficient given that the scoping work is currently underway.

4.233 Since the Statutory Consultation we have amended the wording in paragraph 3.30.7 to allow the Authority to direct additional re-opener windows.

Effect of these changes

4.234 The effect of the PCD section of this licence condition is that it specifies the outputs, delivery dates and allowances for Cadent to deliver works to ensure the security of a number of sites. The PCD further provides consumers protection by enabling us to claw back funding at the end of the price control if the outputs have not been delivered.

4.235 The effect of the re-opener section of this licence condition is that Cadent will be able to apply for funding for costs incurred for works undertaken on further sites once they have been fully scoped.

Special Condition 3.31 [new] Pipeline replacements Price Control Deliverable (WWU)

Type of change: New Condition

Relevant to: WWU

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: WWU Annex; Chapter 2

Decision and reasons for changes

4.236 We have decided to introduce a bespoke PCD to allow funding for WWU's Pipeline Replacement project which aims to replace the existing HS007 and HW009/HW010 pipelines (the latter two are considered a single pipeline as they are contiguous).

4.237 WWU confirmed in its Engineering Justification Paper (EJP) that these two pipelines are at the end of their asset lives and no longer meet construction standards, therefore replacement is required to ensure that a safe and reliable network is maintained. We agree with WWU's assessment of these pipelines. They supply approximately five thousand customers, and they are in a demonstrably poor condition. We consider it highly likely that they will be required for a long period of time. The scope of the project was well defined, and the cost breakdown was robust.

4.238 This PCD includes a claw back mechanism which provides protection to consumers as it enables the Authority to clawback any funds which are not used to deliver the project.

Effect of these changes

4.239 This new PCD provides clarity on the outputs, delivery dates and allowance for WWU to deliver the workloads for its Pipeline Replacements to ensure a safe and reliable network, whilst also holding it accountable for any under-delivery for the project.

Special Condition 3.32 [new] GD2/GD3 crossover adjustment (GD2ACAt)

Type of change: New Condition

Relevant to: All GDNs

Associated document: GD2/GD3 Crossover Guidance and Submission Requirements (to follow)

Final Determinations Reference: N/A

Decision and reasons for changes

4.240 We have decided to introduce the term GD2ACAt to establish a crossover mechanism for projects initiated under the RIIO-GD2 licence that will require funding during the RIIO-3 period under terms being removed from the RIIO-GD3 licence.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.241 Crossover items include outputs, Price Control Deliverables, or activities that are funded in full or in part by a mechanism specified in the RIIO-GD2 licence, and the delivery of which has incurred or is expected to incur costs during the RIIO-GD3 period.

4.242 The GD2ACAt term will provide a clear pathway for the provision of said funding under RIIO-GD2 terms that are not being retained within the RIIO-GD3 licence.

4.243 The condition will specify the terms that were in the RIIO-GD2 licence which have not been retained in the RIIO-GD3 licence. It will specify the process the Authority will follow to make changes to the allowance values in Appendix 1 of the condition.

4.244 The equivalent condition in the Electricity Transmission licence sets out the circumstances in which the Authority may modify values by Statutory Consultation and the principles it will apply when doing so. Since the Statutory Consultation, we have made changes to this Special Condition to align it with the equivalent Electricity Transmission licence provisions.

4.245 In summary, we have:

- removed the terms GD2FPAt, GD2CAt, GD2SMRt, and GD2Hyt as they will not and cannot lead to any rollover of funding between RIIO-GD2 and RIIO-GD3.
- included the terms GD2RDFt, GD2NZt and GD2NZPt as their RIIO-3 equivalent terms have different names.
- amended the names of the terms CROT_t, CROTRE_t, CRIT_t and CRITRE_t to reflect the names of the terms in the licence.
- amended the wording referring to the RIIO-GD2 licence in each definition of the terms from “of the RIIO-GD2 licence in force from April 2021 to March 2026” to “of the RIIO-GD2 licence in force on 31 March 2026” to ensure clarity and alignment with the rest of the licence.
- introduced Part C, which specifies the definition of a GD2/GD3 Crossover Item, and the scope of any adjustments made to values in Appendix 1.
- introduced Part D to discuss the GD2/GD3 Crossover Submission Requirements and Guidance Document which will be published in due course. It specifies the process the Authority will follow when amending the GD2/GD3 Crossover Submission Requirements and Guidance.
- introduced Part E to clarify what the licensee is funded to deliver through this condition.
- introduced Part F to explain the assessment of outputs for the term GD2R_t and included the definition for the term GD2R_t, which has also been added to the formula, to clarify what is being referred to in Part F.
- introduced Part G to set out the process the Authority will follow when making a direction.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- inserted an Appendix 2 to detail the outputs for each licensee, and included reference to Appendix 2 in 3.32.3, 3.32.4, and 3.32.5 to ensure clarity.
- introduced two new definitions related to this condition, namely 'GD2/GD3 Crossover Item' to reflect the meaning of the items included in the crossover adjustment, and 'GD2/GD3 Crossover Submission Requirements and Guidance' to provide clarity to networks when using the condition.

Effect of these changes

4.246 The new term will ensure that allowances associated with crossover from RIIO-GD2 to RIIO-GD3 are appropriately captured within the RIIO-GD3 licence framework. It will not introduce any additional funding to GDNs.

4.247 The term provides a mechanism for projects started during the RIIO-GD2 period to be completed in the RIIO-GD3 period, where the funding mechanisms no longer exist to cover the remaining efficient costs.

4.248 The changes we have made since the Statutory Consultation will ensure consistency in the adjusting the allowed revenues across the sectors.

Special Condition 4.6 [new] 7 and 28 day repair standards output delivery incentive (STED_t)

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.249 We have decided to introduce a new condition to implement our decision in Final Determinations to introduce a new ODI-F to incentivise GDNs for the timely completion of outstanding gas repairs, as we consider that performance in this area has declined during RIIO-GD2.

4.250 The minimum standards are set out in table 1 of the condition that the GDNs must meet for repairs which are carried out within 7 and 28 days. These performance targets have been set at the industry average based on GDN performance in the first four years of RIIO-GD2.

4.251 A penalty will be imposed on GDNs in accordance with the penalty thresholds set out in Appendix 1 of the licence for repairs that have not been completed within these periods, and which do not meet the threshold set for both metrics.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.252 Following responses received from the GDNs highlighting an error in the formula, we have updated the algebra to ensure the correct calculations of the value of the SDRt term and the TDRTt term. Effect of these changes

4.253 The effect of this condition is to incentivise improvements in the GDNs performance on outstanding gas repairs and to guard against the risk that performance falls below the standard achieved by the end of RIIO-GD2. In addition, the introduction of a penalty for poor performance should encourage timely repairs of methane leaks from the network and restore repair standards to previously achieved levels for consumers.

4.254 The corrections to the formula enables the correct calculation of performance below the required standard receiving no penalty.

Special condition 9.12 [new] Shrinkage And Leakage Model Maintenance

Type of change: New Condition

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for changes

4.255 We have decided to include a new licence condition to retain the Shrinkage and Leakage Model (SLM) maintenance requirement, formerly part of the Special Condition 4.4 shrinkage management output delivery licence condition which we have decided to remove. We have decided to introduce this as a separate licence condition to ensure the GDNs retain and have a SLM in place in order to be able to meet the Annual Environmental Report (AER) requirements set out in Special Condition 9.1 for GDNs to continue reporting on modelled shrinkage in RIIO-3. The AER must be prepared in accordance with the Environmental Reporting Guidance, which in turn currently references the SLM.

4.256 We have decided to include a new definition, 'RIIO-GD3 Mechanisms and Commitments', to reflect activities and/or projects funded in RIIO-3 through mechanisms such as the Decarbonisation Project Development (DPD) UIOLI (previously named NZARD) and the Small Decarbonisation Projects (SDP) Re-opener (previously named NZASP). This definition also encompasses targets reported within the AERs as part of the GDNs' Environmental Action Plan (EAP) commitments, which require a modelled estimate or report of shrinkage.

4.257 Since the Statutory Consultation, we have decided to make an amendment to the definition of 'Shrinkage and Leakage Model', based on feedback received from

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Cadent. The updated definition includes some additional contributors to shrinkage and leakage which reflects a more accurate view of the issue.

Effect of these changes

4.258 The effect of this new condition is to ensure GDNs continue to have a SLM in place and maintained in RIIO-3. This will enable them to meet their reporting requirements under the AER to continue reporting on modelled shrinkage. This will eventually be complemented by observed measures once available through the rollout of the Digital Platform for Leakage Analytics (DPLA) and associated Advanced Leakage Detection (ALD) technologies.

Special condition 9.13 [new] Implementation of the Digital Platform for Leakage Analytics (DPLA)

Type of change: New Condition

Relevant to: Cadent

Associated document: Terms of Reference for the DPLA Working Group

Final Determinations Reference: GD Annex; Chapter 3

Decision and reasons for changes

4.259 We have decided to introduce a new licence condition requiring Cadent to implement the DPLA in accordance with a direction issued by the Authority in year three of RIIO-GD3. The DPLA seeks to replace the existing Shrinkage and Leakage Model (SLM) to improve shrinkage reporting and to enable the GDNs to optimise their maintenance and repair operations to further reduce leakage.

4.260 The purpose of introducing this condition is to ensure that the DPLA is rolled out consistently across all GDNs by requiring Cadent to provide the Authority with the necessary information to assess and direct implementation of the DPLA in a manner that provides the best value for consumers. Otherwise, there exists a possibility that Cadent could implement the DPLA in a different manner to the other GDNs. This would pose a risk to a potential Shrinkage ODI-F in RIIO-GD4, which requires a consistent rollout of the DPLA.

4.261 This new condition will require Cadent to establish and maintain a DPLA Working Group in accordance with associated Terms of Reference. The DPLA Working Group will provide an impartial and comprehensive view on whether the DPLA should be implemented fully or partially.

4.262 Cadent will be required to deliver outputs set out in Appendix 1 of the condition, which includes submitting a comprehensive cost-benefit analysis and its own views on whether there should be a Full Rollout or Partial Rollout of the DPLA, and its reasoning. It also includes the creation and maintenance of the DPLA Working Group, and the submission of the DPLA Working Group's recommendation for

Decision RIIO-3 Licence Drafting modifications - reasons and effects

whether a Full Rollout or Partial Rollout of the DPLA should be implemented. We are introducing these outputs as the Authority requires more detailed and comprehensive data and information to assist it with its assessment of whether a Full Rollout or a Partial Rollout of the DPLA is appropriate.

4.263 The condition will enable the Authority to direct either a Full DPLA Rollout or Partial DPLA Rollout following its assessment of the submitted outputs. The decision is solely at the Authority's discretion, and it can reject both Cadent's recommendation and that of the DPLA Working Group where appropriate. A Full DPLA Rollout would require Cadent to continue using both components of the DPLA, which are the probabilistic modelling component for monitoring, forecasting, and analysing leakage across intermediate and high pressure networks, and observed measurement via in-field sensor data for its low and medium pressure networks. In contrast, a Partial DPLA Rollout would limit Cadent's DPLA use to the observed measurement component of the DPLA, for its low and medium pressure networks, with it reverting to the Shrinkage and Leakage Model (SLM) for its modelling of intermediate and high pressure networks.

4.264 In response to feedback, we have decided to revise the definition of Partial DPLA Rollout within the RIIO-3 licences to provide greater flexibility, adding the option for the Authority to direct any form of implementation that is not the Full DPLA Rollout as part of the Partial DPLA Rollout, as suggested by NGN. This allows the Authority to remain flexible as new information emerges from the DPLA Working Group's findings. We have also decided to amend the definitions for Full DPLA Rollout and Partial DPLA Rollout to be more specific regarding its different components, adding clarity regarding above ground installations and reducing the potential for future constraints.

4.265 Cadent responded to our consultation asserting that the delivery date of the DPLA Working Group should be moved from 1 April 2026 to 1 October 2026, to account for the time required to engage with the parties involved, and review the terms of reference. We agree with the premise of Cadent's request, however we disagree with the suggested date of 1 October 2026. We have decided to amend the delivery date to 1 July 2026 as we consider this provides enough time for the licensee to finalise its development of the working group.

