



Making a positive difference
for energy consumers

To:
Electricity Transmission
Network Operators, the
Electricity System Operator, and
interested Stakeholders

Date: 2nd March 2026

Dear Company Secretaries and Stakeholders,

Proposal to modify the Regulatory Instructions and Guidance ("RIGs"), the Regulatory Reporting Pack ("RRP") and PCFM Guidance for RIIO-ET2¹

We² are proposing a number of modifications to enhance the overall functionality and improve the clarity of the accompanying guidance. These proposed changes reflect feedback received through engagement with the onshore electricity transmission (ET) licensees.

We are proposing to amend the reporting framework for ET licensees. In particular, the proposed changes relate to the following documents:

- RIIO-ET2 – excel data template (known as the Regulatory Reporting Pack, or RRP)
- RIIO-ET2 – Regulatory Instructions and Guidance (RIGs) document; and
- RIIO-ET2 – Price Control Financial Model (PCFM) Guidance.

Please find enclosed the Notice detailing our proposed changes, issued pursuant to Electricity Transmission Standard Licence Condition B15 (Regulatory Instructions and Guidance).

We propose that, should we decide to implement these changes, they would take effect from April 2026.³ For the avoidance of doubt, this means that data submitted in July 2026, covering the 2025–26 reporting year, must comply with the RRP requirements as modified in accordance with our published Decision Notice.

RIGs and RRP

The RIGs and RRP are the primary mechanisms through which we collect information from licensees on costs, volumes, allowed expenditure, and output delivery. This information enables us to monitor performance against RIIO-ET2 price control framework objectives and to hold ET licensees to account.

As part of the enclosed Notice, we are providing the following documents setting out the proposed modifications:

- RIIO-ET2 – Regulatory Reporting Pack template: Version 2.7;

¹ This is the second electricity transmission price control using the Revenue = Incentives + Innovation + Outputs (RIIO) price control model.

² References to 'the Authority', 'GEMA', 'Ofgem', 'we', 'us' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets. Ofgem is the office of the Authority which supports GEMA

³ We propose to issue a Direction to modify the RIGs on or after 31 March 2026.

- RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.10; and
- RIIO-ET2 PCFM Guidance: Version 1.4

PCFM Guidance

The PCFM Guidance provides licensees with instructions on completing the Revenue sheet inputs within the RRP. These inputs feed into the PCFM and are used to determine licensees' Allowed Revenues through the Annual Iteration Process (AIP).

Proposed Modifications

These proposed changes to the RRP, RIGs and PCFM Guidance include:

- general updates and corrections to the RRP pack and PCFM Guidance;
- amendment to the RIGs to clarify existing reporting requirements; and
- new developments in three areas requiring further information.

General RRP updates and amendment to the RIGs

We have included a small number of changes and corrections to the RRP pack, the RIGs and PCFM Guidance to clarify reporting requirements. The reason for these changes is to align the terminology and calculations within the RIGs and RRP with the RIIO-ET2 licence in order to gather the relevant data to administer and monitor the RIIO-2 price controls.

All changes to the RRP are recorded and summarised in the 'change log' within the published RRP template. All changes to the RIGs are shown as tracked changes and summarised in the published RIGs document template.

Overall, the proposed modifications aim to enhance the accuracy, consistency, and usability of the reporting materials, ensuring that the information collected continues to support effective monitoring and regulatory decision-making.

New Developments: Community Funding

One of the three new additions to the RRP and RIGs for final reporting year of the RIIO-ET2 period is the inclusion of reporting requirements for TOs that use the Community Funding (CF) mechanism. This mechanism supports a government-led policy intended to ensure that communities located near new onshore electricity transmission infrastructure receive funding for local projects and programmes, in recognition of the impacts associated with hosting this development. These benefits are intended to enhance the local economy, society, and/or environment.⁴

As the scale of new electricity transmission infrastructure increases, it is important that affected communities remain engaged and supportive. The CF mechanism plays a key role in helping to build and maintain this support, which is essential to delivering the UK's Clean Power 2030 ambitions.

Under this policy, TOs will receive funding to deliver government-defined community benefits. The expected outcome is improved community acceptance of new transmission projects, which in turn can help reduce delays and accelerate the delivery of essential electricity transmission infrastructure.

Our monitoring role in the operation of this mechanism is limited to ensuring that each TO may recover delivery costs up to a maximum of 10% of the total CF portfolio value, in line with government guidance.⁵

⁴ <https://www.gov.uk/government/publications/electricity-transmission-network-infrastructure-community-funds>

⁵ [Community funds for transmission infrastructure \(accessible webpage\) - GOV.UK](#)

The design of the RRP template and supporting RIGs requires:

- scrutiny of TOs' delivery and administrative costs, noting that administrative costs are capped at 10% in accordance with government guidance;
- reporting of costs that are based on fixed rates or calculated as a percentage of the overall project cost, in line with government guidance; and
- a supporting narrative from TOs confirming whether delivery costs across the CF portfolio remain (and are forecast to remain) below the 10% threshold, together with an explanation of any mitigation measures being implemented where costs risk exceeding this level.