4.266 Lastly, we have decided to update the licence definition for the Digital Platform for Leakage Analytics. We agreed with Cadent, NGN and SGN in their assertions that the existing definition was too narrow and did not need to explicitly name the technology provider. We have therefore removed reference to the provider and expanded the definition to explain the purpose and benefits of the DPLA, namely that it provides a single point for combining network asset emissions data, supports intervention decisions and enables standardised, measurement-based reporting of gas leakage and shrinkage.

Effect of these changes

Decision RIIO-3 Licence Drafting modifications - reasons and effects

4.267 The effect of this new condition is that it establishes the specific outputs required by the Authority to undertake its assessment on whether a Full Rollout or Partial Rollout of the DPLA is appropriate and enables the Authority to decide and direct Cadent on the type of rollout it considers is in the best interests of consumers and provides consistency in the rollout amongst GDNs. It establishes the Authority's assessment process and that the type of rollout of the DPLA can only be decided by direction of the Authority.

GD Special Conditions where there is no change from RIIO-2

4.268 There is one condition that we have identified in RIIO-2 which we have decided to retain without any material amendments to the wording:

- Special Condition 9.10 [previously 9.11] Gas conveyed to Independent Systems (SGN Scotland and WWU)

4.269 GDNs can refer to the RIIO-3 Decisions on the Licence Modifications GT Section 6.84 - 6.86 for further information.

5. Gas Transmission Special Conditions

Changes to Gas Transmission Special Conditions

Special Condition 3.9 Bacton terminal site redevelopment Price Control Deliverable (BTR_t)

Type of change: Amendment (Special Condition 3.10 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

- 5.1 We have decided to remove the Re-opener part of this condition to give effect to our decision in our Final Determinations. We have decided that this condition is now an Evaluative PCD licence condition to hold National Gas to account for delivery of the Bacton terminal site redevelopment works.
- 5.2 As set out in our Final Determinations, the Bacton terminal site redevelopment Price Control Deliverable will allow the licensee to complete the asset health related refurbishments at Bacton terminal, submitted to us for approval as part of the RIIO-GT2 Re-opener. To enable this, we have inserted a new provision in Part D of this licence condition to allow us to determine baseline allowances for the Bacton Terminal site redevelopment project in RIIO-GT3.
- 5.3 Currently, the BTRO_t term exists in RIIO-GT2 Special Licence Condition 3.10 (Bacton Terminal Site Redevelopment Re-opener and Price Control Deliverable), which enables us to direct changes to the baseline allowances for the project. To enable cross-period funding, we have decided to retain the BTRO_t term in the RIIO-GT3 Special Condition and specify that a direction may be made prior to the start of RIIO-GT3 or later.¹¹
- 5.4 We have also decided that:
 - tables in Appendices 1 and 2 include the last regulatory year of RIIO-GT2 and all regulatory years of RIIO-GT3 and RIIO-GT4, given the cross-period nature of this project and its expected completion by the final year of RIIO-GT4; and
 - the structure of this Evaluative PCD is standardised and aligned with the drafting of other GT-specific Price Control Deliverable licence conditions.

¹¹ We are yet to make a decision in relation to the RIIO-GT2 Special Condition 3.10 Re-opener application. We expect to determine the outputs, delivery dates, and level of funding associated with this Re-opener before the start of RIIO-GT3 by direction.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.5 Since the Statutory Consultation, and following the response received from National Gas, we have decided to include “Price Control Deliverable” in the heading and the body of Part D. We have also removed the “Total Allowances” column from Appendix 2, acknowledging the difference in the price bases for the allowances provided (i.e., 2018/19 for the final year of RIIO-GT2 and 2023/24 for the RIIO-GT3 allowances) for the Price Control Deliverables.

Effect of this change

5.6 The Bacton terminal condition will no longer include a Re-opener provision and will instead be a Price Control Deliverable. It will include a power to make a direction to amend the BTRO_t term in respect of RIIO-GT2 where the licensee has applied for a direction before 31 March 2026 and a direction was not made before RIIO-GT3.

5.7 The structure and layout of the Price Control Deliverable have been amended for consistency with other GT-specific Price Control Deliverables across the licence.

5.8 Updating the terminology in Part D and removing “Total Allowances” from Appendix 1 since the Statutory Consultation will provide greater clarity and ensure consistency with the rest of the licence. This will better support the objectives outlined in the paragraphs above.

Special Condition 3.10 Compressor emissions Price Control Deliverable (CEP_t)

Type of change: Amendment (Special Condition 3.11 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.9 We have decided to remove the Re-opener part of this condition to give effect to our decision in Final Determinations. We have decided that this condition is now an Evaluative PCD licence condition to hold National Gas to account for delivery of the compressor replacement and/or upgrade work to comply with the requirements of the Medium Combustion Plant Directive by 2030.¹²

5.10 As set out in our Final Determinations, the compressor emissions Price Control Deliverable will ensure funding for gas-fired compressor units across the NTS that do not comply with the emission limits set out in the Medium Combustion Plant

¹² Any future compressor emissions compliance works which would have formerly been funded through this mechanism will now be funded through the network decarbonisation and emissions compliance Re-opener.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Directive, for which Re-opener funding applications will have been submitted to us for approval as part of the RIIO-GT2 Re-opener. To enable this, we have inserted a new provision in Part D of this licence condition to allow us to determine baseline allowances for the compressor emissions work in RIIO-GT3.

5.11 Currently, the CEPO_t term exists in RIIO-GT2 Special Licence Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable), which enables us to direct changes to the baseline allowances for the project. To enable cross-period funding, we have retained the CEPO_t in the RIIO-GT3 Special Condition and specify that a direction may be made prior to the start of RIIO-GT3 or later.¹³

5.12 We have also decided that:

- tables in Appendices 1 and 2 include the last regulatory year of RIIO-GT2 and all regulatory years of RIIO-GT3, given the cross-period nature of this project and its expected completion by the final year of RIIO-GT3; and
- the structure of this Evaluative PCD is standardised and aligned with the drafting of other GT-specific Price Control Deliverable licence conditions.

5.13 Since the Statutory Consultation, and following the response received from National Gas, we have decided to include “Price Control Deliverable” in the heading and the body of Part D. We have also removed the “Total Allowances” column from Appendix 1 and Appendix 2, acknowledging the difference in the price bases for the allowances provided (i.e., 2018/19 for the final year of RIIO-GT2 and 2023/24 for the RIIO-GT3 allowances) for the Price Control Deliverables.

Effect of this change

5.14 The compressor emissions Price Control Deliverable condition will no longer include a Re-opener provision and will instead be a Price Control Deliverable in RIIO-GT3. It will include a power to make a direction to amend the CEPO_t term in respect of RIIO-GT2 where the licensee has applied for a direction before 31 March 2026 and a direction was not made before RIIO-GT3.

5.15 The structure and layout of the Price Control Deliverable have been amended for consistency with other GT-specific Price Control Deliverable conditions across the licence.

5.16 Updating the terminology in Part D and removing “Total Allowances” from Appendix 1 and Appendix 2 since the Statutory Consultation will provide greater

¹³ We are yet to make a decision in relation to the RIIO-GT2 Special Condition 3.11 Re-opener application. We expect to determine the outputs, delivery dates, and level of funding associated with this Re-opener before the start of RIIO-GT3, or early in RIIO-GT3 by direction.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

clarity and ensure consistency with the rest of the licence. This will better support the objectives outlined in the paragraphs above.

Special Condition 3.12 King's Lynn subsidence Re-opener and Price Control Deliverable (KLS_t and KLSRE_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.17 This condition will be removed, as this was a RIIO-GT2 output that is no longer needed in RIIO-GT3.

Effect of this change

5.18 The effect of this change is to remove the condition and associated provisions in their entirety.

Special Condition 3.11 Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOC_t and FIOCRE_t)

Type of change: Amendment (Special Condition 3.13 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: FIOC Guidance and Submissions Requirements Document

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.19 We have decided to change this licence condition to standardise the structure across the licence and to update the cross-referencing to other conditions in Chapter 9 that are relevant for the release of capacity under the PARCA rules. The FIOC Re-opener will continue to follow a two-stage process, by which the licensee must submit and seek the Authority's approval of the FIOC Strategic Option prior to triggering a Re-opener application in line with the FIOC Guidance and Submissions Requirements Document referenced in Part G of this licence condition.

5.20 Since the Statutory Consultation, and taking into account National Gas' response, we have:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- aligned the definition of the FIOCO term with the drafting used elsewhere in National Gas' licence;
- added the word “proposed” to the FIOC Strategic Option to ensure that the paragraphs operate as intended and are aligned with the definition of the FIOC Strategic Option;
- inserted a new paragraph specifying that our direction for the re-opener and the Price Control Deliverables will include the allocation of allowances between the transportation owner and the system operator. This is to avoid duplication of inputs in the PCFM and PCFH for the associated terms FIOCt and FIOCREt.

Effect of this change

5.21 The structure and layout of the FIOC Re-opener and Price Control Deliverable will be amended for consistency across the licence. The updating of the FIOC Guidance and Submissions Requirement Document will ensure consistency and alignment with the cross-sector Re-opener Guidance and Application Requirements Document, whilst maintaining the specifics of the FIOC process.

5.22 The updated terminology and the newly inserted paragraph in this condition since the Statutory Consultation will provide greater clarity and consistency, and will also avoid duplication of inputs in the PCFM and PCFH for allowances that include both transportation owner and system operator components.

Special Condition 3.12 Asset health Re-opener (AH_t)

Type of change: Amendment (Special Condition 3.14 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.23 We have decided to broaden the scope of the Re-opener to give effect to the Final Determinations. As specified in our Final Determinations, this Re-opener will cover investments in control systems and impacted ancillary assets, AC accelerated corrosion related investment, valves intervention programmes and site assets intervention programmes. It will also cover other, new asset health related investment, should the need for it emerge during the price control period.

5.24 We have updated the Special Condition with the Re-opener trigger windows, as set out in our Final Determinations, allowing us to trigger the reopener if and when required, and make minor changes to align the drafting of this conditions with other, GT-specific licence conditions.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.25 We have decided to remove the provisions related to the cost true-ups that are no longer relevant in RIIO-GT3, as well as cross-references to the Asset Health Non-Lead Assets PCD Tables and term (NLAHO_t). The latter is due to the removal of the Asset Health non-lead Assets Price Control Deliverable in RIIO-GT3 as set out in our Final Determinations (see Chapter 3 of our Final Determinations).

5.26 Since the Statutory Consultation, we have decided to standardise the drafting related to the evidential, submission, requirements for National Gas' asset health re-opener applications, by referring to the Re-opener Guidance and Application Requirements Document. We have also made amendments to clarify the application of the Materiality Threshold.

5.27 However, we have not taken forward the changes proposed by National Gas to remove the confinement period for this re-opener, as this is not aligned with the policy set out in our Final Determinations. In our response, we have clarified that National Gas has totex allowances available for any FEED or other studies required to be completed prior to April 2026.

Effect of this change

5.28 The provisions of this Special Condition, including those relating to the Re-opener windows and the scope, have been amended to align with our Final Determinations. The scope of this Re-opener includes the investments and the Re-opener trigger dates.

5.29 The changes we have made since the Statutory Consultation will ensure greater simplification and standardisation of the drafting in this Licence Condition, bringing it into closer alignment with other asset-health-related Special Conditions.

Special Condition 3.15 Asset health – non-lead assets Price Control Deliverable (NLA_t and NLAAH_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.30 This condition will be removed in RIIO-GT3, as the Non-lead assets Price Control Deliverable is no longer deemed necessary following the introduction of a suite of asset health Price Control Deliverables in our Final Determinations (Chapter 3).

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.31 The effect of this change is to remove the condition and associated provisions in their entirety from RIIO-GT3.

Special Condition 3.13 Redundant Assets Price Control Deliverable (RA_t)

Type of change: Amendment (Special Condition 3.16 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.32 We have decided to retain this Redundant Assets Price Control Deliverable. We have made changes to align the layout and the structure of this condition with other GT-specific licence conditions.

5.33 Since our Statutory Consultation, we have decided to reintroduce Appendix 1, specifying the Redundant Assets Baseline Allowance. The “Outputs, delivery dates and associated allowances for the Price Control Deliverable (£m)” that were previously contained in Appendix 1 now appear in Appendix 2. We have amended the allowances in both Appendices to correct the errors we have identified in our Final Determinations. We have reinstated references to baseline allowances throughout this condition, and in our responses to the Issues Log we have provided reasons for doing so.

Effect of this change

5.34 The effect of this condition is that the structure, layout and naming of the table in Appendix 1 of the Redundant Assets Price Control Deliverable will now show the Redundant Assets Baseline Allowance in the licence, while the outputs, delivery dates and associated allowances will be shown in Appendix 2. We have ensured that, where appropriate, no commercially sensitive information is disclosed in the Special Condition.

Special Condition 3.14 Pipeline Diversions Re-opener (QL_t and PD_t)

Type of change: Amendment (Special Condition 3.17 Uncertain Costs Re-opener (QL_t and PD_t) in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

5.35 We have decided to amend this licence condition to give effect to our Final Determinations. This includes:

- changing the title of this Re-opener from Uncertain Costs Re-opener (Special Condition 3.17) in the current licence to Pipeline Diversions Re-opener (QLt and PD_t) which is now Special Condition 3.14 in the RIIO-GT3 licence; and
- removing the possibility for the licensee to trigger this Re-opener and the associated Re-opener trigger windows that exist in the RIIO-GT2 licence. This is to give effect to the decision we made in our Final Determinations, Chapter 4. The Final Determinations also provide our considerations in making the decision to remove the licensee trigger for this Re-opener, ie the fact that there has been no need to trigger this Re-opener in RIIO-GT2; and that this Re-opener is prompted by external events, such as a force majeure event, major infrastructure developments (eg roads, railways, housing), planning authority requirements, or third-party land use, changes that give rise to material impacts on pipeline routing or result in compensation claims related to land access or asset presence.

5.36 We have decided to expand the definition of “Pipeline Diversion Costs”, to include the costs that arise as a result of third-party encroachment on land, easements, access rights, licences or any other land related interests above or in the vicinity of a pipeline section, costs that arise as a result of a significant environmental event; or as a result of a force majeure event.

5.37 Since the Statutory Consultation, we have made formatting and housekeeping changes to this definition. We have also accepted National Gas’ proposed wording to clarify that the additional Uncertain Costs incurred should give rise to the Allowed Revenue Adjustment.

Effect of this change

5.38 The effect of the licence drafting changes is the aligned and updated definitions, removing the provisions to allow the licensee to trigger this Re-opener, naming and structure to reflect the Final Determinations.

5.39 The formatting and housekeeping changes we have made since the Statutory Consultation will ensure further clarity of this condition.

Special Condition 4.1 Total output delivery incentive performance (ODI_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for change

5.40 We have made minor changes to this condition, including removal of ESI_t from the equation that calculates the sum of the total output delivery incentive performance term (ODI_t). This reflects the fact that Special Condition 4.3 Environmental scorecard output delivery incentive in the RIIO-GT2 licence has been removed in RIIO-GT3.

Effect of this change

5.41 The algebra included in the condition now correctly equates ODI_t to the Customer satisfaction survey output delivery incentive CSI_t . The latter is the only output delivery incentive in Chapter 4.

Special Condition 4.2 Customer satisfaction survey output delivery incentive (CSI_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.42 We have significantly changed this condition to give effect to our Final Determinations. These changes include:

- restructuring of the RIIO-GT2 Special Condition 4.2 alongside four new Relevant Elements and the corresponding formulae: Day-to-Day Customer Activities (CSA_t) in Part B, Market Facilitation (CSB_t) in Part C, Long-Term Customer Activities (CSC_t) in Part D, and Other Activities & Events (CSD_t) in Part E. Each part has specific performance thresholds for applying penalties, rewards, and maximum adjustments. This change is to support our Final Determinations rationale for introducing the new incentive structure, aimed at incentivising improvements in each of the respective survey areas, rather than improvements in the overall, general score across a wide range of service areas;
- the calculation of CSI_t as the sum of the individual Relevant Element terms;
- part F, which specifies the requirements for conducting at least one customer satisfaction survey per Regulatory Year, using a standard question format and meeting minimum response thresholds for each Relevant Element. If these thresholds are not met, the adjustment in respect of performance for that element will be zero; and

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- newly introduced definitions of what is in scope of the customer satisfaction survey Relevant Element, as well as a newly introduced definition of “Significant Interaction” with the licensee’s customers in the context of this incentive.

5.43 Since the Statutory Consultation, we have inserted a new paragraph 4.2.10 into this condition, as requested by National Gas, to clarify that it is able to request a score relating to each of the relevant survey areas when a customer has received services from multiple survey areas.

Effect of this change

5.44 The effect of this change is to reflect the structure of the customer satisfaction survey output delivery incentive in the licence, ensure that all incentive parameters for each of the four Relevant Elements work as intended, and that the licensee captures the views of the customers with whom it has had a significant interaction as defined in the licence.

5.45 The changes we have made since the Statutory Consultation will ensure a correct interpretation of the process by which National Gas may seek survey responses.

Special Condition 4.3 Environmental scorecard output delivery incentive (ESI_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Deter Determinations Reference: N/A

Decision and reasons for change

5.46 This condition will be removed in RIIO-GT3, as the output delivery incentive is no longer deemed necessary following expansion of the EAP/AER requirements.

Effect of this change

5.47 The effect of this change is to remove the condition and associated provisions in their entirety from RIIO-GT3. In addition, the effect is to include the scorecard elements into the EAP/AER requirements.

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for change

5.48 We have updated the algebra to reflect changes to other conditions in this chapter.

Effect of this change

5.49 This will ensure that the algebra from this chapter will pull through to the financial models correctly.

Special Condition 5.4 System operator other revenue allowance (SOORA_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.50 We have made provisions relating to the newly introduced Special Condition 5.8 (System operator environmental incentives (SOEI_t)). SOEI_t, which is explained in detail in the Special Condition 5.8, has been added to the calculation of SOORA_t. Since the Statutory Consultation we have updated the definition of SOORA_t to specify that it relates to the system operator.

Effect of this change

5.51 This change ensures that the calculation of SOORA_t remains concise and correctly reflects the sum of the terms covered in the System operator other revenue allowance.

Special Condition 5.5 Entry Capacity and Exit Capacity Constraint Management (CM_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.52 We have made significant changes to this condition.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.53 We have changed the value of $CMOpBT_t$ per Regulatory Year from £8.5m to £6.7m, which is reflected in Appendix 1, to increase the strength of this incentive.

5.54 This condition now includes the calculation of the Commodity Value associated with locational Sell primary actions ($CMCS_t$) in Part D and the calculation of Commodity Value associated with locational Buy primary actions ($CMCB_t$) in Part E to the performance measure calculation. Its paragraphs have been renumbered accordingly.

5.55 Since the Statutory Consultation we have reformatted the algebra in chapter 5.5.4 to provide clarity to the definition of the $CMIR_t$ variable.

5.56 We have added the $CMCS_t$ variable to the calculation of $CMOpPM_t$, moving it from the calculation of the $CMOpC_t$ variable. This has been done to align with the inclusion of $CMCB_t$ in the performance measure calculation.

5.57 We have added an additional appendix (Appendix 2) to the condition, and adjusted the wording in the relevant paragraphs, to provide clarity on the value of $CMOpDT_t$ and the process for amending it.

5.58 We have made minor formatting changes throughout to ensure consistency across the licence.

Effect of this change

5.59 The decreasing of the target for the incentive will require a stronger performance from National Gas in order to meet the upper limit.

5.60 The inclusion of the Commodity Value of locational actions in the performance measure will ensure that costs associated with constraint actions are accurately reflected.

5.61 The further changes will have no effect on the application of the incentive or obligations on either the licensee or the Authority, but will increase the clarity of the condition.

Special Condition 5.6 Part A: System operator external incentives, revenues and costs (SOIRC_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: Multiple

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.62 The environmental incentives GHG compressor emissions and NST Shrinkage associated parts of this condition have been moved to a new Special Condition 5.8. (System operator environmental incentives (SOEl_t)).

Effect of this change

5.63 System operator incentives and environmental incentives are covered by two separate conditions. This change improves delineation between the two types of incentives.

Special Condition 5.6 Part B: The residual balancing incentive (RBIR_t)

Type of change: Amendment (Special Condition 5.6, Part B in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.64 We have made changes to this incentive to reflect the updated targets and incentive value. Relevant tables and formulae have been updated.

5.65 Since the Statutory Consultation, we have further adjusted the formula deriving STIP_t, correcting a previous error.

5.66 We have also updated values in the table in paragraph 5.6.5.

Effect of this change

5.67 This change updates targets and incentive values.

5.68 The additional changes since the Statutory Consultation are rectifying minor errors in the licence that were discovered through the Statutory Consultation and will ensure that the formulae function correctly.

Special Condition 5.6 Part C: Quality of demand forecasting incentive (QDAIR_t)

Type of change: Amendment (Special Condition 5.6, Part C in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.69 We have modified this condition to:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- increase the value of the incentive and reduce the incentive target;
- adjust the upper and lower limit of the incentive, meaning an increase in value in per unit changes to forecast performance;
- replace the storage adjuster with a wind adjuster and update terms and formulae accordingly.

5.70 Since the Statutory Consultation we have updated the table in paragraph 5.6.10 in order to correct the error in our Final Determinations. We have also made various minor changes to formulae throughout in response to consultation responses.

5.71 With regard to the target, we have provided additional reasoning on its calculation through the formal Final Determinations Questions process and have amended the Final Determinations Errata document, which is due to be published this month. The Demand Forecasting Incentive target figure was calculated using RRP data, as well as information presented to us during National Gas' quarterly incentive performance meetings. In addition, we have included a wind adjuster of up to 2 mcm/d and consider that the target set is both appropriate and sufficiently challenging to drive behaviours that deliver consumer value.

Effect of this change

5.72 This change will mean that the licensee will have to perform well in order to benefit from the incentive, even as forecasting becomes more challenging over time.

5.73 The adjustment of the upper and lower limit and the increase in the value of the incentive will mean that the licensee's actions with regard to this incentive should be more impactful.

5.74 The introduction of the wind adjuster will reduce the impact of unforecastable error in wind power generation forecasts.

5.75 The changes made following the Statutory Consultation will mean that the incentive functions as intended.

Special Condition 5.6 Parts D and E: The Maintenance incentive (MIR_t) and Maintenance and operational planning

Type of change: Amendment (Special Condition 5.6, Parts F and G in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.76 We have made several changes to the algebra for the calculation of the Maintenance incentive (MIR_t) in Part D of Special Condition 5.6 to give effect to the Final Determinations. This includes:

- changes to the calculation of the $MCIR_t$ (Maintenance Change Incentive Revenue Term). New formulae have been introduced to assess the licensee's performance based on the actual Maintenance Change Days for Regulatory Year t in relation to the Maintenance Workload, taking into account the target performance of 3.5% of the actual Maintenance Change Days within the total Maintenance Workload and the deadband that applies to performance between 3.5% and 4%.
- changes to the calculation of MDI_t (Maintenance Days incentive revenue for work excluding Valve Operations term). A new formula has been inserted to assess the licensee's performance based on the number of Advice Notice Days that excludes Valve Operations in a given regulatory year, in relation to the target of 90% alignment with the total quantity of customer impacting work in days.
- changes to the calculation of $MDIRV_t$ (the Maintenance Days incentive revenue for Valve Operations term) to align the target with the Final Determinations.

5.77 We have also reduced the reporting and publications requirements for the licensee with regard to maintenance, as set out in Part E of Special Condition 5.6.

5.78 Since the Statutory Consultation, and following the response we received from National Gas highlighting an error in the Final Determinations and in the formula for the calculation of $MCIR_t$, we have updated the algebra (and the corresponding reference in the Final Determinations) to ensure the correct calculation of the MCIR term.

5.79 We have also amended the requirement for National Gas to report on its website the total length of In-Line Inspections completed in the preceding Regulatory Year, to align with the licensee's current reporting practice.

Effect of this change

5.80 The effect of the changes to Part D and Part E is an updated licence condition reflecting the Decision to the algebra for the Maintenance, as well as reduced administrative burden on licences with regard to the maintenance activities.

5.81 The amendments we have made since the Statutory Consultation, taking into account National Gas' response, ensure that the calculation of the MCIR term is correct and consistent with our Final Determinations, and that the reporting requirement for In-Line Inspections aligns with National Gas' established reporting practices.

Special Condition 6.1 Transportation owner pass-through items (PT_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.82 We have decided to implement minor changes to this Special Condition to:

- update references to the Small Decarbonisation Projects Re-opener term in line with our Final Determinations. Previously, this Re-opener had the following name: Net Zero Pre-construction and Small Projects Re-opener.
- update the numbering in this condition, to remove the unused Part C from the RIIO-GT2 licence.
- update the adjustment for Cadent Gas Limited's HyNet FEED study. This affects both Part D and Appendix 1. We have decided this following our Statutory Consultation, in line with National Gas' request.