The proposed change to the RRP and RIGs is intended to capture and consolidate information on the CF mechanism, associated delivery costs, and the outcomes achieved through these initiatives. The accompanying instructions for completing the relevant RRP tables are set out in the RIGs.

New Development: Advanced Procurement Mechanism (APM)

The second new addition to the RRP and RIGs is the APM. The APM was recently introduced to the RIIO framework to address current and emerging supply chain constraints that may otherwise lead to delays in project delivery or increases in project costs. By enabling TOs to secure supply chain capacity earlier in the project lifecycle, the APM reduces the risks associated with procuring key components in bulk at later stages.⁶

The mechanism provides earlier funding than would be available under existing regulatory arrangements, giving TOs greater confidence to bring forward procurement activities. Its design includes safeguards to protect consumers by limiting the risks associated with accelerating expenditure without detailed project review. Overall, the APM supports the timely delivery of critical transmission infrastructure while managing cost and delivery risks in the consumer interest.

We propose to introduce a new APM data-reporting requirement within the RRP. There are two parts to the reporting on the APM:

- The licensee must report any expenditure that they want us to consider for determination as APM Expenditure, to be reflected through an increase to the licensee's APM Allowance (APMt).
- The licensee must report when they have allocated any APM Expenditure to a project or scheme that is funded through another part of the price control, such that this is now known as APM Recovered Expenditure. This will be reflected through a reduction in the licensee's APM Allowance (APMt) to recognise that this has now been funded elsewhere.

We require this information so that allowances can be based solely on actual spend rather than forecasts, and so that allowances can be reduced when justified procurement is later attributed to a specific project elsewhere in the price control. It also enables us to confirm that APM Allowances are applied only in line with the eligibility criteria in Special Conditions 3.43 (until 31 March 2026) and 3.16 thereafter, and in the APM Governance Document. In the longer term, it will help us assess how effectively the APM supports supply-chain management and the outcomes it delivers. The enhanced data will also allow us to assess the impact of the APM on supply-chain constraints relevant to achieving net zero, and to evaluate the outcomes delivered through the mechanism.

The reporting on APM Expenditure and APM Recovered Expenditure in the RRP is mandatory as it enables us to determine the licensee's APM Allowance.

⁶ [Electricity Transmission Advanced Procurement Mechanism | Ofgem](#)

These requirements are supported by accompanying guidance set out in the RIGs. These requirements were established through the licence condition and APM Governance Document as published in June 2025.⁷

New Development: ET3 Pipeline Log

We are also proposing a third addition to the RIGs and RRP in the final reporting year of RIIO-ET2 period to introduce a Pipeline Log specifically to record information relevant to projects where a Determination has not yet been made under the Electricity Transmission Licence (RIIO-ET3 Licence) or where forthcoming RIIO-ET3 Re-opener applications are expected.

Licensees will be required to provide forecasts as far ahead as is reasonably practicable, with a particular emphasis on delivering accurate and robust information for any Re-opener submissions expected within the next 12 months.

We consider that these changes will introduce a more detailed and transparent reporting structure for Re-openers under RIIO-ET3. The enhanced visibility and granularity will improve the consistency and quality of data submitted, strengthen visibility of the Re-opener pipeline, and support more effective monitoring of future funding requirements across the price control period. We welcome stakeholders' views on this proposed addition.

We also recognise that the existing pipeline log, which is focused on RIIO-ET2 reopeners under the current RIIO-ET2 licence provisions, will become less relevant as most reopeners will have closed before the RRP submission and will have no future activity. To maintain its usefulness, we have expanded the purpose of the pipeline so that it can also be used to report any final-year RIIO-ET2 expenditure on activities carried out under the RIIO-ET2 Electricity Transmission Licence that are not captured elsewhere in the Cost and Volumes pack.

New text has been included in the guidance document to provide clarity to the licensees regarding the reporting requirements in these areas.

Accelerated Strategic Transmission Investment (ASTI)

As part of our bilateral engagement with the TOs, we have agreed to pause the development of reporting requirements associated with the Accelerated Strategic Transmission Investment (ASTI) framework.⁸

The TOs have engaged in multiple meetings over recent months; however, consensus has not yet been achieved on the requirements or on measures to reduce the complexities inherent in developing a holistic reporting structure. Further engagement is ongoing as we work to resolve these matters and navigate the wider complexities of the process.