Effect of this change

5.83 The effect of these changes is to preserve clear, updated and accurate elements of the total transportation pass-through items term to ensure that costs can be passed down to consumers.

Special Condition 6.2 Gas conveyed to Independent Systems (ISt)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.84 We have decided to update the formulae and the price index terms to 2023/24.

5.85 Since our Statutory Consultation, we have made minor changes to the modification consulted upon, which are typographical or reference-related. We have also corrected the allowances in Appendix 1, following a consultation response we have received from one of the affected GDNs to include the additional allowances for National Gas.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.86 The effect of these changes is to correctly reflect the price base for the RIIO-GT3 price control and the allowances provided for this Special Condition.

Special Condition 6.3 System operator pass-through items (SOPT_t)

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.87 We have decided to implement changes to the description of SOEDE_t to improve clarity.

Effect of this change

5.88 The effect of these changes is a clearer and more accurate terminology.

Special Condition 6.4 ISOP gas costs revenue process

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.89 We have decided to implement minor changes. These are either typographical or remove reference to previous year specifics.

Effect of this change

5.90 The effect of these changes is a clearer and up-to-date condition.

Special Condition 7.6 Close out of the RIIO-1 Network Outputs (NOCO_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

5.91 We have removed this licence condition (that relates to RIIO-GT1 regulatory period) as it will not be needed in RIIO-GT3.

Effect of this change

5.92 Removal of this licence conditions correctly reflects the regulatory period requirements.

Special Condition 7.7 RIIO-GT1 Network Innovation Competition (NICF_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.93 We have removed this condition from RIIO-GT3 to align it with the policy decided upon in our Final Determinations. The Network Innovation Competition fund has been replaced by the Strategic Innovation Fund (SIF) in RIIO-GT2 and it is no longer used to fund new projects.

5.94 It has been brought to our attention that there may be legacy NIC projects that will require appropriate provision for arrangements relating to the regulation, administration and governance of the NIC. We have decided to retain our Statutory Consultation position and remove this condition from the licence. We have instead included provisions for the governance of NIC legacy projects under SpC 5.7 (The strategic innovation fund).

Effect of this change

5.95 The effect of this change is to remove this redundant mechanism in RIIO-GT3. Governance for any remaining legacy NIC projects is instead carried forward under SpC 5.7 (The strategic innovation fund), ensuring there is no gap in oversight.

Special Condition 7.8 Close out of the RIIO-GT1 stakeholder satisfaction output (SSCO_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for change

5.96 We have removed this RIIO-GT1 close out licence condition as it is not relevant for RIIO-GT3. In RIIO-GT2 the Stakeholder Satisfaction Survey incentive is a reputational incentive.

Effect of this change

5.97 The effect of this change is to remove the redundant Special Condition 7.8 to ensure alignment with the current price control.

Special Condition 7.14 Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.98 We have decided to remove this RIIO-GT1 close out licence condition as it is not relevant for RIIO-GT3.

Effect of this change

5.99 The effect of this change is to remove the redundant Special Condition 7.14 to ensure alignment with the current price control.

Special Condition 7.15 Close out of the RIIO-GT1 Constraint Management cost adjustment (LCMCA_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.100 We have decided to remove this RIIO-GT1 close out licence condition as it is not relevant for RIIO-GT3.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Effect of this change

5.101 The effect of this change is to remove the redundant Special Condition 7.15 to ensure alignment with the current price control.

Special Condition 7.16 Close out of the RIIO-GT1 Transportation Support Services adjustment (LTSS_t) in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.102 We have decided to remove this RIIO-GT1 close out licence condition as it is not relevant for the RIIO-GT3 price control.

Effect of this change

5.103 The effect of this change is to remove the redundant Special Condition 7.16 to ensure alignment with the current price control.

Special Condition 9.10 Licensee's network planning

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.104 We have amended Special Condition 9.10 Long term network planning to give effect to the Final Determinations to oblige National Gas to collaborate with the ISOP and other stakeholders in the area of long-term system planning. This will ensure alignment between the licensee's long-term system plans and ISOP's energy wide system planning. This includes:

5.105 Changes we have made to Part A of the Special Condition to require the licensee to include the details of any engagement with interested parties and their views in the development of the Long-Term Development Statement; and

5.106 Changes we have made to Part B of the Special Condition to require the licensee to include information on engagement with the ISOP on the information produced

Decision RIIO-3 Licence Drafting modifications - reasons and effects

in the Strategic Planning Options Proposal and any views or representations arising from this engagement.

5.107 Part C, that we have inserted, obliging the licensee to provide information to the ISOP as it reasonably requires, and National Gas can reasonably provide, in relation to long-term network planning, collaborate with the stakeholders and proactively, and from time to time request feedback from its stakeholders. If we so request, the licensee will be required to share any feedback it has sought and received with us.

Effect of this change

5.108 The effect of the changes made to the drafting of this condition is newly introduced obligations on the licensee to improve collaboration and ensure alignment between the licensee's long-term system plans and ISOP's energy wide system planning.

Special Condition 9.11 Transmission Planning Code

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.109 We have made only minor, housekeeping changes to this condition.

Effect of this change

5.110 The effect of these housekeeping changes is to preserve clear and updated licence condition.

Special Condition 9.12 Licensee's Network Model

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.111 We have amended Special Condition 9.12 Licensee's Network Model to reduce regulatory burden on the licensee associated with the licensee's Network Model reporting requirements. Our changes include provision for:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- Removing the obligation in Part C on the licensee to review the Network Model at least once in every period of two regulatory years. The reason for this removal is to reduce reporting burden on the licensee, given that the licensee will now be required, under Part E, to share any updates and changes to the model with us and the ISOP annually;
- Streamlining reporting requirements in Part E by requiring the licensee to send to us a summary of its Network Model submission, including any updates to the Network Model made by the licensee, annually, and at the same time as the updates are sent to the ISOP; and
- Renaming the “statement of procedures” for modifying or updating the Relevant Network Model Data to the “network model planning guidelines” for modifying or updating the Relevant Network Model Data in Part D of the Special Condition. This is to provide a better name for the statement of procedures that aligns with the objective of the document.

5.112 Since the Statutory Consultation we have corrected the reference to the Relevant Network Model Data in 9.12.16(e) to align with the defined term.

Effect of this change

5.113 The effect of these changes is reduced regulatory reporting burden as set out above on the licensee and the updated terminology for greater clarity.

Special Condition 9.13 Capacity Requests, Baseline Capacity and Capacity Substitution

Type of change: Amendment

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.114 We have updated some Baseline capacity figures in Appendix 2, in line with the Statutory Licence Consultation Decision made on 26 November 2025.¹⁴

5.115 Since the Statutory Consultation, we have made further changes to the Baseline capacity tables following consultation responses.

Effect of this change

5.116 The effect of these changes is to accurately reflect the Baseline Capacity available at NTS Exit Points.

¹⁴ <https://www.ofgem.gov.uk/sites/default/files/2025-11/Decision-on-Modification-of-NGT-Licence-Baselines-Special-Conditions.pdf>

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Special Condition 9.16 Restriction of Prices in Respect of Tariff Capped Metering Activities in RIIO-GT2 licence

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.117 We have removed this condition as the end date that was specified in it has now passed.

Effect of this change

5.118 The effect of this change is to remove the condition in its entirety.

Special Condition 9.16 Entry Capacity and Exit Capacity obligations and methodology statements

Type of change: Amendment (Special Condition 9.17 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.119 We have made the following changes to this Special Condition:

5.120 The requirement to submit an Independent Examiner (IE) report alongside methodology revisions will no longer be expected by default. The onus will be on Ofgem to request National Gas procure an IE report when it is deemed necessary. This is to avoid unnecessary derogation requests for the regular minor changes that are made.

5.121 The requirement to procure an “opinion” from an IE will also be removed, replaced instead by the requirement for a “review”. This is due to difficulties in obtaining an opinion from IEs due to changes in the auditing industry.

Effect of this change

5.122 The Decision will mean that the licensee is no longer required to submit an Independent Examiner report by default, with the responsibility shifting to Ofgem to request one. This should reduce the number of derogation requests and/or unnecessary IE reports. The changes also mean that when procuring a report, the

Decision RIIO-3 Licence Drafting modifications - reasons and effects

licensee will not be required to seek an opinion from the auditor. This should allow for National Gas to procure reports without the challenge of having to seek opinions.

Special Condition 9.17 Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Type of change: Amendment (Special Condition 9.18 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.123 We have decided the following changes to this Special Condition:

- The requirement to submit an IE report alongside methodology revisions will no longer be expected by default. The onus will be on Ofgem to request National Gas procure an IE report when it is deemed necessary. This is to avoid unnecessary derogation requests for the regular minor changes that are made.
- The requirement to procure an “opinion” from an IE will also be removed, replaced instead by the requirement for a “review”. This is due to difficulties in obtaining an opinion from IEs due to changes in the auditing industry.

Effect of this change

5.124 The Decision will mean that the licensee is no longer required to submit an Independent Examiner report by default, with the responsibility shifting to Ofgem to request one. This should reduce the number of derogation requests and/or unnecessary IE reports. The changes also mean that when procuring a report, National Gas will not be required to seek an opinion from the auditor. This should allow for National Gas to procure reports without the challenge of having to seek opinions.

Special Condition 9.18 System Management Services

Type of change: Amendment (Special Condition 9.19 in RIIO-GT2 Licence)

Relevant to: National Gas

Associated document: System Management Principles Statement

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.125 We have decided the following changes to this Special Condition:

- Removing the default requirement to submit an IE report alongside the System Management Principles Statement (SMPS), to reduce the number of derogations needing to be sought by the licensee. The IE report will only be required upon the direction of Ofgem.
- Removing the requirement for the IE to provide an opinion on the compliance with the provisions of the SMPS, due to changes in the auditing standards making opinions more challenging to seek.
- Removing Part E: System Management Services Adjustment Methodology (SMSAM) and Part F: Procedure for revising the System Management Services Adjustment Methodology, as the component parts of the SMAM are already provided elsewhere, meaning this methodology provides little value and effectively requires duplication of work.
- We have made minor typographical and referencing edits following the Statutory Consultation.

Effect of this change

5.126 The changes will mean that National Gas are no longer required to procure Independent Examiner reports by default, with the responsibility sitting with Ofgem to determine if and when they are necessary. This should reduce the regularity with which National Gas request derogations from Ofgem, streamlining the regulatory process.

5.127 The changes will also remove the requirement to seek an opinion as part of an independent examiner report, making seeking audit from an IE more viable for National Gas, when requested to do so.

5.128 Removal of Parts E and F will reduce the burden of unnecessary work on National Gas, increasing the efficiency of the RIIO reporting process.

New conditions for the gas transmission sector

Special Condition 3.15 Biomethane use it or lose it allowance (BIOC_t)

Type of change: New condition

Relevant to: National Gas

Associated document: Biomethane UIOLI Governance Document

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.129 We have decided to introduce a new licence condition setting up a use it or lose it allowance for funding total expenditure of Biomethane Connections onto the NTS.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.130 The licence condition specifies the scope of and allowance for the use it or lose it. It covers both the overall allowance and the allowed costs to be funded per connection. It allows us to calculate the term $BIOC_t$ (Biomethane use it or lose it allowance) and make Use It Or Lose It Adjustments if or where appropriate.

5.131 The licence condition enables the Authority to conduct a review of the Biomethane use it or lose it mechanism, including the overall allowance and the allowed costs to be funded per connection, in year two of the price control if it chooses to do so. The reason for introducing this is to account for any changes to government policy, or significant market or technological developments that may take place during the Price Control Period.

5.132 We are also introducing the Biomethane UIOLI Governance Document. This sets out the governance and administration of the use it or lose it allowance, the eligibility criteria for the expenditure incurred, and reporting obligations which the licensee must meet.

5.133 We have made minor changes to the modification consulted upon. These changes are mostly as requested by National Gas, such as making clear that one effect of this condition is to establish a process for review, and spelling out “use it or lose it” instead of using the abbreviation “UIOLI”.

5.134 National Gas requested clarification on how we will assess and implement the Use-It-Or-Lose-It Adjustment for Biomethane Connections. While we did not make any amendments to the Special Condition, we clarified in the Issues Log that any Use-It-Or-Lose-It-related adjustments will be made in line with our statutory duties, and in a transparent, objective, and consistent manner. In practice, UIOLI adjustments will be applied on a mechanistic basis. When making adjustments for delivered work, we will consider and validate data submitted by licensees through the annual Regulatory Reporting Packs (RRPs), and/or any additional documentation provided (e.g. responses to supplementary questions, evidence submitted by networks as requested in the accompanying associated documents, where applicable).

Effect of this change

5.135 This new licence condition provides National Gas with quick and flexible access to funding to facilitate new Biomethane Connections onto the NTS, provided that no funding has been received from government schemes. The review period enables the Authority to review the appropriateness and size of the use it or lose it mechanism. This mechanism protects consumers in the event that National Gas does not deliver new Biomethane Connections.

Special Condition 3.16 Compressor Breakdown use it or lose it allowance (CBD_t)

Type of change: New condition

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.136 We have decided to introduce a new licence condition to give effect to our Final Determinations to ensure funding for essential repairs and maintenance works on Compressors.

5.137 The licence condition includes a formula to calculate the term CBD_t (Compressor Breakdown use it or lose it allowance) and make Use It Or Lose It Adjustments if or where appropriate.

5.138 The licence condition specifies the use it or lose it allowance for Compressor maintenance and repair work in Appendix 1.

5.139 Since the Statutory Consultation, we have made one correction to the definition of the $CBDA_t$ to remove the redundant wording (“that relate to the licensee”) as proposed by National Gas.

5.140 We have also amended the allowances in Appendix 1 to correct the errors we have identified in the Final Determinations.

5.141 In its consultation response, National Gas proposed simplifying the definition of Compressor Breakdown. We disagree with this proposal, that does not align with the wording in our Final Determinations. Contrary to National Gas, we believe there is a need to retain a provision that the Compressor Breakdown budget is used for significant failure.

5.142 National Gas requested clarification on how we will assess and implement the Use-It-Or-Lose-It Adjustment for Compressor Breakdown. While we did not make any amendments to the Special Condition, we clarified in the Issues Log that any Use-It-Or-Lose-It-related adjustments will be made in line with our statutory duties, and in a transparent, objective, and consistent manner. In practice, UIOLI adjustments will be applied on a mechanistic basis. When making adjustments for delivered work, we will consider and validate data submitted by licensees through the annual Regulatory Reporting Packs (RRPs), and/or any additional documentation provided (e.g. responses to supplementary questions, evidence submitted by networks as requested in the accompanying associated documents, where applicable).

Effect of this change

5.143 This new licence condition ensures that National Gas has the funds available for timely essential repairs and maintenance works on Compressors. It provides funding to ensure a resilient, safe system and consistent supply to consumers.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

This mechanism protects consumers in the event that National Gas does not deliver the Compressor repairs and maintenance works.

Special Condition 3.17 Nitrogen sleeves Price Control Deliverable (RNS_t and GNS_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.144 We have decided to introduce a new licence condition setting up a Mechanistic PCD to fund the refurbishment and grouting of nitrogen sleeves.

5.145 The licence condition specifies the target workload of nitrogen sleeves works, and the total allowance. It allows us to calculate the terms RNS_t (nitrogen sleeve remediation – minor Price Control Deliverable term) and GNS_t (nitrogen sleeve – grouting Price Control Deliverable term).

5.146 The licence condition enables us to assess Price Control Deliverables and adjust allowances in the event that National Gas has not delivered the specified workload.

5.147 Since the Statutory Consultation, we have made corrections to the allowance values set out in Part C and in Appendix 1 (and corresponding corrections in the Final Determinations). This is due to errors we have identified in the allowances we set in the Final Determinations.

Effect of this change

5.148 This new licence condition ensures that National Gas has the funds available to address deteriorating nitrogen pipeline protection sleeves, and maintain security of supply, while providing protection to consumers.

5.149 The corrections to the allowance values in Part C and Appendix 1 that we have made since the Statutory Consultation ensure that the correct allowances are provided to National Gas for the works within the scope of this Special Licence Condition.

Special Condition 3.18 West import resilience project Price Control Deliverable and Re-opener (WIRP_t and WIRPRO_t)

Type of change: New condition

Relevant to: National Gas

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3 and Chapter 4

Decision and reasons for change

5.150 We have decided to introduce a new licence condition setting up both an evaluative Price Control Deliverable and a Re-opener, to enable National Gas to increase network capability in South Wales.

5.151 The licence condition sets out baseline allowances, outputs, delivery dates, and associated allowances. It allows us to calculate the terms $WIRP_t$ (West import resilience project Price Control Deliverable term) and $WIRPRO_t$ (West import resilience project Re-opener).

5.152 This licence condition enables the licensee to apply to the Authority for a direction adding, amending or deleting outputs, delivery dates or allowances in relation to specific increases in costs.

5.153 Since the Statutory Consultation, we have:

- amended the allowances in Appendix 1 and Appendix 2, reflecting the required errata in the Final Determinations;
- made typographical changes, including removing the capitalisation of the west import resilience project, replacing “sum of” with “baseline” in the definition of $WIRPA_t$, and correcting the spelling of “impeller”;
- simplified and replaced specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document; and
- replaced the description of the scope of work in paragraph 3.18.8(b), as proposed by National Gas, to read: “refurbish Wormington impeller and deliver an intervention on Felindre vent stack to maintain safe operational capability.”

Effect of this change

5.154 The effect of this change is to allow investment in assets to increase network capability in South Wales. It provides protection to consumers where National Gas has not Fully Delivered an output.

5.155 The changes we have made to the Statutory Licence condition ensure that the corrected allowances are provided to National Gas for this project that the condition is further simplified for readability and accuracy.

Special Condition 3.19 Gas Strategic Planning Re-opener (GSPR_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.156 We have decided to introduce a new licence condition setting up a Re-opener to fund any investment required to support wider energy plans and resilience of the NTS.

5.157 The licence condition enables the Authority to trigger this Re-opener where any of the following apply: a Gas Strategic Planning (as defined in Special Condition 1) need has been identified; mitigation of risks from High Impact Points of Failure (as defined in Special Condition 1) is necessary; investment is needed to deliver Clean Power 2030 Action Plan (as defined in Special Condition 1); Gas Strategic Planning has effects on other costs; Gas Strategic Planning has not been assessed elsewhere.

5.158 The licence condition provides the term GSPR_t (Gas Strategic Planning Re-Opener).

Effect of this change

5.159 This new licence condition will allow a case-by-case assessment of project need and cost, and support delivery of key infrastructure to support wider energy plans and resilience of the NTS, at efficient cost to the consumer.

Special Condition 3.20 Office, gas national control centre and emergency control room relocation Re-opener (GNCCRE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.160 We have decided to introduce a new licence condition for a Re-opener to fund National Gas' relocation of its office, gas national control centre, and emergency control room.

5.161 The licence condition specifies two windows in which the licensee may trigger this Re-opener — one for National Gas' offices and gas national control centre, and one for its emergency control room. The condition specifies the documentation required for submission of a Re-opener request.

5.162 The licence condition provides the term GNCCRE_t (Office, gas national control centre, and emergency control room relocation Re-opener).

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.163 Since the Statutory Consultation, we have:

- simplified and replaced specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document;
- inserted a new paragraph specifying that our direction for the re-opener and the Price Control Deliverables will include the allocation of allowances between the transportation owner and the system operator. This is to avoid duplication of inputs in the PCFM and PCFH for the associated term $GNCCRE_t$.

Effect of this change

5.164 This new licence condition will fund these relocations and ensure that Critical National Infrastructure (as defined in Special Condition 1) is designed with best practice.

5.165 The updated terminology and the newly inserted paragraph in this condition since the Statutory Consultation will provide greater clarity and consistency in relation to the re-opener submission requirements. It will also avoid duplication of inputs in the PCFM and PCFH for allowances that include both transportation owner and system operator components.

Special Condition 3.21 Network capability Re-opener (NC_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.166 We have decided to introduce a new licence condition setting up the Network capability Re-opener. This is to give effect to our Final Determinations to provide funding for National Gas to improve the performance envelope of existing Compressor units, upgrade site configurations and decommissioning of redundant Compressor units.

5.167 This licence condition enables us to calculate the term NC_t (Network capability Re-opener). It provides two Re-opener windows for the licensee, and also enables the Authority to trigger the Re-opener if and when required.

5.168 The condition also includes provisions for the Price Control Deliverable and as such, it specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable set out in Appendix 1.

5.169 Since the Statutory Consultation we have:

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- inserted a new definition of the Final Preferred Option to differentiate from the options that are agreed by both the licensee and the Authority. We have capitalised the defined terms in several places;
- simplified and replaced specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document;
- removed paragraph 3.21.17 (a) to align the drafting in this Special Condition with other conditions;
- amended the year of the Re-opener application window for the second output in Appendix 2; and
- made minor amendments as proposed by National Gas to align the drafting of the paragraphs with similar drafting elsewhere in the licence.

5.170 We did not make the changes proposed by National Gas to remove the confinement period for this re-opener, as this is not aligned with the policy set out in our Final Determinations. In our response in the Issues Log, we clarified that National Gas has totex allowances available in the current price control that it can use for any preparatory work required prior to April 2026.

Effect of this change

5.171 This new licence condition will ensure that National Gas can maintain appropriate levels of resilience and capability of the NTS.

5.172 The changes we have made since the Statutory Consultation have made the condition clearer and more accurate.

Special Condition 3.22 Bacton enhanced filtration Re-Opener (BEF_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.173 We have decided to introduce the Bacton enhanced filtration Re-opener (BEF_t) licence condition to give effect to our decision in Final Determinations. This means introducing a mechanism to adjust the Totex Allowance during the Price Control Period for enhanced filtration equipment investment at the Bacton terminal, if required.

5.174 The licence condition defines the formula for calculating the Bacton enhanced filtration Re-opener term (BEF_t), sets out outputs, delivery dates and allowances in Appendix 1, and allows both the licensee and the Authority to trigger amendments to allowances for investment in filtration equipment at Bacton Terminal. The licence condition also provides for assessment of any Price Control

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Deliverables as a result of this Re-opener, including potential adjustments where outputs are not fully delivered, and outlines a transparent process for publishing and consulting on any proposed directions.

5.175 Since the Statutory Consultation, we have:

- simplified and replaced specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document; and
- aligned the drafting relating to the re-opener triggers with the Final Determinations and with the drafting proposed by National Gas elsewhere in the document.

5.176 We have not accepted National Gas' proposed insertions and amendments that would require any modifications under this re-opener to be made in accordance with section 23 of the Act. We do not agree with National Gas' view that the scope of works is insufficiently clear or certain, and that statutory modification is therefore appropriate.

Effect of this change

5.177 This licence condition will ensure that new filtration equipment on the feeders that supply gas to Bacton terminal can be installed if needed to facilitate the flow of gas via the interconnector.

5.178 The impact of the changes we have made following the Statutory Consultation will be a further aligned and simplified Special Condition.

Special Condition 3.23 Network decarbonisation and emissions compliance Re-opener (NDCRE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 4

Decision and reasons for change

5.179 We have decided to introduce a new licence condition to give effect to our Final Determinations and set up the Network decarbonisation and emissions compliance Re-opener and Price Control Deliverable to help reduce carbon emissions across the NTS by allowing for costs for new technologies to be recovered.

5.180 The licence condition defines the formula for calculating the NDCRE_t, sets out outputs, delivery dates and allowances in Appendix 1, and allows the licensee to trigger the Re-opener in two windows during the Price Control Period. The

Decision RIIO-3 Licence Drafting modifications - reasons and effects

condition specifies the documentation required for submission of a Re-opener request. It also enables us to trigger the Re-opener.

5.181 The licence condition specifies outputs, delivery dates and associated allowances for the Price Control Deliverable. It enables us to assess the Price Control Deliverable where the licensee has not Fully Delivered an output.

5.182 Since the Statutory Consultation, we have:

- inserted a new definition of the Final Preferred Option to distinguish it from the options agreed by both the licensee and the Authority, and have capitalised the defined terms accordingly in several places;
- simplified and replaced specific submission requirements by referring to the Re-opener Guidance and Application Requirements Document;
- made several typographical changes throughout the condition, including amended cross-referencing in paragraph 3.23.4; and
- aligned the drafting relating to the re-opener triggers with the Final Determinations and with the drafting proposed by National Gas elsewhere in the document.