We will therefore not implement ASTI reporting during the final year of RIIO-ET2. This pause will provide additional time to refine the reporting mechanism, including the level of data granularity and the structure of tables within the RRP and accompanying guidance. This work will help ensure that the reporting arrangements established for RIIO-ET3 support proportionate, consistent, and effective monitoring and evaluation.

Other RIIO-ET2 Updates

⁷ [Decision to modify the special licence conditions in the electricity transmission licences: Advanced Procurement Mechanism | Ofgem](#)

⁸ <https://www.ofgem.gov.uk/decision-accelerating-onshore-electricity-transmission-investment>

Minor changes have been made to the existing RRP template sheets and the corresponding RIGs instructions where applicable. These include formatting adjustments, wording clarifications, and updates to expand certain RRP templates for more granular reporting. A summary of these changes is provided in the Change Log at the front of the RRP pack. Changes to the RIGs are shown in the version of the document containing tracked changes.

We also confirm that the temporary suspension to specific data reporting requirements agreed as part of last year's update process are now removed.

RIIO-ET3 Updates

We are approaching the final year of the RIIO-2 price control period for electricity transmission, which runs until March 2026. The next price control period, RIIO-ET3, will begin in April 2026.

The RIIO-3 Final Determination has withdrawn certain delivery incentives, introduced new ones requiring fresh monitoring arrangements, and modified existing mechanisms in ways that require updates to the RRP and RIGs. We acknowledge the need to make these updates quickly so TOs have adequate time to familiarise themselves with the new requirements and update their internal systems.

This work will be guided by an approach of evolution, not revolution, maintaining consistency with the RIIO-ET2 framework and existing internal processes.

We are therefore proposing the following summary timetable for the development and implementation process:

Agenda	Timeline
TO engagement	March – May 2026
Publication of draft ET3 RRP and RIGs Consultation Notice	Summer 2026
Decision	Autumn 2026

We invite stakeholders to submit their views on our proposed modifications by close of business 30th March 2026. Details on how to respond are provided in the accompanying note.

Yours faithfully,

Anthony Mungall
Head of Monitoring and Response

Network Price Control

To: National Grid Electricity Transmission plc ("NGET")

(Company Number: 02366977)

SP Transmission Limited ("SPTL")

(Company Number: SC189126)

Scottish Hydro Electric Transmission plc ("SHET")

(Company number: SC213461)

(each one a "Licensee", and together, "the Licensees")

Notice under Part A of Standard Condition B15 (Regulatory Instructions and Guidance) ("SC B15") of the Electricity Transmission Licence (the "Licence") granted to the Licensees under section 6(1)(b) of the Electricity Act 1989 (the "Act").

The Gas and Electricity Markets Authority (the "Authority")⁹ hereby gives notice under Part A of SC B15 as follows:

Proposal to modify the Regulatory Instructions and Guidance (RIGs)

1. The Authority proposes to modify the RIGs in accordance with SC B15 of the Licence.
2. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-ET2 Final Determinations.¹⁰ Part A of SC B15 sets out the process for issuing and modifying the RIGs.
3. In accordance with SC B15, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2026 in relation to:
 - RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.10
 - RIIO-ET2 – Regulatory Reporting Template: Version 2.7; and
 - RIIO-ET2 PCFM Guidance: Version 1.4
5. The proposed modifications are summarised below:
 - General amendments to the template and guidance to correct labelling, calculation, and referencing errors.
 - Amendments to the RRP pack and the RIGs to support the collection of cost and volume data associated with projects delivered through Price Control Deliverables (PCDs), reopeners, and costs associated with network operating activities.
 - Updates to the PCFM Input Summary, Revenue Workbook Linking sheet, Opex Escalator, Output Delivery Incentives, and Licence Value tabs to ensure that formulae operate as intended and that unit references are

⁹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

¹⁰ <https://www.ofgem.gov.uk/decision/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

correct and applied consistently.

6. The purpose of the proposed modifications is to update the existing reporting requirements for Licensees and to ensure that the template and guidance are aligned with the latest Special Licence Conditions and Price Control Financial Instruments.
7. The Authority proposes that these modifications take effect from April 2026.
8. Licensees must complete and submit the reporting pack referred to above as part of the 2025/26 RIGs process.

Further information

9. The RIIO-ET2 RRP template, RIIO-ET2 RIGs document and RIIO-ET2 PCFM Guidance published alongside this notice, show the proposed modifications as incorporated.
10. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
11. Any representations on the proposed modifications must be submitted on or before close of business 30th March 2026 to Aminat.Raheem@ofgem.gov.uk
12. Our normal practice is to publish responses on our website. We prefer to receive responses in electronic format to facilitate publication. However, if you do not wish your response to be made public, you should clearly mark it as “not for publication.”.

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Anthony Mungall

**Head of Monitoring and Response
Network Price Controls**

**Duly authorised on behalf of the Authority
2 March 2026**