Effect of this change

5.183 The effect of this change is to introduce a new condition into National Gas' licence which consolidates several previous funding mechanisms into a centralised Re-opener and Price Control Deliverable.

5.184 The effect of the changes we made to the versions of the Licence we consulted upon will be a further aligned and simplified Special Condition.

Special Condition 3.24 Compressor acoustic building replacement Price Control Deliverable (CAB_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.185 We have decided to introduce a new licence condition for a bespoke, evaluative, Compressor acoustic building replacement Price Control Deliverable (CAB_t), to give effect to our decision in Final Determinations and allow National Gas to fund Compressor acoustic building asset replacement to address long-term asset health issues.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.186 This licence condition sets out how to calculate the Compressor acoustic building Price Control Deliverable term (CABt), which adjusts the Totex Allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

5.187 Since the Statutory Consultation, we have added the corresponding volumes to the outputs in Appendix 1 to provide a measure of output delivery, as proposed by National Gas. We have also corrected the allowances following an error in the Final Determinations.

5.188 In its response, National Gas requested that we revert to the structure of this Special Condition as agreed at the LDWG12. This would involve reintroducing Appendix 1, specifying the Baseline Allowance, as well as any necessary cross-referencing. We have considered this proposal and have decided to retain the drafting consulted on during the Statutory Consultation. This approach simplifies the drafting for this and other Asset Health Price Control Deliverable Special Conditions that are RIIO-GT3-limited and contain a small number of outputs. Reintroducing two tables into this Special Condition would be unnecessary and could create confusion.

Effect of these Decision

5.189 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to deliver the required replacement of Compressor Acoustic Buildings to ensure a safe and reliable network. The Price Control Deliverable will hold National Gas accountable for any under-delivery for the project.

5.190 The changes we have made to this Special Conditions since the Statutory Consultation have improved the accuracy and alignment of the allowances with the Final Determinations.

Special Condition 3.25 Easement Reinstatement Price Control Deliverable (ER_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.191 We have decided to introduce a new licence condition for a bespoke, evaluative, Easement Reinstatement Price Control Deliverable (ER_t) to give effect to our

Decision RIIO-3 Licence Drafting modifications - reasons and effects

decision in Final Determinations to deliver a combined 438km of tree and scrub clearance.

5.192 This licence condition sets out how to calculate the Easement Reinstatement Price Control Deliverable term (ER_t), which adjusts the Totex Allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

5.193 In its response, National Gas requested that we revert to the structure of this Special Condition as agreed at the LDWG12. This would involve reintroducing Appendix 1, specifying the Baseline Allowance, as well as any necessary cross-referencing. We have considered this proposal and have decided to retain the drafting consulted on during the Statutory Consultation. This approach simplifies the drafting for this and other Asset Health Price Control Deliverable Special Conditions that are RIIO-GT3-limited and contain a small number of outputs. Reintroducing two tables into this Special Condition would be unnecessary and could create confusion.

Effect of these Decision

5.194 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to maintain access to buried pipelines and gas monitoring and control equipment and deliver tree and scrub clearance. The Price Control Deliverable will hold National Gas accountable for any under-delivery for the project.

5.195 The changes we have made to this Special Conditions since the Statutory Consultation have improved the accuracy and alignment of the allowances with the Final Determinations.

Special Condition 3.26 Removal and remediation of pipe stabbings Price Control Deliverable (RRPS_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.196 We have decided to introduce a new licence condition for a bespoke, evaluative, Removal and remediation of pipe stabbings Price Control Deliverable (RRPS_t) to give effect to our decision in Final Determinations and to fund a removal of 88 stabbings located near existing works on the NTS.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.197 This licence condition sets out how to calculate the removal and remediation of pipe stabbings Price Control Deliverable term (RRPS_t), which adjusts the totex allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

5.198 In its response to the Statutory Consultation, National Gas requested that this Special Condition be renamed Removal and Remediation of Pipe Stabbings Price Control Deliverable to more accurately reflect its purpose. We have agreed to this change and have amended all associated references, including the term RRPS, in the licence and in the PCFM and PCFH. We have retained the references to investment IDs and the allowances provided in Appendix 1. We have also added the volumes to the associated outputs in Appendix 1, as requested by National Gas.

5.199 In its response, National Gas also requested that we revert to the structure of this Special Condition as agreed at the LDWG12. This would involve reintroducing Appendix 1, specifying the Baseline Allowance, as well as any necessary cross-referencing. We have considered this proposal and have decided to retain the drafting consulted on during the Statutory Consultation. This approach simplifies the drafting for this and other Asset Health Price Control Deliverable Special Conditions that are RIIO-GT3-limited and contain a small number of outputs. Reintroducing two tables into this Special Condition would be unnecessary and could create confusion.

Effect of these Decision

5.200 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to seek out and remove a large number of stabbings located near existing works, on the basis that they may leak. The Price Control Deliverable will ensure that consumers are protected from inefficient or speculative investment.

5.201 The changes we have made to this Special Condition since the Statutory Consultation have improved the accuracy and alignment of the allowances with the Final Determinations. They ensure that the naming of this Special Condition accurately reflect the works to be covered by this Price Control Deliverable.

Special Condition 3.27 Actuator replacement Price Control Deliverable (ARE_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.202 We have decided to introduce a new licence condition for a bespoke, evaluative, Actuator replacement Price Control Deliverable (ARE_t) to give effect to our decision in Final Determinations and provide funding to National Gas to replace 170 actuators.

5.203 This licence condition sets out how to calculate the actuator replacement Price Control Deliverable term (ARE_t), which adjusts the totex allowance based on Price Control Deliverable allowances and any reductions for non-delivery. It also specifies the outputs, delivery dates and associated allowances in Appendix 1, and provides for assessment where outputs are not fully delivered.

5.204 Since the Statutory Consultation, we have made minor typographical corrections to this Special Condition, including correcting paragraph cross-references and adjusting the de-capitalisation of “actuators” in the heading of Part A.

5.205 In its response, National Gas requested that we revert to the structure of this Special Condition as agreed at the LDWG12. This would involve reintroducing Appendix 1, specifying the Baseline Allowance, as well as any necessary cross-referencing. We have considered this proposal and have decided to retain the drafting consulted on during the Statutory Consultation. This approach simplifies the drafting for this and other Asset Health Price Control Deliverable Special Conditions that are RIIO-GT3-limited and contain a small number of outputs. Reintroducing two tables into this Special Condition would be unnecessary and could lead to confusion.

Effect of these Decision

5.206 This new Price Control Deliverable provides clarity on the outputs, delivery dates and allowances for National Gas to replace a large number of actuators on the NTS. The Price Control Deliverable will ensure that consumers are protected from overfunding investment and from the work not being completed.

Special Condition 3.28 GT2/GT3 crossover adjustment (GT2ACA_t)

Type of change: New condition

Relevant to: National Gas

Associated document: GT2/GT3 Crossover Submission Requirements and Guidance (to follow)

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.207 We have decided to introduce this new condition to consolidate crossover adjustment terms and specify the individual adjustment components for various outputs.

5.208 The purpose of this condition is to prevent funding gaps or duplication between RIIO-GT2 and RIIO-GT3, ensure efficient costs are appropriately remunerated, avoid undue benefits arising from delaying work, and enable clawback where necessary.

5.209 Crossover items include outputs, Price Control Deliverables, or activities that are fully or partially funded through a mechanism specified in the RIIO-GT2 licence, and where delivery has incurred, or is expected to incur, costs during the RIIO-GT3 period.

5.210 The equivalent condition in the Electricity Transmission licence sets out the circumstances in which the Authority may modify values by statutory consultation and the principles it will apply when doing so. Since the Statutory Consultation, taking into account the Statutory Consultation response we have received from National Gas, we have made changes to this Special Condition to a) align this condition with the equivalent Electricity Transmission licence provisions, and b) to separate the calculation of the TO and SO crossover adjustment terms.

5.211 In summary, we have:

- introduced four new definitions that give effect to this licence condition: GT2/GT3 Crossover Item, GT2/GT3 Crossover Submissions Requirements and Guidance Document, TO Crossover Adjustment Term and SO Crossover Adjustment Term;
- amended Part A to correct the errors in the definitions of the GT2 terms and added a new TO Crossover Adjustment Term relating to the Net Zero And Re-opener Development Fund term (RDF_t);
- introduced a new Part B with the formula for calculating the aggregate system operator adjustments (i.e. the SO Crossover Adjustment Term);
- introduced a PCD element to this Special Condition by adding new provisions for the assessment of outputs, amendment of tables in Appendices 1 to 4, and by adding a negative value for the $GT2R_t$ and the $SO2R_t$ in the respective formulae in Part A and Part B.
- amended Part C to specify the modifications we may make under section 23 of the Act, and how the provisions in Part G interact with the modifications;
- included Part D, specifying the scope of any adjustments made under this Special Condition
- included Part E, covering the GT2/GT3 Crossover Submission Requirements and the Guidance Document, which will be published in due course. This will outline the process the Authority will follow when amending these requirements or the guidance;

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- included Part F, specifying what the licensee is funded to deliver under this condition, and Part G, which sets out the provisions for assessing outputs for the terms GT2R_t and SO2R_t; and
- included Part H to set out the process the Authority will follow when issuing a direction.

Effect of this change

5.212 The effect of this licence condition is to adjust allowed revenues to account for projects and deliverables that span the RIIO-GT2 and RIIO-GT3 price control periods, ensuring continuity of funding of transportation owner allowances, preventing duplication or shortfalls, and enabling clawback or additional allowances where necessary.

5.213 The changes we have made since the Statutory Consultation will ensure that this condition consistently adjusts the allowed revenues across the sectors, while at the same time distinguishes between the calculation of the TO and SO crossover adjustments, given that National Gas is both the transportation owner and a system operator.

Special Condition 5.8 System operator environmental incentives (SOEI_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.214 We have introduced a new condition to cover system operator environmental incentives, including GHG emissions incentives (Compressors and pipeline) and NTS Shrinkage incentive. This is to provide more transparency in respect of the RIIO-GT3 environmental incentives.

5.215 This condition establishes the system operator environmental incentive term (SOEI_t). Part A includes a formula to calculate the SOEI_t as the sum of three components: GHGCC_t (the greenhouse gas Compressor emissions incentive term), GHGP_t (the greenhouse gas pipeline emissions incentive term), and SHR_t (the shrinkage procurement incentive term).

Effect of this change

5.216 This new condition will separate out environmental incentives in a stand-alone licence condition and provide for the calculation of the system operator environmental incentive term (SOEI_t).

Special Condition 5.8 Part B and Part E: The Greenhouse gas Compressor emissions incentive (GHGCC_t) and the Greenhouse Gas Calculation External References

Type of change: Amendment (Part D of Special Condition 5.6 in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.217 We have moved and amended the existing part D, Special Condition 5.6, to Special Condition 5.8, Part B, to establish the GHG Compressor emissions incentive (GHGCC_t) in RIIO-GT3.

5.218 We have updated the elements of the formulae in Part B of Special Condition 5.8 for the calculation of GHGCC_t and CEP_t (previously VEP_t) to give effect to our Final Determinations. This includes amending the formulae to:

- increase the caps/collars of this incentive to £2m pa;
- introduce the annual dynamic targets for this incentive; and
- introduce a deadband for the licensee's performance from the target.

5.219 We have also made changes to the external references (Part E) and the calculation of the term GIRP_t (previously VIRP_t), which forms part of Part D of the Special Condition 5.6 in the RIIO-GT2 licence. We have decided that the latest methane conversion factor and the current central carbon price as published by the Department for Energy Security and Net Zero (or any other government department from time to time taking on this responsibility) are used in the calculation of GIRP_t. Due to these changes we have decided to remove the elements of the monthly indexation and inflation factors from the formula.

5.220 Since the Statutory Consultation we have made minor, typographical changes to this Special Condition (e.g. we have decapitalise "greenhouse" and amended crossreferences).

Effect of this change

5.221 The effect of this Special Condition is to introduce updated formulae for the calculation of performance measure for the GHG Compressors emissions incentive based on the latest external references, published by the Government.

Special Condition 5.8 Part C: Greenhouse gas pipeline emissions incentive (GHGP_t)

Type of change: New condition

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.222 We have introduced a new Part C of this Special Condition to introduce a financial Greenhouse gas pipeline emissions incentive and the associated GHGP_t term to give effect to our Final Determinations.

5.223 Part C establishes the maximum and minimum values for GHGP_t over the Price Control Period, which range from +3.5 to -3.5m pa, and links these values to targets and conditions that will be determined by the Authority following the licensee's completed baselining of the recompression of gas during pipeline maintenance activities with the aim to minimise greenhouse gas emissions.

5.224 The new condition sets out the reporting requirements prior to establishing the key parameters of the incentive in the second regulatory year, by obliging the licensee to submit an externally verified report to us that includes baseline data, recompression targets, exclusions, and stakeholder consultation summaries. Based on this report, we will issue a direction by 28 January 2028 specifying the formula for calculating GHGP_t and any associated reporting requirements.

5.225 Since the Statutory Consultation, we have inserted a new paragraph at the end of Part C, as suggested by National Gas, to specify the consultation and publication process prior to us making a direction under paragraph 5.8.12. We have amended the paragraph numbering and cross-referencing throughout this condition to reflect the newly inserted paragraph. We have also de-capitalised "greenhouse" in the headings of this condition.

Effect of this change

5.226 The effect of this condition is to introduce a new financial incentive in the second year of the RIIO-GT3 period for the regulatory years 3 to 5 to minimise greenhouse gas emissions during maintenance activities.

5.227 The changes we have made since the Statutory Consultation provide greater clarity regarding the consultation and publication process prior to the introduction of the new incentive into the RIIO-GT3 price control.

Special Condition 5.8 Part D: Greenhouse gas Fugitive Emissions (GHGF)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.228 We have introduced a new Part D to this Special Condition to establish a reputational incentive for the reduction of greenhouse gas Fugitive Emissions as set out in our Final Determinations (Chapter 3).

5.229 Part D establishes the greenhouse gas Fugitive Emissions incentive term (GHGF), which will be based on target fugitive emission performance levels (TFEP) for each regulatory year. For years 3 to 5 of the price control period, we will set the TFEP targets after reviewing a detailed baselining report from the licensee. This report must include baseline emissions data, improvements achieved, proposed targets, justification for expected annual reductions based on best practice and scientific evidence, and independent verification that calculations comply with current Fugitive Emissions methodologies and standards.

5.230 The condition provides for a process by which the formula for calculating GHGF for regulatory years 3 to 5 will be established. It also obliges the licensee to provide annual reports from year 3 onwards detailing the licensee's performance in detecting and repairing Fugitive Emissions, any extenuating circumstances, and other relevant information as required under the regulatory guidance.

5.231 Since the Statutory Consultation, we have inserted a new paragraph at the end of Part C, as suggested by National Gas, to specify the consultation and publication process prior to us making a direction under paragraph 5.8.18. We have amended the paragraph numbering and cross-referencing throughout this condition to reflect the newly inserted paragraphs. We have also de-capitalised "calculation methodology".

Effect of this change

5.232 The effect of this condition is to introduce a new reputational incentive in the second year of the RIIO-GT3 period for the regulatory years 3 to 5, to minimise greenhouse gas Fugitive Emissions in operation of the NTS.

5.233 The changes we have made since the Statutory Consultation provide greater clarity regarding the consultation and publication process prior to the introduction of the new incentive into the RIIO-GT3 price control.

Special Condition 5.8 Part F: The Greenhouse Gas Emissions Calculation Methodology

Type of change: Amendment (Special Condition 5.6, Part E in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Final Determinations Reference: N/A

Decision and reasons for change

5.234 We have made minor changes to Part F to update the regulatory reporting deadlines for the RIIO-GT3 regulatory years. This condition was previously included in Special Condition 5.6, Part E.

Effect of this change

5.235 The effect of this change is to align reporting to the RIIO-GT3 reporting timelines.

Special Condition 5.8 Part G: Shrinkage Procurement Incentive (SHR_t)

Type of change: New condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

5.236 We have decided to introduce a new condition (Part G) to give effect to our Final Determinations and to calculate the shrinkage procurement incentive term (SHR_t). This term measures the licensee's performance in managing shrinkage energy procurement costs.

5.237 We have introduced new formulae for the calculation of the SHR_t value, which is capped between +2.3 and -2.3 pa and is based on the sum of daily shrinkage price incentive payments (SHIP_t) over the regulatory year. These payments reflect the difference between actual buy and sell trade prices and the reference market price, multiplied by the traded volumes.

5.238 Since the Statutory Consultation, we have:

- clarified, by adding text to the definition of DSPIPt,d,p, that daily shrinkage price incentive payments will apply only to buy and sell trades completed after 1 April 2026. This aligns the Special Condition with the Final Determinations; and
- amended the units in paragraph 5.8.32 to p/therm, as requested by National Gas, and added "by the licensee" to the definitions of the volumes and prices purchased and sold by National Gas. We have made the same modifications to the relevant definitions in Chapter 1.1 for clarity and accuracy.

Effect of this change

5.239 The effect of this change is to introduce a new Special Condition to incentivise the licensee's efficient procurement of shrinkage energy. This mechanism

Decision RIIO-3 Licence Drafting modifications - reasons and effects

ensures cost minimisation and encourages competitive trading practices in line with market benchmarks.

5.240 The changes we have made since our Statutory Consultation have improved the clarity and accuracy of this Special Condition and have aligned it with the Final Determinations.

Special Condition 5.8 Part H: Requirement to undertake work to investigate the causes of NTS Shrinkage

Type of change: Amendment (Special Condition 5.6, Part J in RIIO-GT2 licence)

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

5.241 We have amended the existing Special Condition in the RIIO-GT2 licence (SpC 5.6, Part J: Requirement to undertake work to investigate the causes of UAG and CVS) to require the licensee to report on its activities to minimise NTS Shrinkage volume from Compressor Fuel Use, UAG and CVS. This includes additional requirements when compared to the RIIO-GT2 licence, which only covered UAG and CVS.

5.242 We have decided that the NTS Shrinkage Report is published annually, by 1 June each regulatory year, instead of biannually, which is the current requirement in RIIO-GT2 licence.

Effect of this change

5.243 The effect of this condition is enhanced transparency, accountability, and continuous improvement in managing shrinkage across the gas transmission system. Changes to this licence condition will reduce regulatory reporting burden whilst providing comprehensive information on the reasons behind NTS Shrinkage volume.

Special Condition 5.8 Part I: Management of NTS Shrinkage Costs

Type of change: New Condition

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: GT Annex; Chapter 3

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

5.244 We have decided to introduce a new Part I to this Special Condition to oblige the licensee to maintain an internal NTS Shrinkage Procurement Strategy, which sets out how it will manage the procurement of NTS shrinkage energy (gas and electricity) each Regulatory Year.

5.245 The strategy must aim to minimise costs and manage risks appropriately for customers. It ensures that procurement decisions are planned and aligned with the licensee's obligations under the Act and the licence.

5.246 Additionally, the licence condition obliges the licensee to submit an independent examiner's statement at least once in every two regulatory years, confirming that the strategy has been properly applied and meets regulatory requirements. The licensee is also required to report annually to the Authority on how the NTS shrinkage strategy was implemented in the previous year and whether its objectives were achieved, particularly regarding volume.

5.247 Since the Statutory Consultation, we have replaced "giving an opinion" in paragraph 5.8.38 with "providing the outcome of a review (including providing an opinion, unless to do so would be unlawful)". This change, requested by National Gas, allows for situations in which it would be unlawful for an independent examiner to provide an opinion.

Effect of this change

5.248 The effect of this condition is to ensure that the licensee manages and procures NTS shrinkage energy efficiently and in line with its NTS shrinkage strategy.

5.249 The changes we have made since the Statutory Consultation have provided further clarity with regard to the outcome of an independent examiner's review.

Special Conditions where there is no change from RIIO-GT2

5.250 There are five conditions that we have identified in RIIO-GT2 which we have decided to retain without any amendments to the wording. Below is a list of these conditions:

- Special Condition 9.14 Prohibited procurement activities (aside from minor formatting changes following the Statutory Consultation)
- Special Condition 9.15 NTS Shortfall contribution obligations
- Special Condition 9.19 Independent market for balancing (Special Condition 9.20 in RIIO-GT2 licence)
- Special Condition 9.20 Provision of information (Special Condition 9.21 in RIIO-GT2 licence)
- Special Condition 9.21 Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing (Special Condition 9.22 in RIIO-GT2 licence).

6. Changes to Standard and Standard Special Conditions

- 6.1 This chapter explains the changes to the Standard and Standard Special licence conditions, why we are making those changes, and their effect.
- 6.2 Where any of the modifications impact other parts of the licence (e.g. the Gas Transporter Standard Conditions) we will consider how best to remedy that following this decision. For example, we may consider addressing any duplication / contradiction via a separate "housekeeping" consultation or disapplying certain conditions for particular licence holders as appropriate.

Traditional gas metering obligations

- 6.3 Traditional gas metering obligations have historically been embedded within the Gas Transporter Licence, requiring GDNs and National Gas to provide metering services under regulated conditions. These obligations were introduced to ensure continuity and consumer protection during the national smart meter rollout. With the rollout now substantially complete and the current licence conditions due to expire on 31 December 2025, we recently consulted on the most appropriate framework for the future of these metering services beyond this date. Our decision is to transition from regulated obligations to a voluntary agreement from January 2026.¹⁵ This approach aims to balance flexibility for industry participants with robust consumer protection, supporting innovation and efficiency in metering services while avoiding unnecessary regulatory burden.
- 6.4 This means that the following licence conditions will expire on 31st December 2025, and will no longer be in effect:
 - For National Gas:
 - Standard Special Condition B7. Provision of Meters
 - Standard Special Condition B8. Provision of Terms
 - Special 9.16 Restriction of prices in respect of Tariff Capped Metering Activities
 - For all other GDNs:
 - Standard Special Condition D17. Provision and Return of Meters
 - Standard Special Condition D18. Provision of Metering and Meter Reading Services
 - Special Condition 9.10 Restriction of prices in respect of Tariff Capped Metering Activities
- 6.5 With the expiry of Standard Special Conditions B7 and B8, we have also decided to remove conditions which form part of the traditional metering obligations for National Gas but do not expire. Without the obligations in B7 and B8 being active,

¹⁵ [Future of gas transporter traditional metering obligations post-2025 | Ofgem](#)

Decision RIIO-3 Licence Drafting modifications - reasons and effects

these conditions are no longer applicable to any activity undertaken by National Gas. This relates to:

- Standard Special Condition B6. Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12.
- Standard Special Condition B9. Non-discrimination in the Provision of Metering Activities.
- Standard Special Condition B10. Provision of services for specific domestic customer groups
- Standard Special Condition B11. Arrangements for access to premises
- Standard Special Condition B12. Reporting on Performance

Standard Special Condition B6 (Application of Standard Special Conditions B7, B8, B9, B10, B11 and B12)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.6 We have decided to remove this condition, as per paragraph 6.5 above.

Effect of this change

6.7 The effect of this change is the removal of the condition from the licence.

Standard Special Condition B7 (Provision of Meters)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.8 We have decided to remove this condition as per paragraphs 6.1 – 6.3 above.

Effect of this change

6.9 The effect of this change is the removal of a redundant condition from the licence.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Standard Special Condition B8 (Provision of Terms)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.10 We have decided to remove this condition as per paragraphs 6.1 – 6.3 above.

Effect of this change

6.11 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B9 (Non-discrimination in the Provision of Metering Activities)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.12 We have decided to remove this condition, as per paragraph 6.5 above.

Effect of this change

6.13 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B10 (Provision of services for specific domestic customer groups)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.14 We have decided to remove this condition, as per paragraph 6.5 above.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

6.15 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B11 (Arrangements for access to premises)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.16 We have decided to remove this condition, as per paragraph 6.5 above.

Effect of this change

6.17 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition B12 (Reporting on Performance)

Type of change: Removal

Relevant to: National Gas

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.18 We have decided to remove this condition, as per paragraph 6.5 above.

Effect of this change

6.19 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition D17 (Provision and Return of Meters)

Type of change: Removal

Relevant to: GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.20 We have decided to remove this condition as per paragraphs 6.1, 6.2 and 6.4 above.

Effect of this change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

6.21 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition D18 (Provision of Metering and Meter Reading Services)

Type of change: Removal

Relevant to: GDNs

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.22 We have decided to remove this condition as per paragraphs 6.1, 6.2 and 6.4 above.

Effect of this change

6.23 The effect of this change is the removal of a redundant condition from the licence.

Standard Special Condition A3: Definitions and Interpretation

Type of change: Amendment

Relevant to: Gas Transporters

Associated document: N/A

Final Determinations Reference: N/A

Decision and reasons for change

6.24 We have decided to make minor amendments to the definitions for 'Price Control Period' and 'Regulatory Year' in order to correct the dates to match the RIIO-3 dates.

Effect of this change

6.25 The effect of this change is that the Standard Special Conditions definitions for these terms reference the correct dates for the RIIO-3 period.

Standard Special Condition D10 (Quality of service standards)

Type of change: Amendment

Relevant to: All GDNs

Associated document: N/A

Final Determinations Reference: GD Annex; Chapter 3

Decision RIIO-3 Licence Drafting modifications - reasons and effects

Decision and reasons for change

6.26 We have decided to amend the defined term of “Land Enquiry” to “Land Enquiries” to reflect the term used in the licence text. We have also decided to define this term as having “the same meaning as “Land Enquiry” in Standard Special Condition A3”. This will improve alignment with the broader licence and provide additional clarity.

6.27 The following amendments to this licence condition relate to the Emergency Response Time Licence Obligation (ERTLO) and include:

- introducing a requirement that licensees must not retrospectively reclassify an Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency as a Controlled Gas Escape or Other Controlled Gas Emergency following its initial categorisation by the emergency telephone service. This change is intended to protect consumer safety, as we consider that some customers may struggle to assess or communicate the severity of a gas escape, or take unnecessary risks which pose a danger to themselves or others;
- providing additional clarity by introducing a defined term of Uncontrolled Gas Escape or Other Uncontrolled Gas Emergency. The term “means any gas escape which is not considered a Controlled Gas Escape or Other Controlled Gas Emergency”;
- explicitly requiring the emergency telephone service to take all reasonable steps to proactively identify Domestic Customers in Vulnerable Situations in 2(g)(b)(ii). This change is intended to ensure that consumers in vulnerable situations receive the support they need during a gas escape.
- explicitly requiring the licensee to take all reasonable steps to account for consumers’ vulnerabilities in its response to a gas escape. This change is intended to ensure that consumers in vulnerable situations receive the support they need during a gas escape;
- providing additional clarity by using the defined terms of “Domestic Customer” and “Vulnerable Situation” in 2(g)(b)(ii) and 2(h)(v);
- requiring the licensee to record a detailed identification of each gas escape event where it has exceeded the target time, and provide this to Ofgem in a timely manner on request. This change is intended to ensure consistent and comparable reporting of these gas escape events to enable greater insights and understanding of the licensee’s performance, the factors which have resulted in them failing to meet their target time, and to aid any further investigation by Ofgem (e.g. following a potential breach of the ERTLO); and
- requiring GDNs to provide an annual summary of the key issues related to emergency response delivery during the previous year, including emerging trends, and actions taken to mitigate the issues identified in future.

Additional clarity will be provided through the RIGs.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- 6.28 Following our Statutory Consultation, we have updated references in 2(g)(b)ii and 2(h)(v) from “Part D21” to “Standard Special Condition D21” to reflect the correct title of the condition referenced.
- 6.29 Following our Statutory Consultation, we have inserted “where this information is available” into 2(g)(b)ii to clarify that information on a Domestic Customer in a Vulnerable Situation may not always be available for the emergency telephone service to share with the licensee.

Effect of this change

- 6.30 By preventing retrospective downward reclassification of gas escapes, gas escapes which are initially classified as Uncontrolled will always be treated as such under the ERTLO, with a performance threshold time of 1-hour ensuring customer safety.
- 6.31 The explicit requirement for the emergency telephone service and licensee to take all reasonable steps to identify and account for consumer vulnerability respectively when responding to a gas escape aligns with Standard Special Condition D21. The addition of “where this information is available” following our Statutory Consultation clarifies that there may be circumstances where it is not possible to share this information with the licensees.
- 6.32 Compliance with the requirement for the licensee to record a detailed identification of each gas escape event where it has exceeded the relevant performance threshold would be confirmed through a statement in the RRP. We will engage with stakeholders to determine what should be included in this detailed identification, and set this out in the RIGs.

Condition 1: Definitions and Interpretation (GD/GT)

Type of change: Amendment

Relevant to: GT, GD

Associated document: Gas Transporter Standard Conditions

Final Determinations Reference: N/A

Decision and reasons for change

- 6.33 Since our Statutory Consultation and following comments made by NGT, we have decided to make minor amendments to the definitions listed in this condition, these are:
- 6.34 In the definition of “domestic premises” we have removed part a) which directed a meaning prior to January 2002, and is now deemed to be out of date.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

- 6.35 In the term “legally binding decisions of the European decision or Commission and/or the Agency” we have corrected a typo, so that it now reads “legally binding decisions of the European Commission and/or the Agency”.
- 6.36 In the definition of "retained EU law" we have corrected an error whereby the last part of the name of an act was omitted.

Effect of this change

- 6.37 The effect of these changes is that the definitions in Condition 1 of the Gas Transporter Standard Licence Conditions are corrected to be accurate.

Condition 4B: Connection Charging Methodology

Type of change: Amendment

Relevant to: GT, GD

Associated document: Gas Transporter Standard Conditions

Final Determinations Reference: GD Annex; Chapter 3; High quality of service from regulated firms; ‘Close out of the Domestic Load Connections Allowance’

Decision and reasons for change

- 6.38 Regarding the Domestic Load Connection Allowance (DLCA), we have decided to amend this condition to remove the restriction that licensees can only charge for pipe laid beyond 10 meters. This aligns with government ambitions to achieve net zero targets by facilitating more effective competition among low carbon energy options and natural gas.
- 6.39 Regarding connection charging methodology (CCM) modifications, we have decided to amend this condition to require licensees to use reasonable endeavours to give Ofgem notice of any CCM modification report which they have decided to furnish, together with a summary of the proposed modification, at least 28 days before the report is furnished. This would enable Ofgem to allocate resources to work with licensees and deliver the decisions within the statutory timeframe.
- 6.40 We have decided to slightly extend the decision-making timeframe on CCM modifications from 28 days to 30 working days where an impact assessment is not required, and from three months to four months where an impact assessment is required. This change would provide Ofgem with a more reasonable timeframe to assess and deliver decisions on CCM modifications.
- 6.41 We have decided to introduce a mechanism for Ofgem to ‘pause the clock’ if further information is required for our assessment on CCM modifications. Ofgem would ask the licensee in writing to provide such information. The purpose of this

Decision RIIO-3 Licence Drafting modifications - reasons and effects

amendment is that the new licence provision would provide opportunities for licensees to submit supplementary information as requested by Ofgem without the need to withdraw and resubmit their CCM modification reports.

Effect of this change

6.42 The effect of the changes to the DLCA licence condition is that this licence condition would allow licensees to charge customers for all the costs associated with the relevant connection.

6.43 The effect of the changes to the CCM modification process is that licensees would need to take reasonable endeavours to give advance notice to Ofgem on proposed CCM modifications and would have a slightly extended Ofgem review period. Further, licensees would need to respond to any Ofgem requests for additional information.

Standard Special Condition A37: Availability of Resources

Standard Condition B7: Availability of Resources

Type of change: Amendment

Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Decision and reasons for change

6.44 We have decided to amend this condition to include a new obligation on licensees to provide an extended version of the existing certificate related to financial resources. This measure is intended to provide the Authority with early indication of potential financial distress and to incentivise company directors to take a medium-term view of financing plans.

6.45 We have decided that the new certificate must be approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the forms specified in the licence conditions draft. This ensures consistency with the existing certificate requirements and provides legitimacy to the certificate.

6.46 We have decided that the new certificate must be accompanied by a statement of factors that licensees have taken into consideration when issuing the certificate. This must refer to financial stress tests undertaken by licensees, assumptions made in relation to access to financial markets, and information regarding credit facilities and financial covenants. This enables the Authority to have sight of potential financial distress of licensees, achieving the objectives of the financial resilience measures.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

6.47 We have also decided to include an obligation to perform stress tests prior to issuing the existing and new certificates in relation to financial resources. This is intended to make the requirement to undertake stress tests explicit rather than keep it implicit as it currently stands.

Effect of this change

6.48 This change will require licensees to provide the Authority with an annual certificate in relation to financial resources that covers the whole price control period or a minimum of three years ahead. This certificate will have to be accompanied by a statement of factors that licensees considered when issuing the certificate, as described in the above section.

6.49 Issuing this certificate to the Authority will be done in a similar process to the one that licensees have been undertaking when issuing the existing certificates captured under this condition.

Standard Special Condition A38: Credit Rating of the Licensee and Related Obligations

Standard Condition B10: Credit rating of the licensee and related obligations

Type of change: Amendment

Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Decision and reasons for change

6.50 We have decided to amend this condition to require licensees to maintain more than one investment grade issuer credit rating at all times. This measure strengthens financial resilience provisions and therefore enhances consumer protection from a regulated entity's risk of defaulting on its debt.

6.51 We have decided to require licensees to comply with the issuer credit rating definition from the current licence conditions, with ratings provided by the credit rating agencies listed in the existing A3: Definitions and interpretation.

Effect of this change

6.52 This change will require licensees to make any necessary arrangements with credit rating agencies to get at least two issuer credit ratings.

Decision RIIO-3 Licence Drafting modifications - reasons and effects

6.53 Licensees must ensure that their actions allow them to maintain an investment grade for at least two issuer credit ratings at all times.

Standard Special Condition A28: Gas Network Innovation Strategy

Type of change: Amendment

Relevant to: GT, GD

Associated document: NIA Governance Document, SIF Governance Document

Final Determinations Reference: NA

Decision and reasons for change

6.54 The licence condition remains largely the same. We have included the National Energy System Operator (NESO) to the list of ‘Interested Parties’ that companies should consult with on their Innovation Strategies. This aligns with government ambition for a single, whole-system plan and coordinated approach to achieving net zero.

6.55 We have updated licence condition terminology in line with RIIO-3, including removing references to the Network Innovation Competition (NIC) and RIIO-1 Network Innovation Allowance, as these terms will no longer be relevant in RIIO-3.

6.56 We have also made changes to align the text of this condition with the text of the version of this condition for electricity companies (Sc B16).

Effect of this change

6.57 The effect of adding NESO to the list of ‘Interested Parties’ is that companies will need to consult with this body as part of their Innovation Strategy drafting. This change will promote whole-system coordination and ensure innovation strategies support future system planning.

Condition B16: Electricity Network Innovation Strategy

Type of change: Amendment

Relevant to: ET

Associated document: NIA Governance Document, SIF Governance Document

Final Determinations Reference: N/A

Decision and reasons for change

Decision RIIO-3 Licence Drafting modifications - reasons and effects

6.58 The licence condition remains largely the same. We have made minor additions to align with the text of the version of this condition for gas companies (Sc A28), as well as changes to update in line with RIIO-3 terminology.

6.59 We have included NESO to the list of 'Interested Parties' that companies should consult with on their Innovation Strategies. This aligns with government ambition for a single, whole-system plan and coordinated approach to achieving net zero.

6.60 Parts in the text relevant to electricity distribution companies have been left intact, as they will be reviewed under ED3.

Effect of this change

6.61 The effect of adding NESO to the list of 'Interested Parties' is that companies will need to consult with this body as part of their Innovation Strategy drafting.

6.62 This change will promote whole-system coordination and ensure innovation strategies support future system planning.

Standard Special Condition A39: Indebtedness

Standard Condition B9: Indebtedness

Type of change: Amendment

Relevant to: ET, GT, GD

Associated document: N/A

Final Determinations Reference: Finance Annex; Chapter 6

Decision and reasons for change

6.63 We have decided to amend this condition to include a distributions lock-up trigger when the licensee has or, based on reasonable assumptions, is projected to have a regulatory gearing ratio (Net Debt / RAV) of 75% or higher. This change is aimed at preventing resources flowing out from the business when the licensee's finances are under pressure.

6.64 We have decided to implement this measure by adding a new circumstance in the licence conditions, alongside the existing ones, covering circumstances in which the licensee exceeds the gearing ratio as set out above. This enables the distributions lock-up trigger to achieve its intended aim.

Effect of this change

6.65 This change will limit the ability of licensees to pay out dividends / make distributions if their gearing ratio is or is projected to be 75% or higher.